

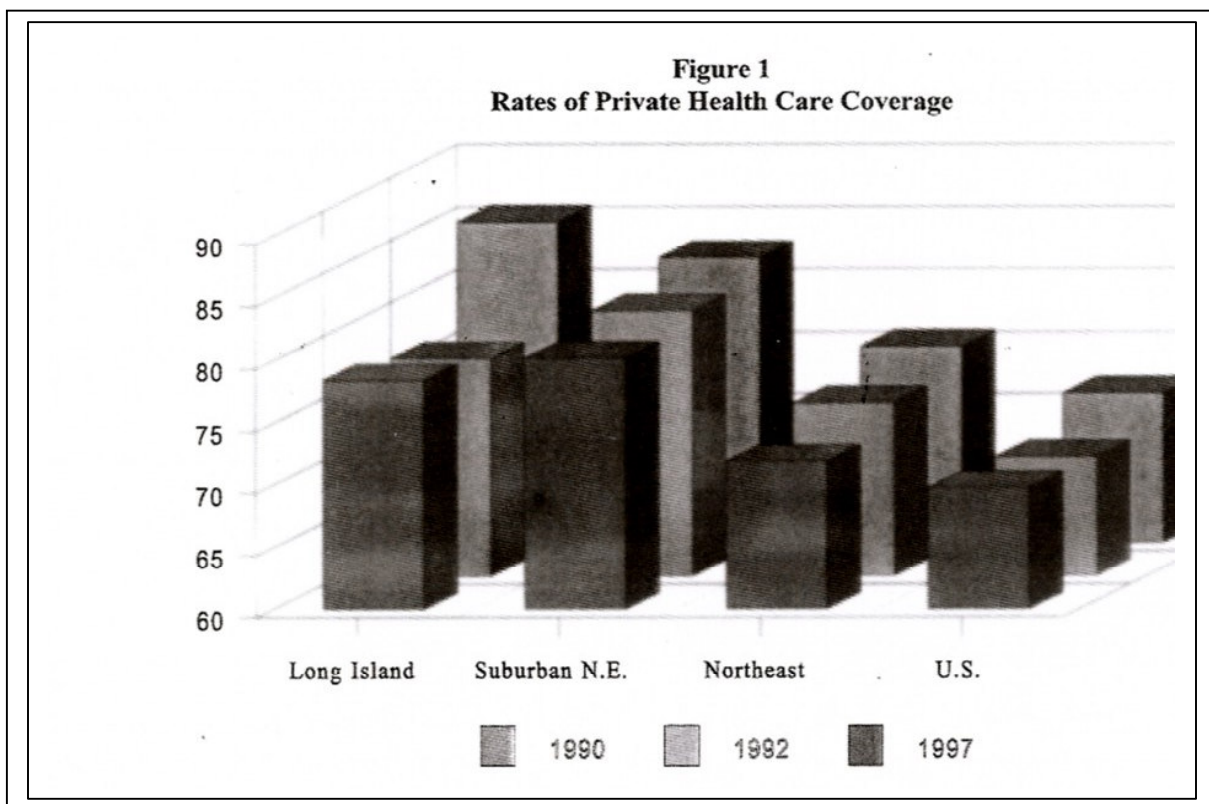
Long Island's Ailing Health Care Benefits

by Niev Duffy

Long Island is rapidly losing its lead in private health care coverage. That distinctive mark of middle class success - private health insurance for oneself and one's family - is beyond the reach of a growing share of the Island's residents. For some time they enjoyed a considerably higher rate of private health care coverage than the rest of the country, including the relatively wealthy suburban areas of the Northeast. In 1990, over 85% of Long Island residents had private health care coverage, compared to 65% elsewhere in the country.

During the recession of 1991-92, however, a sudden and dramatic rise occurred in the share of residents with no private coverage. In the two years between 1990 and 1992, 7% of Long Islanders lost their private health care insurance. The drop in benefits occurred twice as fast as it did for the country as a whole. By 1997 Long Island's lead had greatly diminished or disappeared altogether. Long Island now lags behind other suburban areas of the Northeast in health care coverage.

