



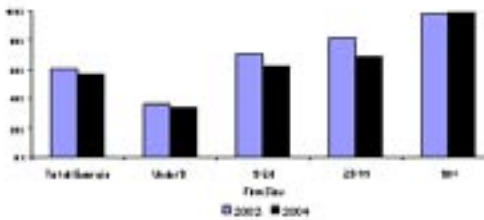
# GEORGIA HEALTHCARE COVERAGE PROJECT

## 2004 Georgia Employer Health Benefits Survey

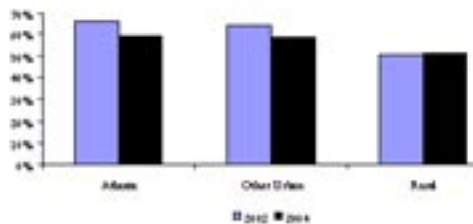
While more than 90 percent of Georgians with private health care coverage obtain it through their employer or are dependents of someone who obtains coverage through an employer, there is concern nationwide and in Georgia that the employer sponsored health insurance (ESI) system is eroding. The most recent statistics from the Current Population Survey (CPS), the most frequently cited source of information on health insurance coverage in the U.S., suggest that almost two million fewer Americans were covered by a plan linked to an employer in 2003 than in 2002, despite the fact that the under age 65 population grew by two million in the same time period.

Therefore, monitoring the rate at which Georgia employers offer health insurance benefits to employees, the cost of that coverage, and the characteristics of firms that offer - and do not offer - coverage is important to policy makers seeking to stabilize the current, private health insurance system so that as many Georgians as possible maintain health insurance coverage. This report summarizes the results of the second survey of Georgia employers undertaken by researchers at Georgia State University to provide useful information about employer sponsored health insurance in the state. The survey is a part of a larger State Pilot Planning Grant supported through the Health Resources and Services Administration. The baseline survey was conducted in the fall of 2002.

**Figure 1.**  
Which Georgia Employers Offer Health Coverage?



**Figure 2.**  
Coverage by Urban and Rural Locale



### Firm Characteristics

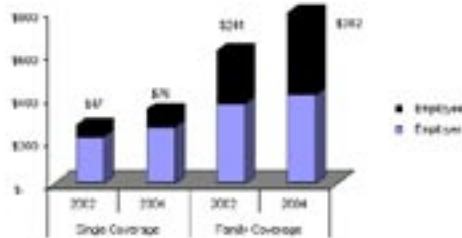
Of Georgia's 151,000 establishments, 57 percent offer at least one health insurance plan to at least some employees. This is down from 60 percent in 2002. As in 2002, it remains true that firm size is the most important predictor of whether or not an establishment offers health insurance to at least some of its employees. While 34 percent of Georgia's smallest establishments offered a plan in 2004, almost all of Georgia's largest firms offer at least one plan. Offer rates remain essentially unchanged among the largest employers in 2004. As Figure 1 demonstrates, the decline in the likelihood of offering coverage is most significant among establishments with 25 to 99 employees, down from 82 to 68 percent in just two years.

Although rural firms remain less likely to offer a plan than their urban counterparts, the erosion in offer rates in Georgia is focused on urban establishments. In Atlanta, the likelihood that an establishment offers coverage fell by seven percentage points, and in other urban locations the likelihood fell by five percentage points. In rural Georgia, the likelihood that an establishment offers coverage remains essentially unchanged since 2002 (Figure 2).



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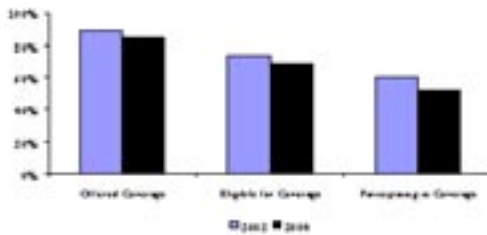
**Figure 3.**  
Average Monthly Cost of Coverage:  
Employer and Employee Share  
2002-2004



## Plan Cost

Cost is the most frequently cited reason that employers do not offer ESI. Between 2002 and 2004, the total average cost of individual ESI increased 27 percent (12 percent per year), while the cost for family coverage increased 29 percent (14 percent per year). The employee share for either type plan, though, increased 59 percent (26 percent per year), demonstrating that employers are shifting an ever increasing share of the cost of coverage onto employees (Figure 3).

