



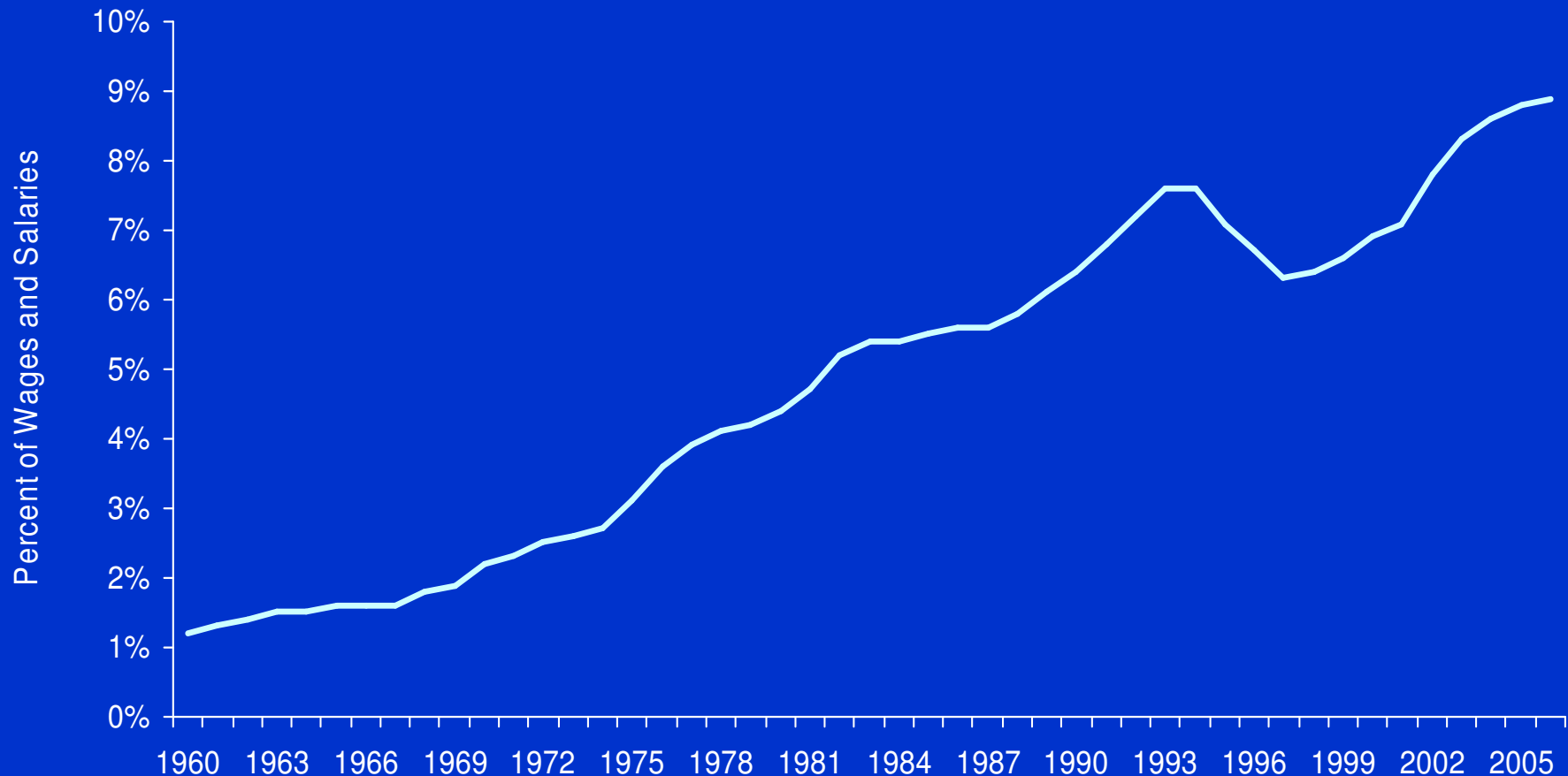
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Employer Health Costs in a Global Economy: A Competitive Disadvantage for U.S. Firms

