Twenty million could lose employer coverage under Obama health care overhaul

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As many as 20 million Americans could lose their employer-sponsored coverage in 2019 under the health care legislation signed into law by President Obama in March 2010. This is the worst-case scenario set out by the Congressional Budget Office (CBO) in a report released in mid March.

The CBO's most optimistic estimate, which the federal agency says is subject to a "tremendous amount of uncertainty," is that 3 million to 5 million could lose their employer health coverage each year from 2019 through 2022.

The new projections for loss of employee coverage are a substantial increase over last year's estimates, when the CBO's best prediction was that only 1 million people would lose employer-sponsored coverage.

The new study is the latest indication that the health care overhaul will result in a deterioration of health care for the majority of Americans, and not the improvement touted by the Obama administration. Working families and those in low-wage jobs stand to suffer the most from companies eliminating coverage.

As the *World Socialist Web Site* explained during the administration's campaign for its health care "reform," the scheme was the opposite of universal and quality health care for all. Drawn up in close consultation with the insurance, pharmaceutical and hospital industries as well as Wall Street, it was driven by a determination to reduce government deficits and health care costs at the expense of the working class. In addition to cutting hundreds of billions of dollars from Medicare, the government health insurance program for the elderly, the plan is designed to ration health care on class lines, depriving millions of working people of benefits on which they currently rely.

Beginning in 2014, the Patient Protection and Affordable Care Act (PPACA) will mandate individuals and families to obtain insurance or pay fines that could eventually rise to as much as 2 percent of income for all but the very poor. Those who purchase insurance on the health care "exchanges" set up under the PPACA will be at the mercy of private insurers who can increase premiums without any meaningful government oversight.

Companies with more than 50 employees that stop offering health coverage will be levied a $2,000 per employee tax penalty. The CBO projection indicates that a significant proportion of businesses will find it financially advantageous to drop coverage and pay the penalty.

The CBO's worst-case scenario is in line with previous studies on the impact of the health care bill on employer coverage. A study released in August 2011 by human resources consultants Towers Watson showed that at least 9 percent of companies planned to drop their coverage by 2014. A study last June by the McKinsey Company showed that an even larger proportion, 30 percent, were likely to stop providing coverage when provisions of the PPACA take effect.

On the same day the CBO published its report, the Center for Studying Health System Change (HSC) released a national study showing that employer-provided health coverage has already been substantially eroded as a result of the recession. Between 2007 and 2010, the share of children and working-age adults covered by employer-sponsored health insurance dropped by 10 percentage points, from 63.6 percent to 53.5 percent.

The study notes that increased unemployment was the key driver of this loss of employer coverage, with the proportion of people younger than 65 with no employed workers in the household jumping to 31.6 percent in 2010—up 10 percent. This rise in joblessness accounted for approximately three-quarters of the drop in employer-provided health coverage since 2007.

However, the HSC study found that about 20 percent of those who lost their employer-sponsored health care from 2007 to 2010 were employed but either dropped from coverage by their employer or opted out of it. The survey also showed that a steady decline in employer health coverage was well underway before the official start of the recession in December 2007, with fewer companies offering coverage and fewer employees choosing to enroll because they could not afford to pay their portion of the cost of coverage.

Employer-sponsored coverage in the US is rarely provided free of charge to the employee. Going forward, it has still not been made clear precisely what level of coverage businesses will be required to offer their workers to qualify under the Obama health care legislation.

The HSC surveyed showed that employer-provided coverage has become increasingly unaffordable for a significant share of the workforce, particularly low-wage workers. Households with incomes below 200 percent of the poverty line—$44,100 for a family of four in 2010—saw employer-sponsored health care coverage drop dramatically, from 42 percent in 2001 to only 24 percent in 2010.

In addition to low-wage workers, segments of the population seeing a disproportionate decline in coverage were young adults, people with a high school education or less, and those employed in small firms.

In 2007, among those aged 18 to 27, 70 percent lived in a household where at least one member was working and 43 percent were covered by employer-sponsored health insurance. By 2010, only 50 percent lived in working households and employer coverage had dropped to 31 percent.

People in families headed by someone with a high school education or less saw their employer health coverage decline from 47 percent in 2007 to 36 percent in 2010. For those employed by companies with less than 100 workers, employer health coverage fell from 51 percent in 2007 to 45 percent in 2010.

As the CBO report demonstrates, the numbers of those losing their employer-sponsored coverage—whether they are dumped by their employer or can no longer afford it—will rise as a result of the Obama health care overhaul. This tendency will be exacerbated by the continuing rise of overall health care costs, driven in the main by the spiraling profits of the insurance companies and giant health care providers and pharmaceuticals.

A new report by the *Annals of Family Medicine*, a peer-reviewed medical journal, predicts that the average cost of health insurance for American families will surpass average household income by 2033.

The report finds: "If health insurance premiums and national wages continue to grow at recent rates and the U.S. health system makes no major structural changes, the average cost of a family health insurance premium will equal 50 percent of the household income by the year 2021, and surpass the average household income by the year 2033."

The Obama-sponsored health bill is aimed, not at improving health care provision, but cutting costs for the government and corporations. From the beginning, the Obama administration has pitched the overhaul as "deficit neutral," making the spurious claim that hundreds of billions can be slashed from Medicare and other government programs while improving the accessibility and quality of care.

Notably, the CBO report states that under the worst-case scenario—in which 20 million people lose their employer-sponsored coverage—the federal government will actually save $13 billion relative to baseline projections. Under conditions of skyrocketing health care costs, this can only be the result of reductions in care and forcing people into cut-rate plans on the "insurance exchanges," or into Medicaid and other government programs that are being targeted for sweeping cuts.

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