



# New Hampshire Employer Based Health Insurance Coverage

*Issue Brief 2002*

Job-related health insurance plays a central role in covering New Hampshire families. Approximately 80 percent of the state's non-elderly population have employer-based health insurance. In the summer of 2001, the Department of Health and Human Services conducted a telephone poll of 642 New Hampshire businesses. Sponsored by a Health Resources Services Administration grant, the survey interviewed a cross section of businesses, including large and small firms, franchises, branch locations and the self-employed. Educational organizations and government agencies were excluded from the survey. The survey was designed to estimate workers' access to job-related health insurance, and to increase the understanding of how changes in the health care costs could affect businesses' decisions to offer insurance coverage to employees and their families. This issue brief presents the key initial findings. It is important to note that this data reflects almost ideal conditions: a booming economy, a labor shortage and moderate increases in health insurance costs. Since September 11<sup>th</sup>, the recession has taken hold and health care costs have risen dramatically. The picture today is probably much less optimistic than when the data was collected.

❖ **New Hampshire Businesses play a strong role in providing insurance coverage.**

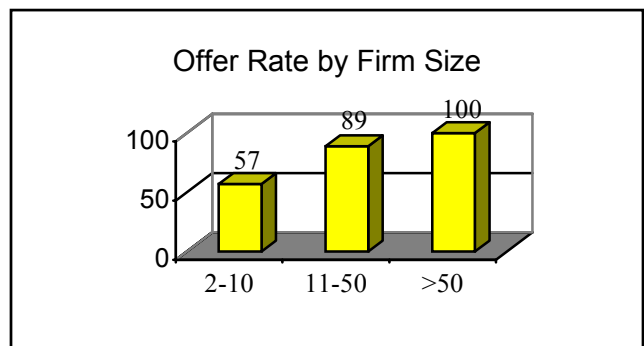
A recent national analysis indicated that approximately 58 percent of employers offered insurance to at least some of their employees<sup>i</sup>. In New Hampshire, 71 percent<sup>ii</sup> of firms offered coverage to at least some of their employees. Consistent with previous findings on the uninsured<sup>iii</sup>, this survey indicates NH businesses play a very strong role in providing insurance coverage to New Hampshire citizens.

❖ **Not all individuals in firms that offer insurance coverage are eligible for that insurance.**

Businesses offering health insurance have eligibility requirements for company benefits that limit access to employer sponsored coverage. 23 percent of New Hampshire uninsured workers are ineligible to purchase coverage through their employer's health plans because of the length of employment, number of hours worked or specific medical conditions.

❖ **The smaller the firm, the less likely it is that the firm will offer health coverage.**

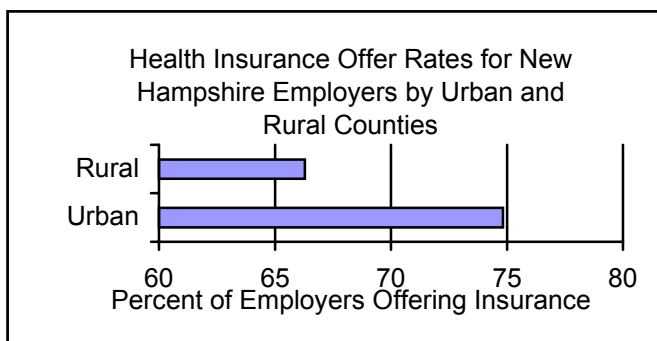
Approximately 57% of firms with 10 or fewer employees offer health insurance coverage compared to 89% in firms with between 11 and 50 employees, and all firms with greater than 50 employees. Lack of financial resources to purchase coverage is identified as the major reason for businesses that do not offer coverage for their employees.



❖ **Rural employers are less likely to offer insurance to employees than their urban counterparts.**

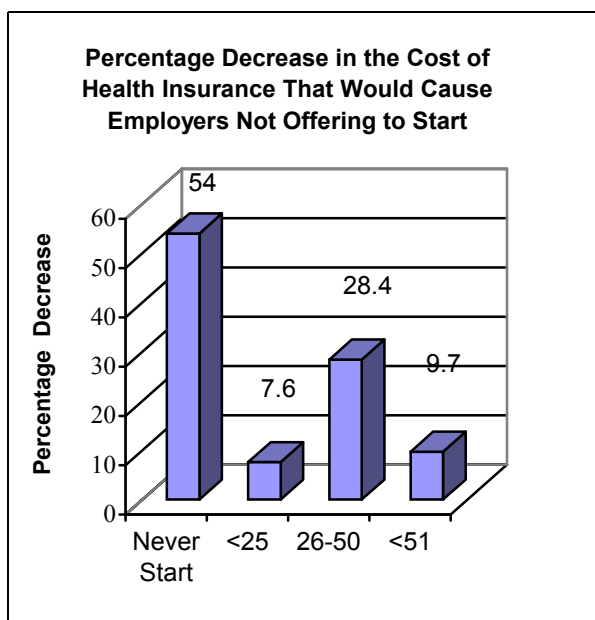
66 percent of the firms in rural counties offer health insurance compared to 75 percent in urban counties.