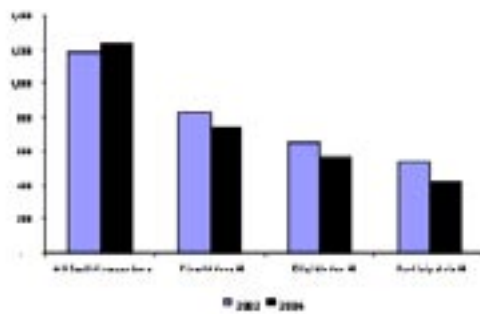
**Figure 4.**  
Percent of All Workers Offered, Eligible,  
and Participating in Coverage



## Coverage of Georgia Workers

How does this translate into coverage of Georgia workers? In order to answer this question, we must consider first how many workers are employed at firms that offer coverage. However, not all workers at such firms are actually eligible for coverage, since workers may be excluded from eligibility for a variety of reasons. Many firms exclude part-time workers from eligibility for coverage. Firms may also have exclusionary periods that restrict workers from eligibility for coverage during an initial phase of employment. Other workers are ineligible because they are classified as temporary or seasonal workers. Finally, not all workers who are eligible to participate in coverage opt to do so, especially since most coverage is contributory in nature. Given the high number of dual worker families, many workers elect not to participate in an offered plan because they have an alternative source of coverage. However, there is some evidence of an increasing number of workers who elect not to participate in coverage for which they are eligible, choosing to remain uninsured.

**Figure 5.**  
Workers (in 000s) Offered, Eligible, and  
Participating in ESI among Small Firm  
Workers in Georgia



In 2002, 89 percent of all employees worked at establishments that offered health insurance, but by 2004 that share fell to 85 percent of all private sector workers (Figure 4). The combined declines in offer, eligibility, and participation rates reflect 300,000 fewer workers with ESI in their own names. Some of the decline in eligibility results from an increase in the part-time labor force, which is estimated to have grown from over 400,000 to just over 600,000 workers in the two-year period.

When we compare offer, eligibility, and participation between 2002 and 2004 for workers in small firms (those with fewer than 100 employees), we see that the decline in coverage has resulted in 117,000 fewer small firm workers with coverage, despite the fact that the small firm work force grew by 47,000 workers in the same time period (Figure 5).

## Part-Time Workers

On average, Georgia employers consider any employee working fewer than 35 hours per-week to be part-time. The percent of part-time workers in firms that offer coverage has remained relatively unchanged from 2002 to 2004; however, the percent of part-time workers in firms where part-time workers are eligible for coverage has actually increased. Further examination, though, reveals that this change is driven by large firms. For part-time employees in small firms, the likelihood that they are eligible for insurance benefits has declined (Figure 6).

## Average Monthly Wages

We measure average monthly wages at the firm as total reported wages divided by total workers employed during the reporting period (3rd quarter 2001 and 2003 respectively). Overall, average wages were relatively stagnant between 2002 and 2004 (Figure 7). Across all firms represented in this study, average wages grew only one percent between 2002 and 2004, while among small firms wages increased an average of five percent (2.3 percent annually). The overall economic conditions, along with an increase in part-time labor, may explain total wage stagnation.

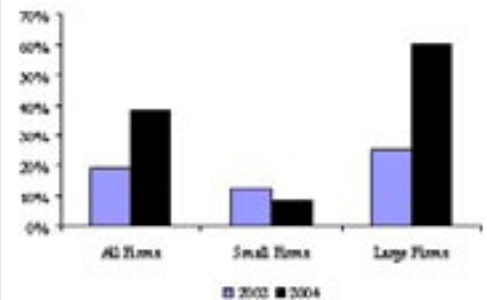
The data reveal a relationship between firms that offer ESI and wage growth. While average wages at firms that do not offer health insurance increased substantially between 2002 and 2004, average wages at firms offering health insurance benefits actually declined over the two-year period of this study. This finding is strong evidence that workers bear the full cost of their employment-based health insurance, regardless of how much of the premium is paid by the employer.