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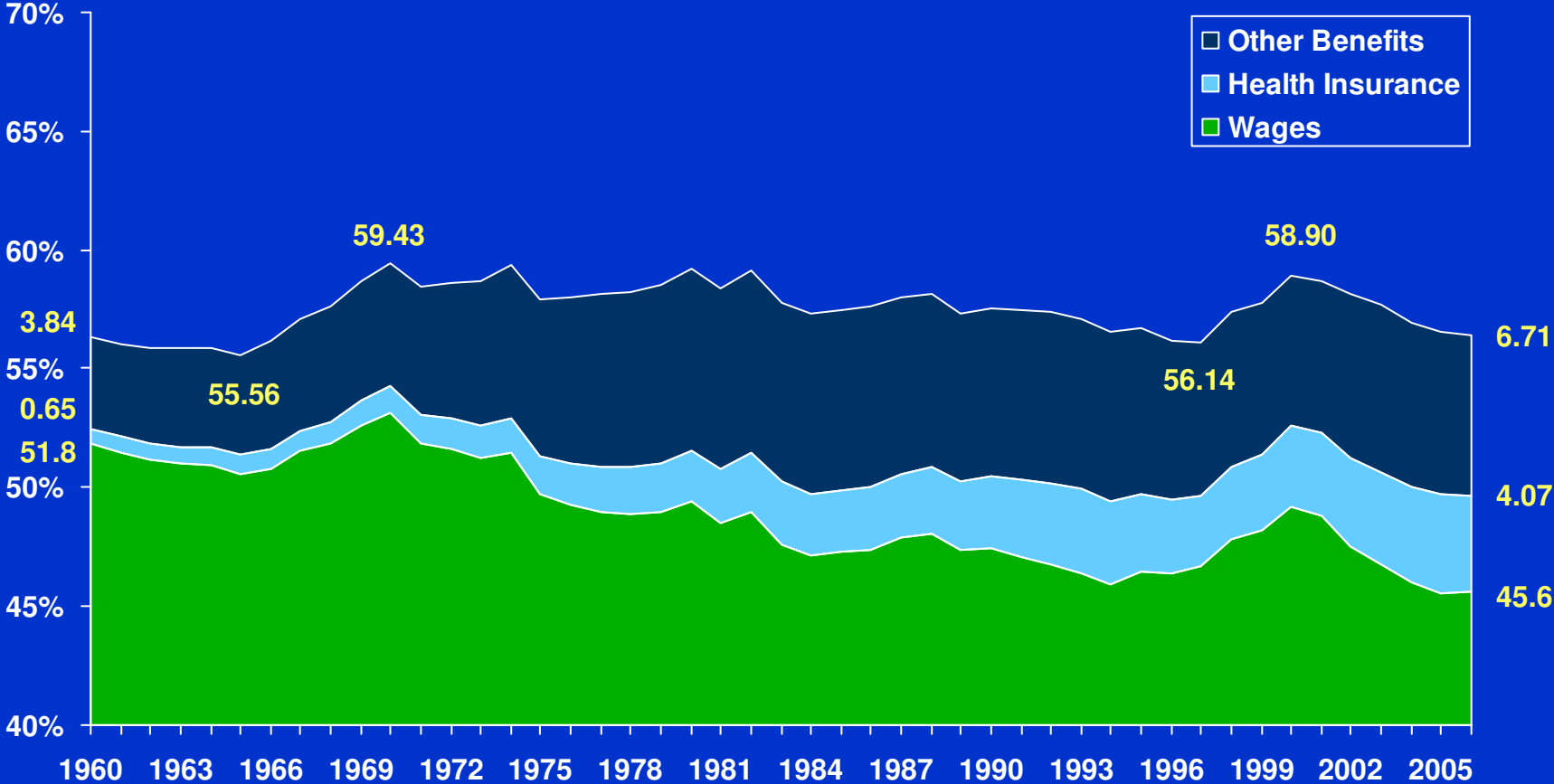
Figure 2: Employer Contributions to Private Health Insurance, 1960-2006



Sources: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Tables 7.8 and 2.2A-B



Figure 1: Compensation Share of GDP, 1960-2006



Sources: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Tables 1.1.5, 2.2, and 6.6



“What, me worry?”