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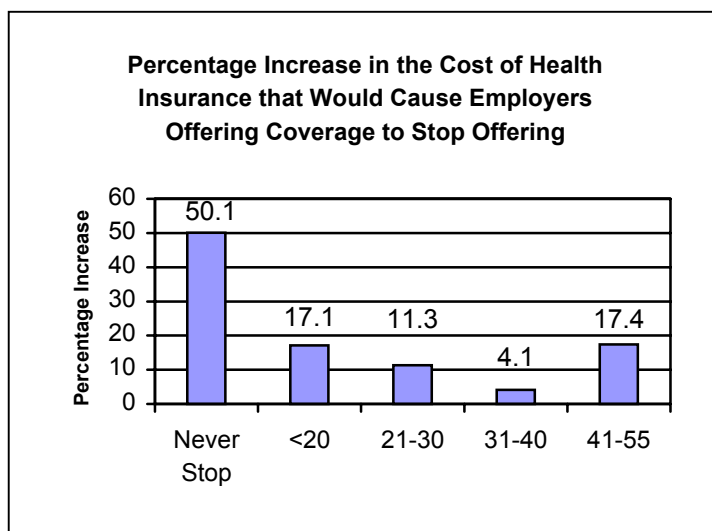
❖ **Substantial reductions in premiums are necessary to induce employers to offer insurance coverage.**

54 percent of the firms that do not offer insurance said they would never offer coverage. More than one-third not offering coverage indicated that premiums would have to be reduced by 50 percent or more before they would provide health insurance. In other words, it would be extremely difficult to induce nearly 90 percent of the employers not offering health insurance to start.



❖ **Major premium increases may jeopardize employer based insurance coverage.**

Most of the businesses offering health insurance have a strong commitment to making this benefit available to their employees. More than 50 percent of firms offering insurance coverage indicated they would never stop offering coverage to their employees. 34 percent would continue to provide health insurance even if premiums rose more than 20 percent. However, 17 percent of the firms state that they would stop offering health insurance if premiums increased from 10 to 20 percent. The recent increases in insurance premiums will cause great concerns for these employers.



## Future Challenges

Numerous national studies have documented the widespread impact of the uninsured on both individuals and communities. Lack of insurance benefits results in health care access problems for individuals<sup>iv</sup> and makes health care providers who provide care for the uninsured fiscally vulnerable.<sup>v</sup> Additionally, businesses bear a significant portion of the burden of the uninsured. Providers shift most of the cost for caring for the uninsured onto

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individuals with private employer based insurance by increasing the charges to these patients.<sup>vi</sup> Ironically, this cost-shifting behavior and resultant increases in premiums could alter employer offer decisions and ultimately increase the pool of uninsured individuals.

These dynamics, and the critical role NH businesses play in health care coverage in the state, make policies protecting employer sponsored insurance coverage critical to the future health of New Hampshire citizens. While the factors contributing to employers' offer rates are complex, these results suggest that efforts to expand existing private coverage will be very difficult. However, great attention should be focused on how to retain the participation of the firms that could drop coverage if their premiums increased 10 to 20 percent.

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<sup>i</sup> *Health Insurance Component Analytical Tool (MEPSnet/IC)*. January 2001. Agency for Healthcare Research and Quality, Rockville, MD.

<http://www.meps.ahrq.gov/mepsnet/IC/MEPSnetIC.asp>

<sup>ii</sup> Includes the self-employed consistent with New Hampshire's definition of the small group market. Other states may not define their small group market accordingly.

<sup>iii</sup> Health Insurance Coverage in New Hampshire, Issue Brief 1999, New Hampshire Department of Health and Human Services, Office of Health Planning and Medicaid.

<sup>iv</sup> Hoffman, C. and A. Schlobohm. Uninsured in America: A Chart Book. The Kaiser Commission on Medicaid and the Uninsured. May 2000.

<sup>v</sup> Norton, S. and D. Lipson. "Public, Policy, Market Forces, and the Viability of Safety Net Providers." Occasional Paper Number 13. The Urban Institute. September, 1998.

<sup>vi</sup> Cost shifting results from public program reimbursement levels as well. And though this issue is important to understanding changes in the health care market, a discussion of this is beyond the scope of this fact sheet.