

The Cost of Failure to Enact Health Reform: 2010 - 2020

Cost to Employers and Effect on Employer Sponsored Insurance (ESI)

In a report from the [Robert Wood Johnson Foundation](#), analysts at the [Urban Institute](#) used their Health Insurance Policy Simulation Model to assess the changes in coverage patterns and health care costs that would occur nationally from 2010 to 2020 in the event that major reforms are not enacted. The study examined three alternative scenarios:

1. **Worst case** – continuing high levels of unemployment; slow growth in incomes; high growth rates for health care costs;
2. **Intermediate case** – somewhat faster growth in incomes, but a lower growth rate for health care costs; and
3. **Best case** – full employment; faster income growth; even slower growth in health care costs.

Under all three economic scenarios, the analysis finds that employer spending on health care would skyrocket, and for employers who continue to offer health insurance benefits, an increasing amount of the costs would likely be passed on to workers. Specifically, the researchers explored the following questions on the effects that failure to reform the health care system would have on employer health care costs and employer-sponsored health insurance coverage in this country:

How many people would have employer-sponsored insurance (ESI) in 2015 and 2020?

- **The percent with employer-sponsored coverage would fall.** In all three economic scenarios, there is a decline in ESI coverage rates. The ESI rate would fall from 56 percent in 2010 to 48 percent in 2020 in the worst case and to 53 percent in the best case.

What would happen to employer spending on health insurance premiums?

- **Employers would experience large increases in spending.** Under all three scenarios there would be substantial increases in employer premium spending, despite decreases in ESI coverage. The research estimates that employer spending on premiums would increase from \$430 billion in 2010 to \$851 billion in 2020 in the worst case scenario and \$719 billion in the best case.¹ Employer spending would increase even more if employers continued to offer coverage at the same rate they do now.
- **Premiums would become increasingly expensive for employers and their workers.** Premiums for both single and family policies would more than double by 2020, increasing from \$4,800 to \$10,300 for single policies and from \$12,100 to \$25,600 for family policies. Even in the best case, single premiums would rise to \$7,800 and family premiums would rise to \$19,500 by 2020.

To what extent would workers continue to have access to health benefits through their jobs?

- **Offers of coverage would fall significantly for workers in small and medium firms.** Workers in small firms would see offer rates almost cut in half, dropping from 41 percent to 23 percent in the worst case in 2020. Workers in medium-size firms would see offer rates fall from 90 percent to 75 percent.
- **Large firms would mostly continue offering coverage, but the burden of that coverage would rise.** Offer rates for workers in large firms would hold steady at 99 percent in the best case, but fall slightly to 98 percent in the worst case in 2020. However, premiums would increase considerably by 2020 in both cases, thus increasing the economic burden of employer coverage. Growing health insurance costs would limit potential wage increases for these workers.

For more information or to read the full report, log on to www.rwjf.org/reform.