Much of the drop in health care coverage on Long Island has been caused by a decline in coverage provided by employers. The proportion of all full-time workers in the labor force who are insured through their employer declined by over 7 percentage points between 1990 and 1997. It is clear that full-time workers have a much higher rate of employer-provided coverage than part-time workers, but that this advantage has started to diminish. At the same time, the share of full-time workers who had coverage in their own name declined by 8 percentage points. This suggests that those who lose benefits at work cannot afford to replace them with individual plans.



Employers are passing on an increasing share of the cost of health care coverage to their employees. The full extent to which these costs have been shifted to employees is unknown since little data is available. However, we do know that the proportion of full-time employees whose employer covered a portion of health care premiums on Long Island declined rapidly, by 4 to 5 percentage points, between 1990 and 1997. During this same period another 2-3% of employees, whose employers initially paid the full cost of health insurance, were forced to begin contributing towards the cost of their benefits. As their share of health care costs rises, fewer employees are able to maintain their benefits.

Workers in the United States as a whole have experienced a slide in benefits, though on average it has been less pronounced than on Long Island. The national crisis of declining health care benefits in the early 1990s, when millions of Americans lost their benefits, was enough to push the health care debate to the top of the national agenda. By 1992, according to a Gallup Poll, health care was second only to 'jobs and the economy' as the leading issue concerning Americans. Bill Clinton's electoral success in 1992 is often attributed to his health care reform platform. Although a comprehensive national health care reform was never undertaken, considerable restructuring of the private health care industry has occurred. In particular, there has been a rapid shift toward managed care which, until this year, has led to a stabilization of health care premiums. Despite this restructuring of the health care industry, and the leveling of health care costs, the number of Americans with no coverage continues to rise.

A number of appealing explanations for the decline in employer provided health care coverage have frequently appeared in the press. One popular explanation for the loss in coverage is the downsizing of companies and their increased reliance on part-time workers who are much less likely to have benefits. Part-time workers are about half as likely as full-time workers to have health care benefits. While this may have led to a relatively small decline in benefits in the Northeast, it cannot explain the loss of benefits in the rest of the U.S. and on Long Island where there has been no overall increase in the proportion of part-time workers since 1990. On the other hand, full-time employees have experienced strong declines in coverage, suggesting that the overall loss of health insurance is primarily due to full-time workers losing their benefits.

The dramatic loss of employee health benefits of the early 1990s has also been blamed on the rising cost of health care and the 1991-1992 recession. However, if rising health care costs and a slow economy can lead to a decline in benefits, then by the same logic, the leveling of health care premiums over the past 4 years and the current economic boom should have led to a rapid recovery of benefits. Unfortunately, this has not been the case and the slide in health care coverage continues. The fact that the current economic boom has not led to an improvement in benefits packages tells us that many employees are not benefiting from the current economic upswing.

The loss of benefits appears to be part of a broader pattern of declining worker compensation, particularly for those groups of workers experiencing the greatest wage decline. While the *average* annual earnings of employees working in the private sector on Long Island rose between 1990 and 1997, from almost \$39,000 to \$42,000 (in constant 1997 dollars), *most* workers actually experienced a decline in their earnings. That is, the median income for a full-time year-round worker fell sharply from \$36,855 to \$30,000, a drop of over 18%. An increase in average or mean earnings at the same time as a decline in median earnings indicates a growing gap between high earners and both middle and low earners. A similar pattern appears for health care benefits packages, an important part of worker compensation.

While workers in all income groups have experienced a decline in health care benefits, workers whose earnings are at or below the median are most likely to lose their private health care benefits. In 1997 roughly half of all full-time employees on Long Island earned below \$30,000 per year. Those earning above \$30,000 experienced only modest declines in health coverage while those below \$30,000 experienced sharp declines. As a result, the gap in benefits packages between high earners and middle and low earners is growing. This trend has also occurred elsewhere in the U.S. but at a slower rate.

