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Employers' Role in Providing Health Insurance in New Jersey

**Senate Health, Human Services and Senior Citizens and
Labor Committees**

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Chairman Vitale, Chairman Sweeney and Committee members, thank you for the opportunity to speak to you today on the role of private employers in providing health insurance coverage in New Jersey.

I am a professor of public policy at Rutgers University and director of the Rutgers Center for State Health Policy. The Center was established in 1999 within the University's Institute for Health to inform, support, and stimulate sound and creative state health policy in New Jersey and around the nation.

The Center for State Health Policy has had the privilege of working with the New Jersey Legislature and state agencies to address pressing health policy concerns. We have an active portfolio of studies and projects to identify ways to expand access to affordable health insurance coverage in the state.

Today, I will draw on the Center's work to paint a picture of employer-sponsored coverage in New Jersey for the Committee as you consider the role of large firms in providing coverage to low-wage workers. To do this, I will draw on work supported by the Robert Wood Johnson Foundation and through the New Jersey Department of Human Services (DHS) under a federally funded *State Planning Grant on Health Insurance Coverage*. The Center is working closely with DHS and the state Departments of Health & Senior Services and Banking & Insurance under the State Planning Grant.

The Uninsured in New Jersey

About 1.3 million New Jersey residents do not have health insurance coverage.¹ This represents 15% of our population, compared to a national uninsured rate of 16%. Because New Jersey is a high-wage state with a robust labor market, more people here have access to employer coverage than in most other states. Seventy-one percent of non-elderly New Jersey residents have employer coverage, considerably higher than the national average of 61%.

While employers are the predominant source of health insurance for the non-elderly, there are still major gaps in this form of coverage. Nearly three out of four

¹ Descriptive data on the uninsured are drawn from the March 2004 and 2005 Current Population Survey analyzed by the Urban Institute and available at www.statehealthfacts.org.

uninsured New Jersey residents live in families with at least one full-time worker; and an additional one in ten uninsured live in families with only part-time workers.

The uninsured are largely low-wage workers and their dependents. Members of poor and near-poor families (that is those below twice the federal poverty level) have more than double the likelihood of lacking health insurance coverage as those with higher incomes. Nearly 60% of New Jersey's uninsured are below twice the poverty line compared to less than a third of the state's overall population below that income level.

Role of Employers

It is well documented that small businesses are much less likely to offer health insurance to their workers than large firms.² In New Jersey, just under half of private-sector employment establishments with 10 or fewer workers offer coverage, compared to 97% of establishments with 1,000 or more workers. It is noteworthy that New Jersey's small firms are much more likely than the national average to offer coverage -- 46% of firms under 10 in NJ offer coverage compared to 36% among such firms nationally -- but the offer rate among firms of 100 or more in New Jersey is slightly below the national average.

Although small firms are least likely to offer coverage, workers in large firms make up a large and growing share of the uninsured. A recent study by The Commonwealth Fund showed that the proportion of uninsured workers employed in firms of 500 or more rose from a quarter in 1987 to a third in 2001.³ This study examined the causes of the rise of uninsured workers in large firms, concluding that about 60% of the growth nationally can be attributed to the decline in manufacturing jobs and lower rates of unionization. Other factors include stagnant wage growth in large firms and the rise in the number of large firms that are made up of many small establishments which face higher health insurance costs.

Role of Public Coverage

The decline in private coverage of low-wage workers and their dependents has been offset, in part, by expansions of public coverage. New Jersey has invested generously in public coverage through Medicaid and NJ FamilyCare. In fact, New Jersey has the highest income-eligibility in the children's health insurance program in the nation and is one of only a few states that permit parents to enroll. However, generous income eligibility criteria may have an unintended consequence. Such generosity may lead workers with access to employer-sponsored coverage to substitute public insurance for their work-related coverage. Such "crowd-out" of private coverage is frequently cited as a real problem confronting public insurance expansions, although researchers have not reached consensus about its magnitude.

Private health insurance coverage is financially out of reach for families of low-income workers. New Jersey has taken important steps to create affordable options, including public program expansions and extending eligibility for private group dependent coverage to many adult children through age 30. Ultimately, however, the

² Data on employer health insurance offers is drawn from the Medical Expenditure Panel Survey-Insurance Component available at www.ahrq.meps.gov.

³ See S Glied, JM Lambrew, and S Little. "The Growing Share of Uninsured Workers Employed by Large Firms." October 2004. New York: The Commonwealth Fund. http://www.cmwf.org/usr_doc/glied_largefirms_672.pdf.

question of the degree to which the private or public sectors should bear responsibility for financing coverage of these workers is a difficult one.

In summary, employers in New Jersey are the predominant source of coverage for non-elderly residents, yet the medically uninsured consist largely of low-wage workers and their families. Recent work on the national level has shown that the number of workers in large firms who lack health coverage is growing. While public insurance expansions have helped provide coverage for these workers, addressing the growing problem of access to affordable health insurance for this group remains a challenge.

Once again, thank you for the opportunity to discuss this important issue. I would be happy to address any questions that you may have.