

Job-Based Health Coverage And the Affordable Care Act: Why the Law Won't Cause Employers to Drop Coverage

What You Should Know about Employer Coverage Under the Affordable Care Act

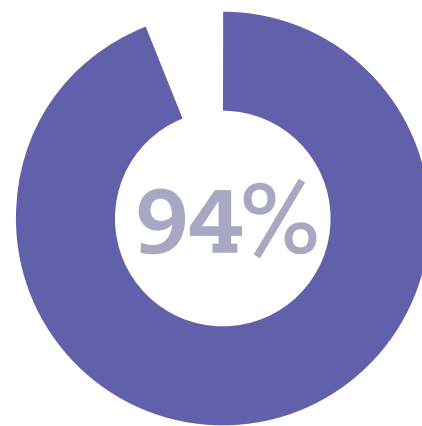
- Employers that offer coverage will continue to do so
- Offering coverage is in employers' interests
- The Affordable Care Act will help small employers offer coverage
- Not covering employees shifts costs to the government, families, and other businesses

The Affordable Care Act seeks to protect employees by requiring that businesses with 50 or more employees offer affordable coverage to their workers. If they don't, they may face a penalty. Opponents of the law say that employers will accept the penalty and leave their employees to purchase coverage on their own. This fact sheet refutes this myth and shows why it is both smart and affordable for employers to offer job-based coverage.

Employers That Offer Health Coverage Will Continue to Do So

Ninety-eight percent of businesses with 200 or more workers and 94 percent of businesses with 50 to 199 workers offered insurance to their employees in 2012.¹

Employers have overwhelmingly said that they are unlikely to change their policy of offering coverage for their employees under the Affordable Care Act.



Percent of employers that "definitely will" or are "very likely" to continue offering coverage to their workers in 2014.²

- A recent study demonstrated that 94 percent of employers "definitely will" or are "very likely" to continue offering coverage to their workers in 2014.²
- Another study found that 82 percent of employers with 100 to 199 workers and 95 percent of employers with 1,000 to 2,499 workers do not anticipate dropping health insurance in the next one to three years.³

Offering Coverage Is in Employers' Interests

- Businesses want a productive, healthy, and happy workforce. Offering coverage helps ensure that workers have access to affordable health care, which keeps workers healthy and satisfied at their job.

When employers with 50 or more workers were asked in a survey to select important reasons for offering health insurance to their employees, 80 percent of employers selected to “improve morale and satisfaction” and 67 percent selected to “improve health and productivity, reduce absenteeism.”⁴

- Offering insurance helps employers keep current workers and recruit new workers, maintaining their competitiveness with other employers in their field.

Eighty-seven percent of the employers in the survey described in the previous bullet selected to “retain good employees” as an important reason for offering health insurance, and 83 percent selected to “attract desired/effective employees” as an important reason.⁵

- Employers care about their employees and want to do the right thing by helping them gain access to health coverage. This is a strong motivator for employers to offer health insurance to their workers.

The Affordable Care Act Will Help Small Employers Offer Coverage

Many small businesses don't offer insurance to their employees, largely because they have found coverage too expensive.⁶ This is especially true for the smallest businesses, which are the least likely to insure their workers.⁷ Fortunately, the Affordable Care Act has provisions that will make it easier for small businesses to offer this important employee benefit.

- Under the Affordable Care Act, many small employers are now eligible to receive a tax credit to pay for up to 35 percent of the cost of coverage for their workers. In 2014, the size of the credit will increase to 50 percent for small businesses.
- Starting in 2014, new health insurance marketplaces (also referred to as “exchanges”) will be up and running in every state, allowing employers to easily provide high-quality, affordable health plans for their workers. In these marketplaces, small employers and their workers will be able to view comparable and clear information on benefits and costs for each insurance plan so that they can find the policy that best meets their needs.
- Also, starting in 2014, when small businesses provide coverage for their workers, insurers will be prohibited from charging them higher rates if their workers have pre-existing health conditions. This will make coverage more affordable for both the owners and the employees of small businesses.

Not Covering Employees Shifts Costs to the Government, Families, and Other Businesses

- Employers that don't offer coverage may cause their employees to have limited access to insurance or to have to rely on public programs.
- In many cases, when workers who aren't covered through their job and are uninsured get sick, their first response is to avoid or delay seeking care due to the cost. As a result, when they do seek care, they often have developed avoidable conditions or complications, which are more expensive to treat.
- While uninsured people do pay a portion of their medical bills out of their own pockets, it is often at tremendous sacrifice. Costs they can't afford are paid, in part, through government programs or are shifted to insurers in the form of higher charges for health services. These higher charges are then passed on to families and businesses as higher premiums. The impact of this cycle on premiums for insured families is estimated at more than \$1,000 per year. (See Families USA's report, *Hidden Health Tax: Americans Pay a Premium*, available online at familiesusa2.org/assets/pdfs/hidden-health-tax.pdf).

The Affordable Care Act

What the Law Says about Employer Responsibility

- Under the Affordable Care Act, employers with 50 or more full-time equivalent employees face penalties if they don't offer affordable insurance to their employees. More specifically, they face penalties if they don't offer coverage to their full-time employees or if they offer coverage that is unaffordable and at least one full-time employee receives a tax credit towards their premium in the exchange.
- Employers with fewer than 50 full-time equivalent employees will not face any penalties if they do not offer coverage for their full-time employees.

Endnotes

¹ Kaiser Family Foundation and the Health Research and Educational Trust, *Employer Health Benefits: 2012 Annual Survey* (Washington: Kaiser Family Foundation, September 2012), available online at <http://ehbs.kff.org/pdf/2012/8345.pdf>.

² International Foundation of Employee Benefit Plans, *2013 Employer-Sponsored Health Care: ACA's Impact* (Brookfield, Wisconsin: International Foundation of Employee Benefit Plans, May 2013), available online at <http://www.ifebp.org/pdf/research/2103ACAImpactSurvey.pdf>.

³ Deloitte, *2012 Deloitte Survey of U.S. Employers: Opinions about the U.S. Health Care System and Plans for Employee Health Benefits* (Washington: Deloitte, July 2012), available online at http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_dchs_employee_survey_072512.pdf.

⁴ Deloitte, op. cit.

⁵ Ibid.

⁶ Kaiser Family Foundation and the Health Research and Educational Trust, op. cit.

⁷ Ibid.

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This fact sheet was updated on May 23, 2013, to reflect new survey data from the International Foundation of Employee Benefit Plans. The percentage of employers that “definitely will” or are “very likely” to continue offering coverage in 2014 changed from from 84 percent to 94 percent.