A recent *New York Times* front-page article cited new research at the U.S. Bureau of Labor Statistics which finds that the loss of benefits packages is worsening the overall compensation gap between high skill and low skill workers¹. A piece of evidence which supports this finding is the growing inequality of benefits packages between those with different levels of education. On Long Island, the gap in employer provided benefits between adults with a high school degree and those without has widened, since the rate of health care coverage among those without a diploma has declined faster. The gap between adults with a college degree and those without has also widened. Figure 4 shows that although the rate of coverage among college graduates has declined, they have lost less ground than those without a college degree. The same pattern is repeated in the Northeast and to a lesser extent, in the United States as a whole. All educational groups experienced a sharp drop in the likelihood that their employer paid the entire cost of a worker's health care premium.

A number of other factors also play an important role in deciding whether or not an employee has health care benefits. For example, workers who belong to a union are far more likely to have health care benefits than non-unionized workers, and they were also far less likely to lose them between 1990 and 1997. The advantage experienced by unionized workers is clear from Figure 5. Age also has a large impact on access to benefits. Young workers are far less likely to have benefits and are losing them at a faster rate. When workers between the ages of 18-25 are compared with all workers on Long Island, it is clear that they are at a strong disadvantage in terms of health care benefits.

Discrimination is also likely to play a role in access to health care benefits as it does in the determination of wages. Throughout the U.S. the rate of health care coverage among blacks and other minorities is far lower than it is for whites, though the gap closed slightly since 1990, due to the faster decline of benefits among whites. On Long Island and in the Northeast, however, the gap has widened. In the Northeast the slide in employer provided health care benefits for minorities actually accelerated during the economic recovery following 1992. Women were also much less likely to have employer provided health care coverage and they continue to lose ground. The gap between men and women, however, appears to be declining since men are losing benefits more quickly.

For working Americans and their families, the loss of health care benefits represents a dramatic decline in their standard of living. According to estimates produced by the Bureau of Labor Statistics, the average employer contribution towards health care benefits for a full time, year round employee is roughly \$2135, or about 6-7% of average earnings. A loss of benefits therefore represents a substantial decline in worker compensation. This is compounded by the fact that it is far more costly to purchase an individual policy outside of the workplace than it is to pay for group coverage obtained through an employer. The expected double digit rise in the price of health care premiums this year is likely to worsen current trends and reinvigorate the health care debate.

Despite Clinton's campaign promise and the popularity of his initial stance on health care reform, there has been no recovery of health care benefits in the country as a whole, a fact which is largely due to the continued decline of benefits in the Northeast. On Long Island the drop in health care coverage shows no sign of reversing itself, despite declining unemployment and a strong local economy. During the economic recovery, surprisingly few have fully regained their coverage. Long Island does appear to have had a small improvement since 1992. However, the rate of coverage is still below that of suburban areas of the Northeast which have continued to experience declines since the early 1990s.