## Other Benefits:

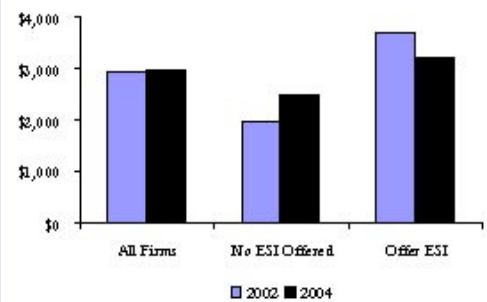
Among small firms, the declining likelihood that a firm offers health insurance appears to be linked to a slight decline in the offer rates for some other benefits. The likelihood that a worker at a small firm is offered a retirement benefit, life insurance, disability insurance, tuition reimbursement, or an employee assistance program has declined slightly since 2002. On the other hand, the probability that a worker can opt for a flexible work schedule has increased slightly among small firm workers. And, despite the aging of the population and discussion in the popular press of the burden associated with long term care, only three percent of firms offer long-term care insurance, essentially unchanged from 2002.

Holidays, sick leave, or vacation are still the most common benefits offered by small firms that do not offer ESI (70%), though small firms that do offer ESI are still more likely to offer paid holidays, sick leave, or vacation (96%). As in 2002, firms that do not offer ESI are more likely to offer a flexible schedule (32%) than firms that do offer ESI (29%).

**Figure 6.**  
Firms Where Health Insurance is Offered to Part-Time Workers 2002-2004



**Figure 7.**  
Average Monthly Wages 2002-2004





# GEORGIA HEALTHCARE COVERAGE PROJECT

## Conclusion

The decline in the reported share of firms offering employer sponsored health insurance for at least some of their workers, combined with the decline in the number of workers eligible and participating in offered coverage, are cause for concern. Although some of the workers who are not offered, eligible, or participating in their own employers' plans may have alternative sources of health insurance, some of them are likely to join the growing ranks of the uninsured. Previous research from population surveys has suggested that declines in employer sponsored coverage are primarily attributable to declining take-up rates among workers who are offered coverage. While take-up rates are indeed declining, this research suggests that offer and eligibility losses are equal contributors to the decline in employer sponsored health insurance.

Although this study focuses on employers and their employees, it has implications for all Georgians. If costs continue to grow at the rate found during this study period, the number of uninsured workers is likely to continue to grow in the future. Of particular concern is the reported increase in the contributions required for family coverage. Employees are paying almost \$1,700 more annually for family coverage in 2004 than in 2002. If workers drop family coverage in favor of employee-only coverage or no insurance at all, we will see growing numbers of uninsured Georgians, particularly children. The burden of paying for the cost of caring for these individuals will fall on tax payers through public insurance programs, on those with coverage or who pay out-of-pocket through higher prices for health care services, and on the uninsured themselves who will forgo or delay needed care.

## About the State Planning Grant

Georgia is one of only nine states selected for a federal grant from the Health Resources and Services Administration, U.S. Department of Health and Human Services to design pilot programs that make health insurance more available and affordable throughout the state. This pilot planning grant allows four communities across the state to develop public/private partnerships that support the power of community and positively impact the number of uninsured in their region. Four communities - Dalton, Brunswick, Macon and Atlanta – are selected for pilot planning and programming. These communities are chosen because of their proven success in using the power of community to improve health through their successful safety net collaboratives.

## Survey Methods

Information was gathered from a representative sample of the over 150,000 private sector employers in Georgia who employed almost 3.5 million workers during the last quarter of 2003. Over 1,700 Georgia establishments responded to the mailed survey between November 2004 and January 2005. Employers could respond by mail or through a web-based response option. The sample was designed to focus on collecting information about coverage options offered by Georgia's smaller employers – those with fewer than 100 employees. Over 116,000 such establishments in the state employ 1.2 million workers, and it is among these establishments that coverage is declining most rapidly.

*For more information, please contact: the Georgia Health Policy Center at (404) 463-9337*

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