

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-3625

April 22, 2009

FC-8

Health Reform in the 21st Century: Employer Sponsored Insurance

House Ways and Means Chairman Charles B. Rangel (D-NY) announced today that the Committee will hold another hearing in the series on health reform. This hearing will focus on employer-sponsored insurance. **The hearing will take place at 10:00 a.m. on Wednesday, April 29, 2009, in the main committee hearing room, 1100 Longworth House Office Building.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND

Nearly 160 million people receive health benefits through their employer, making it the predominant form of health coverage in America. Employer-sponsored insurance expanded significantly during World War II as a way for employers to provide extra benefits to compete for scarce workers when the National War Labor Board (NWLB) froze wages. Clarifications of the Internal Revenue Code in the 1940s and 1950s established that employer-provided health insurance coverage is excludible from an employee's taxable income. As a result, the number of employers offering coverage and the number of people receiving health coverage at their place of employment grew. While the rate of employer-sponsored coverage has dropped in recent years and millions of workers are not eligible for coverage offered by their employers, it is still the primary source of coverage for nearly 63 percent of individuals under age 65.¹ It is also a stable source of coverage for millions, with 98 percent of firms with more than 200 workers consistently offering coverage for the past ten years.²

One advantage of employer-sponsored insurance is that workplaces pool large groups of people irrespective of health status, in order to balance the health risk of employees. Small businesses and their employees do not have the same advantage of large risk pools, tend to have higher administrative costs than large employers, and are exposed to premiums that can vary greatly from year to year. As a result, large firms are more likely to offer coverage than small firms,

¹ Gould, Elise, "The Erosion of Employer-Sponsored Health Insurance: Declines continue for the seventh year running", EPI Briefing Paper # 223, October 9, 2008.

² 2008 Kaiser/HRET Employer Health Benefits Survey, Exhibit 2.2.

with an estimated 99 percent of firms with 200 or more employees offering coverage as compared to 62 percent of firms with 3 to 199 employees.³

A challenge for employer-sponsored health insurance is that costs have risen faster than inflation or wages. Between 2001 and 2007, premiums for employer-sponsored health insurance rose 78 percent, while general inflation increased at a rate of 17 percent and workers' earnings increased at a rate of 19 percent over the same time period.⁴ These rising costs have forced some employers to reduce, alter or eliminate their offerings. Workers that still have offers for coverage from their employers must shoulder an increasing share of the cost. From 2006 to 2008, the percentage of workers facing deductibles of \$1,000 or more increased from ten percent to 18 percent. A higher rate of individuals working in firms with less than 200 employees saw this rise in deductibles, with employees facing deductibles of \$1,000 or more growing from 16 percent to 35 percent.⁵

To minimize disruption for the overwhelming majority of those with private coverage today, health reform must preserve and encourage employer-sponsored insurance. In addition, reform must help slow the rise in health costs for all health care purchasers, including employers and individuals, through delivery and payment system reform proposals, as well as other reforms.

In announcing the hearing, Chairman Rangel said, **“A healthier American workforce is a more competitive workforce in the global marketplace. Health reform efforts need to build on, and strengthen, employer-sponsored insurance, which provides coverage for approximately 160 million people in working families. American businesses should be lining up to help comprehensive health reform become a reality so that we can ensure that everyone has affordable care that meets their needs and work to reduce the rate of spending and control health care costs to enable economic growth.”**

FOCUS OF THE HEARING:

The hearing will focus on trends in employer-sponsored health insurance and strategies to strengthen and build upon job-based coverage.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select **“Committee Hearings”**. Select the hearing for which you would like to submit, and click on the link entitled, **“Click here to provide a submission for the record.”** Once you have followed the online instructions, complete all informational forms and click “submit” on the final page. **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **Wednesday, May 13, 2009**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse

³ Kaiser Family Foundation, “Employer Sponsored Health Insurance – A Comparison of the Availability and Cost of Coverage for Workers in Small Firms and Large Firms”, November 2008.

³ Kaiser Family Foundation, “Wages and Benefits: A Long-Term View,” February 2008.

⁴2008 Kaiser/HRET Employer Health Benefits Survey, Exhibit 7.6.

sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.