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NOTES

1. See Brooks Pierce, *Compensation Inequality*. (Washington, D.C.: U.S. Bureau of Labor Statistics, April 1998).

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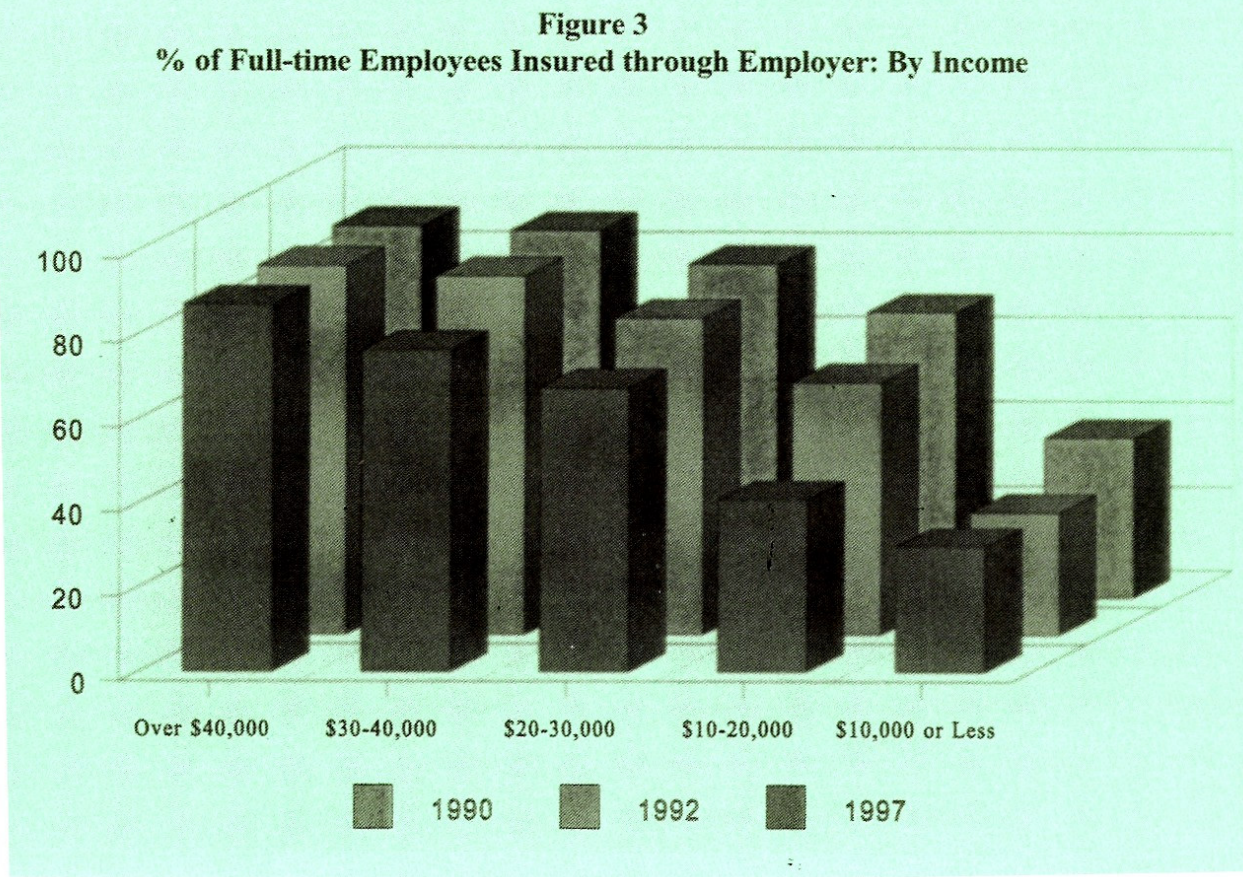
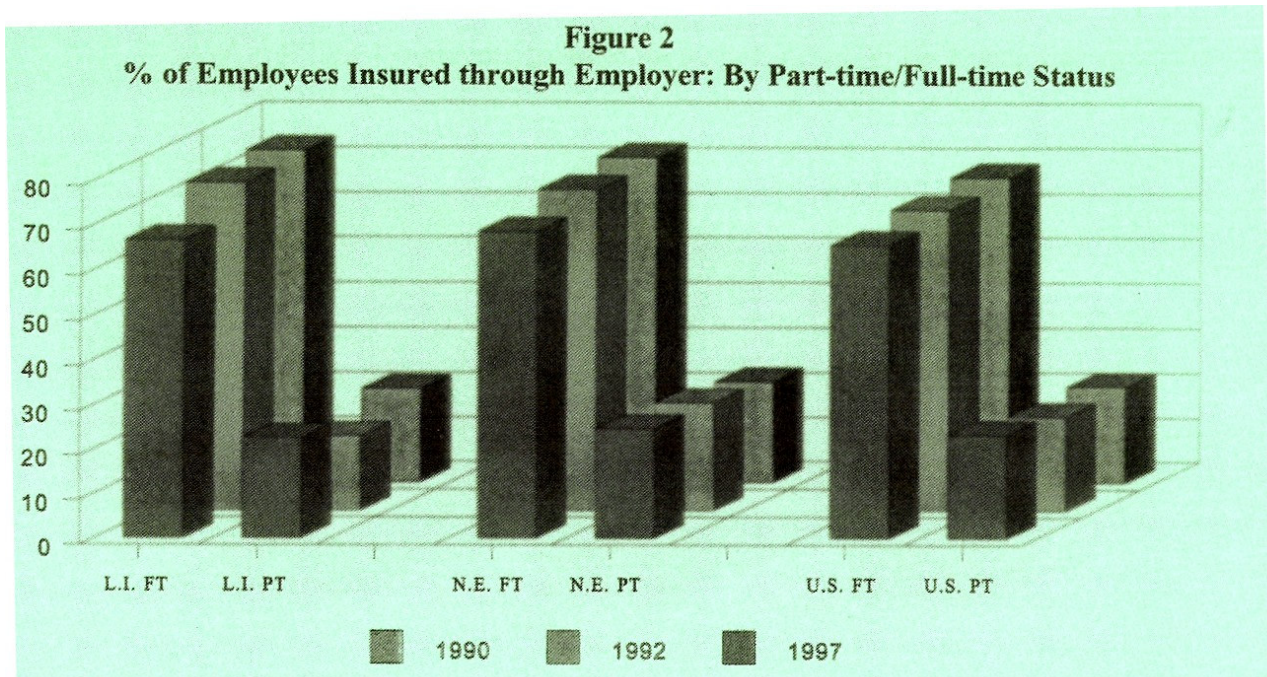


