



Health Care

Senate Committee on
Finance

April 19, 2016

Re: Miscellaneous Tax Bill, Employer Assessment

The current system that relies on business to be the provider of health insurance results in uneven coverage for employees and an uneven playing field for employers. VBSR believes that any new system should not penalize those employers who have taken on this responsibility, but rather should recognize the value of that contribution.

VBSR supports a health care system that:

- Supplies universal coverage of all Vermonters.
- Cuts unnecessary waste and spending from the system.
- Decouples employment and insurance.
- Is funded fairly and sustainably through progressive taxation.

What VBSR members are experiencing with health insurance costs:ⁱ

- 38% of members are paying upward of 10% of payroll for employee health insurance;
- 26% of members pay between 11-20% of payroll;
- 13% are paying 21-30% of payroll for employee health insurance

Nationally, the average annual health insurance premium for one employee is \$6,251 – workers pay on average \$1,071. The average annual family

premium is \$17,545, with workers paying about \$4,955.ⁱⁱ

Employer-sponsored health insurance is unsustainable, unfair, and bad for our economy.

The employer-sponsored health insurance system is a product of the United States tax code during World War 2 – government wage controls led to businesses finding new tax-free ways of compensating employees.

Drawbacks of employer-sponsored health insurance system:

- Limits business entrepreneurship and employee mobility between jobs.
- High administrative costs for businesses providing the benefit.
- Inequitable sharing of costs between businesses.
- Large segments of the population remain uncovered.

Approximately 70% of United States residents were covered through employer plans during the 1960s.ⁱⁱⁱ 2015 RAND analysis suggests the same trend is occurring in Vermont.

- 307,032 Vermonters got health insurance through their jobs in 2012 (49% of residents).
- 285,345 Vermonters estimated will get health insurance through their jobs in 2017 (45% of residents).

Meanwhile, Vermont's Medicaid eligible population is increasing.

- 85,000 Vermonters on Medicaid/Dr. Dynasaur in 2012.
- 134,096 Vermonters estimated on Medicaid/Dr. Dynasaur in 2017^{iv}

Businesses paying for health insurance are subsidizing businesses not paying for it.

"In our view, under the current system, companies like Danforth who provide health insurance for their employees are also paying for part of the health care for the employees at companies that don't provide health insurance, which is both unfair and expensive."

- Bram Kleppner, CEO, Danforth Pewter

This unfair business-to-business subsidy occurs in the following ways:

- Employees at companies not offering health insurance may be on their spouse's insurance via a family plan. Companies offering family plans are often subsidizing companies that do not offer any health plans.
- Employees at companies not offering health insurance may be on Medicaid, funded partly through the cost shift to private insurance from government underfunding.
- Uninsured employees may get their care through the ER, the cost of which the hospital passes on to the insurance companies who then pass it on to companies that offer health insurance through increased rates.

The Employer Assessment is a modest attempt at parity between employers.

Outside of broad system-wide changes to Vermont's health care system, VBSR sees the Employer Assessment as an attempt to level the playing field for employers.

"Cx Associates supports taking measures to level the playing field so that we are not subsidizing the health care costs of Vermonters employed by other Vermont businesses. These Employee Assessments are a pittance compared to the cost of actually insuring employees and their families, which on a monthly basis runs to the top end of the annual assessment numbers."

- Jennifer Chiodo, principal, Cx Associates in Burlington, and VBSR Board member

Vermont's Employer Assessment was created in 2006 as part of the funding package for Catamount Health. At the time, the annual per FTE fee was \$365. The 2016 rate is \$604.48 – still a fraction of the cost for an employee health plan.

Increasing the contributions from businesses not paying for employee health insurance is a small step toward leveling the playing field for businesses. VBSR supports this provision of the miscellaneous tax bill.

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ⁱ VBSR 2015 Policy Survey

ⁱⁱ 2015 Employer Health Benefits Survey, Kaiser Family Foundation (2015): <http://kff.org/health-costs/report/2015-employer-health-benefits-survey/>

ⁱⁱⁱ The End of Employer-Sponsored Health Insurance?, Health Integrated blog (2016):

www.healthintegrated.com/news-and-events/blog/view/blog/2016/01/07/the-end-of-employer-sponsored-health-insurance

^{iv} The Economic Incidence of Health Care Spending in Vermont by Christine Eibner, Sarah A. Nowak, Jodi L. Liu, Chapin White

http://www.rand.org/pubs/research_reports/RR901.html