Source: <http://home.earthlink.net/~roygmisc1/anecdotes1/worry1.jpg>



Table 4: Employer Contribution Rates and Hourly Cost of Health Benefits, Selected Top Trading Partners, 2005

Country (rank in trade with the US)	Employer Contribution Rate	Hourly Pay, manufacturing,	Hourly Cost of Health Benefits, manufacturing
United States	11.3% overall		
	13.0% for Manufacturing	\$18.32	\$2.38
Canada (1)	4.5%*	\$19.21	\$0.86
Japan (4)	3.74%	\$18.06	\$0.68
Germany (5)	6.65%**	\$25.53	\$1.70
United Kingdom (6)	1.92%***	\$20.91	\$0.40
France (9)	12.8%****	\$16.93	\$2.17
Weighted avg.	4.9%	\$19.79	\$0.96



Sources for Table 4

- Data for the “Employer Contribution Rates and Hourly Health Cost of Health Benefits...” comes from:
 - U.S. Census Bureau, Foreign Trade Division.
 - International Social Security Association, *Social Security Programs Throughout the World, 2005*(Canada) and 2006 (all other countries).
 - Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing*, November 2006.
- Key to Table 4
 - * Maximum, varies by province
 - ** Also finances cash sickness and maternity benefits
 - *** 15% of 12.8% employer contribution is allocated to the National Health Service
 - **** Also finances cash sickness, cash maternity, disability, and survivor benefits.



Why the Difference?