Figure 4
% of Full-time Employees Insured through Employer: By Education

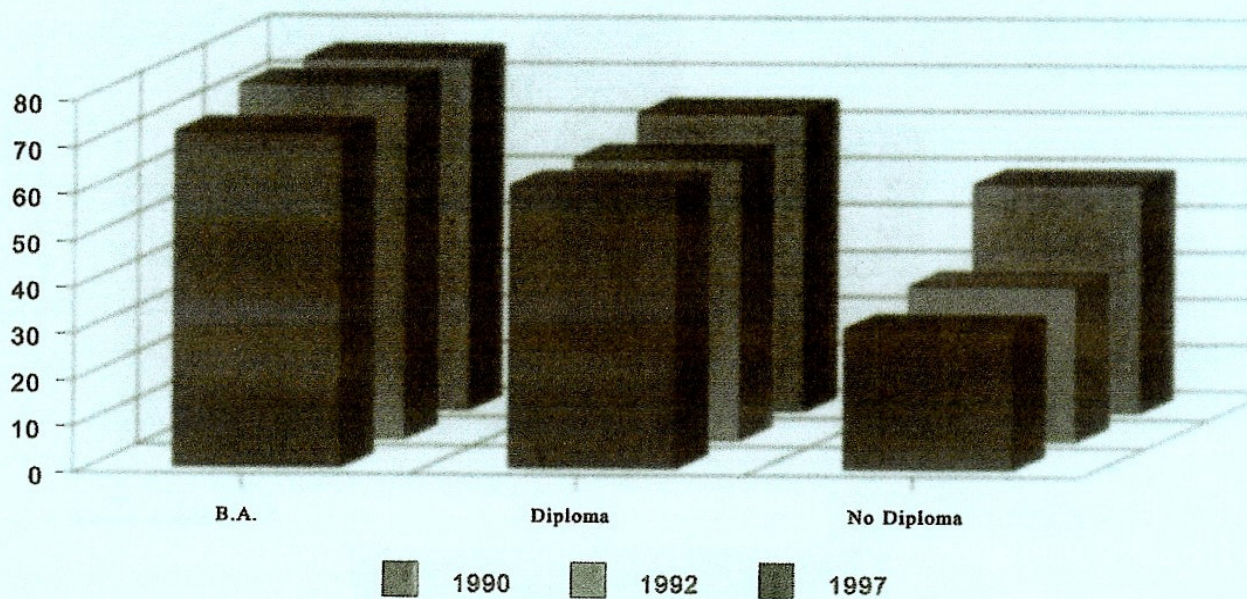


Figure 5
% of Full-time employees Insured through Employer: By Union Membership

