

Public Policy Position: Eliminating the Employer-Sponsored Insurance Exclusion

The National Association of Vision Care Plans (NAVCP) is the unified voice for the managed vision care industry. The association provides a forum for cooperative industry collaboration on initiatives that work to preserve and strengthen consumer access to affordable vision insurance and benefits. NAVCP member companies cover approximately 170 Million (53 percent) Americans by partnering with eye care professionals in all 50 states and Puerto Rico.

Key Takeaways

- Most private (non-government) health coverage in the U.S. is employment-based. Nearly all large employers in America offer group health insurance to their employees.
- In 2015, 84 percent of private-sector employees worked for companies offering employer-sponsored health insurance (ESI), and 57 percent of the nonelderly population were covered by ESI as policyholders or dependents
- ESI is especially critical to vision health because stand-alone vision care plans are excluded from participation in the health benefit exchanges. Americans can only access vision care benefits through ESI or buying an individual plan.

Background

Employer-sponsored health insurance (ESI) is paid for by businesses on behalf of their employees as part of an employee benefit package. Most private (non-government) health coverage in the U.S. is employment-based. Nearly all large employers in America offer group health insurance to their employees. The typical large-employer PPO plan is typically more generous than either Medicare or the Federal Employees Health Benefits Program standard option.

The employer typically makes a substantial contribution towards the cost of coverage. Typically, employers pay about 85 percent of the insurance premium for their employees, and about 75 percent of the premium for their employees' dependents. The employee pays the remaining fraction of the premium, usually with pre-tax/tax-exempt earnings. These percentages have been stable since 1999.

Health benefits provided by employers are also tax-favored: Employee contributions can be made on a pre-tax basis if the employer offers the benefits through a section 125 cafeteria plan.

Although workers are effectively paid less than they would be, because of the cost of insurance premiums to the employer, employer-sponsored health insurance offers several benefits to workers, including economies of scale, a reduction in adverse selection pressures on the insurance pool (premiums are lower when all employees participate rather than just those with health issues), and reduced income taxes. The disadvantages include disruptions related to changing jobs, the regressive tax effect (high-income workers benefit far more from the tax exemption for premiums than low-income workers), and increased spending on healthcare.¹

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Position: NAVCP strongly opposes any effort to eliminate or cap the tax exclusion of employer-sponsored insurance.

- The ESI tax exclusion is the foundation for our present healthcare system
- ESI is especially critical to vision health because stand-alone vision care plans are excluded from participation in the health benefit exchanges. Americans can only access vision care benefits through ESI or buying an individual plan.
- Currently eight out of 10 employers now offer a vision benefit; 50 percent of the U.S. population has vision benefits
- A recent independent survey conducted by FocalCenter linked vision benefits to healthier vision behavior
 - The top reason Americans without vision benefits do not get an eye exam or purchase prescription eyewear is cost
 - More than 87 percent of Americans with a vision benefit intend to get an eye exam within the next 12 months compared to only 67 percent of those without a vision benefit.
 - Once they have the exam, 67 percent of those with a benefit will get new eyewear compared to only 34 percent of those without a benefit

¹ https://en.wikipedia.org/wiki/Health_insurance_in_the_United_States

² <http://www.taxpolicycenter.org/briefing-book/how-does-employer-sponsored-insurance-exclusion-affect-health-insurance-coverage>