- Driving factors:
 - Employer share
 - Inefficient health system



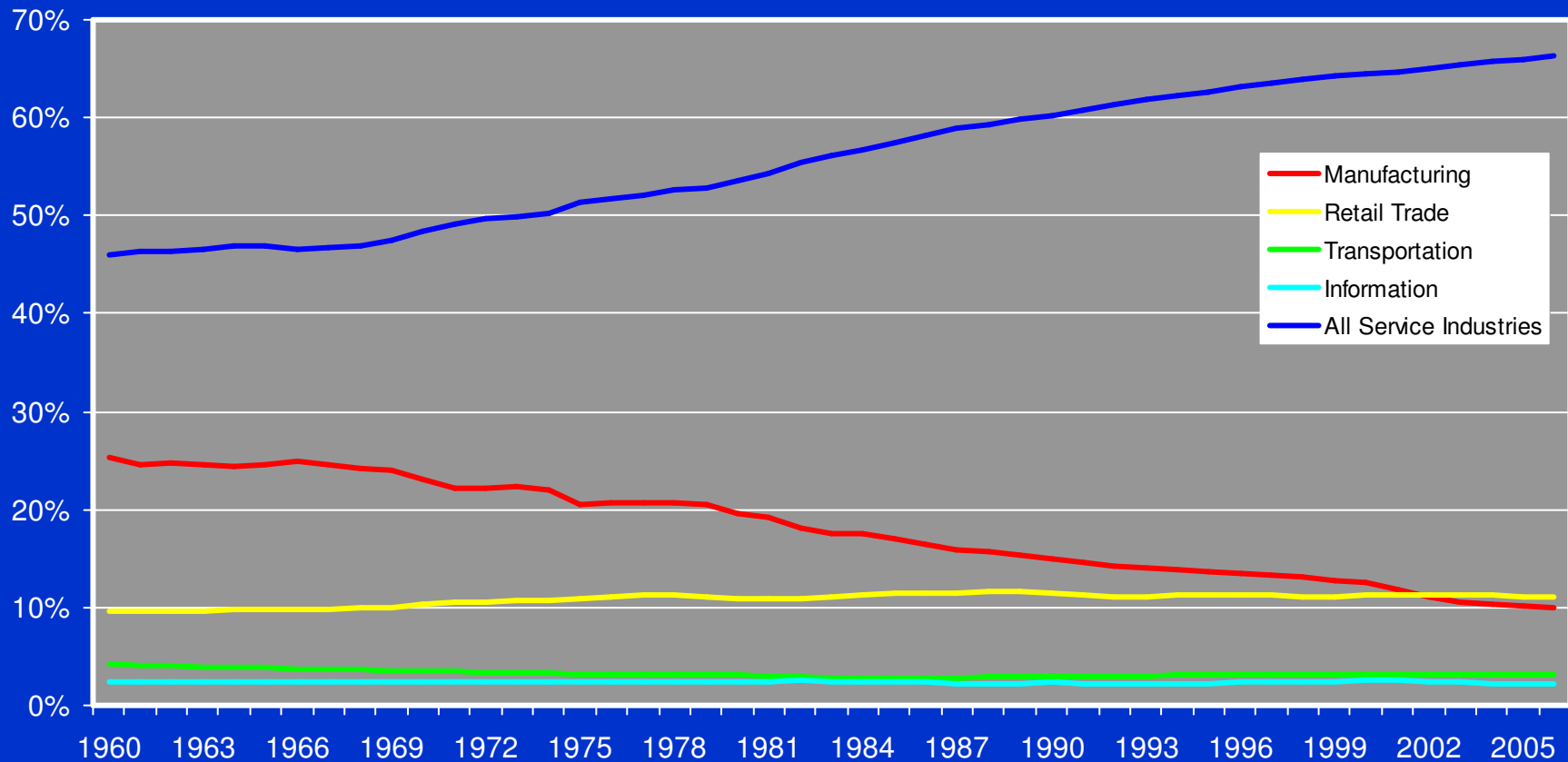
International Comparisons, 2004

	Per capita cost of health care	Percent of GDP spent on health care
Canada	\$3,173	9.8%
Japan	\$2,293	7.8%
U.K.	\$2,560	8.1%
Germany	\$3,171	10.6%
France	\$3,040	10.5%
U.S.	\$6,096	15.4%

Sources: World Health Organization, "Core Health Indicators."



Employment Share by Industry, 1960-2006



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Annual Industry Accounts, "Full Time and Part-Time Employees by Industry."



Value Added per Worker, 1998-2006

	1998 (in 2006 \$)	2006 (in 2006\$)
All Industries	\$78,756.10	\$89,573.76
Manufacturing	\$95,730.93	\$110,898.81
Retail Trade	\$59,251.55	\$61,351.47
Transportation and Warehousing	\$85,736.50	\$90,682.35
Information	\$152,714.70	\$209,590.48
All Services	\$93,683.62	\$105,095.47

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Annual Industry Accounts, "Full Time Equivalent Employees by Industry" and "Value Added by Industry."



Policy Implications

- Reducing the employer role is good health policy and good economic policy.
- But, we must extend the advantages of the employer system for all Americans.



Sources

- Len Nichols and Sarah Axeen, “Employer Health Costs in a Global Economy: A Competitive Disadvantage for U.S. Firms,” *New America Foundation*, May 2008.
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Additional Information

