

The Evolving Dynamics of Employer-Sponsored Health Insurance

Implications for Workers, Employers, and the Affordable Care Act

New York, New York, December 19, 2016—Although employer-sponsored insurance (ESI) is the predominant form of health insurance coverage in the United States, little is known about the frequency at which people with ESI change plans, lose their insurance, and whether turnover in the ESI system has increased over time. A new [study](#) in the *Milbank Quarterly* by John A. Graves and Pranita Mishra of Vanderbilt University School of Medicine found that, between 2005 and 2013, the roughly one-third of US adults who transition from an ESI plan over a two-year period were more likely to rely on coverage through a spouse or family member than to maintain continuous insurance once their own plan ended. Those who had no other family coverage option were twice as likely to become uninsured.

The authors maintain that better understanding of these changing dynamics is important because more and more Americans will rely on coverage sources outside of the workplace, such as coverage purchased in a health insurance exchange, as either a primary or temporary source of health insurance during their working years. The study's results have important implications for the current debate over the fate of the Affordable Care Act because they show that policies, incentives, or subsidies to attract relatively healthy workers transitioning from ESI could be a key source of enrollment in the individually-purchased health insurance market.

Background

Despite its prevalence and popularity, ESI has undergone shifts in its composition and availability. Growth in health care costs have caused employers to scale back the generosity of covered services, shift a greater share of costs to workers in the form of higher deductibles, and restrict eligibility for additional family members and retirees. These factors indicate a reduction in the number of individuals with access to ESI.

Findings

The researchers drew on multistate dynamic transition models to show how rates of ESI entry and exit changed between 2005 and 2013. They found that:

- Over a two-year period beginning in 2010, 34.6% of adults with ESI experienced a change, up from 31.7% from 2005 to 2007.
- Transitions occurred more frequently among young adults, Hispanic adults, low-income adults, those in fair or poor health, and service industry workers.
- The probability that an ESI policyholder regained an employer-based policy after a job change declined by 15% between 2005 and 2013. The probability that an ESI policyholder enrolled as a dependent on another family member's plan or became uninsured increased twofold.

These findings indicate that more people will likely rely on alternative sources of health insurance outside of the employment-based system. The authors note that this makes it imperative that employers and policymakers reconsider how employment-based insurance will interface with the broader US health insurance system. New outreach efforts could be needed to identify and enroll individuals who face the end of ESI benefits.

About *The Milbank Quarterly*

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