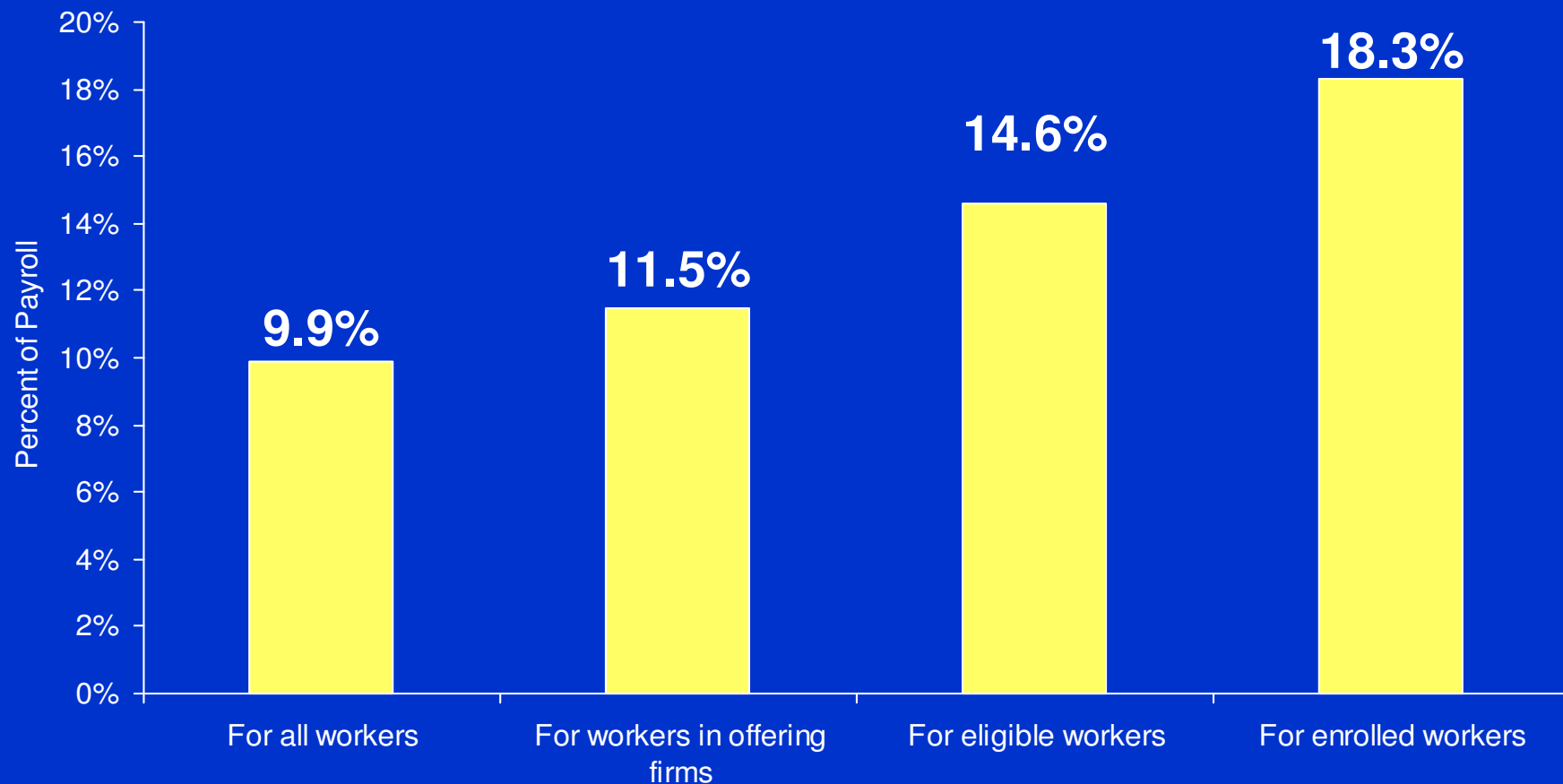
Table 1: Change in Compensation Share of GDP by Decade, 1960-2006

	1960s	1970s	1980s	1990s	2000s
Total Compensation	2.36%	-0.88%	-1.87%	0.28%	-2.51%
Wages	0.80%	-4.12%	-2.05%	0.79%	-3.58%
Other Benefits	1.18%	2.34%	-0.53%	-0.64%	0.38%
Health Insurance	0.36%	0.89%	0.71%	0.13%	0.69%

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Tables 1.1.5, 2.2, and 6.6



Figure 3: Employer Health Costs, 2007



Sources: Authors' calculation based on payroll data from the U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation—September 2007*, released December 11, 2007; Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey*, 2004.

Note: Health Benefits are employer contributions to private health insurance; payroll includes wages and salaries, paid leave, and supplemental pay.



Table 2: Relative Unit Health Costs of Selected Industries, 2004

	Active workers only Average = 100	Active workers and retirees
All industries	100.0	106.8
Manufacturing	123.5	138.8
Retail trade	104.1	105.8
Wholesale trade	96.3	100.0
Transportation and warehousing	140.6	152.1
Information	103.1	122.9
Accommodation and food services	111.0	114.8

Sources: Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey*, 2004; U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.

Note: The unit health cost is calculated as employer premium contributions divided by value added (net output).



Table 3: Trade Exposure of Selected Industries

	Import share	Export share
All industries	7.8%	8.8%
Manufacturing	29.5%	13.5%
Retail trade	0.0%	0.0%
Transportation and warehousing	2.0%	10.7%
Information	0.5%	2.8%
All service industries	0.3%	2.6%

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, December 2006, table 15.

