

Study finds cost of employer-sponsored health insurance is flattening worker wages, contributing to income inequality

January 16 2024



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The rising cost of health insurance is an ongoing concern in the United States. New research shows that increasing health insurance costs are

eating up a growing proportion of worker's compensation, and have been a major factor in both flattening wages and increasing income inequality over the past 30 years.

In a study from the Friedman School of Nutrition Science and Policy at Tufts University, researchers found that the cost of employer-sponsored [insurance](#) (ESI) [health care benefits](#) increased much faster than workers' wages since the late 1980s, and likely reduced wages by an average of about \$9,000 per year by 2019.

They also found that the percentage of [worker](#) compensation going toward premiums was substantially higher for Black and Hispanic workers and lower-income workers, and likely contributed to income inequality.

"Employers are spending more on [insurance premiums](#) instead of that money going to workers as wages," says Dariush Mozaffarian, cardiologist and director of the Food is Medicine Institute at the Friedman School, and senior author of the study, which was published on January 16 in [JAMA Network Open](#).

"These hidden costs of increasing health care are even worse for people of color and low-wage workers, leading to less wage growth, heavier insurance premium burden, and greater income inequality."

In the study, researchers examined national insurance data from individuals covered by ESI family plans in every year between 1988 (44.7 million individuals) and 2019 (44.8 million individuals), bringing together data from the Kaiser Employer Health Benefits Survey and the Bureau of Labor Statistics' Consumer Expenditure Survey. They combined these with data on earnings of families with ESI from the Census Bureau's Current Population Survey.

In 1988, health care premiums represented an average of 7.9% of total worker compensation (which is wages plus health care premiums). By 2019, that number jumped to 17.7%. If ESI costs had remained the same proportion as in 1988, the average [family](#) with ESI could have earned \$8,774 more in annual wages by 2019.

Researchers also found that Black and Hispanic families lost a higher percentage of their wages than [white families](#). By 2019, health care premiums as percentage of compensation were 18.5% for Asian families, 19.2% for Black families, and 19.8% for Hispanic families, compared to 13.8% for white families.

Lower-[wage](#) workers are also hit hard by this disparity. In 2019, health care premiums as percentage of compensation represented 28.5% of compensation for families in the 20th percentile of earnings, compared with only 3.9% for families in the 95th percentile.

"The loss of \$125,000 in wages due to rising premium costs over three decades has a real impact on U.S. families, especially those who face [economic hardship](#)," says the study's first author Kurt Hager, who completed the work as a doctoral student at the Friedman School and is now an instructor of population and quantitative health at UMass Chan Medical School.

"This is even worse for lower-paid workers and can lead to a spiral of financial insecurity as insurance costs go up, and wages continue to be suppressed."

These findings are one more factor highlighting the critical importance of changing U.S. [health care](#) policy to focus on prevention and lower cost care, says Mozaffarian. "Health insurance should help people, not hold them back, or push them further behind when it comes to wages and income equality."

More information: Employer-Sponsored Health Insurance Premium Cost Growth and Its Association With Earnings Inequality Among US Families, *JAMA Network Open* (2024). [DOI: 10.1001/jamanetworkopen.2023.51644](https://doi.org/10.1001/jamanetworkopen.2023.51644)

Provided by Tufts University

Citation: Study finds cost of employer-sponsored health insurance is flattening worker wages, contributing to income inequality (2024, January 16) retrieved 27 April 2024 from <https://medicalxpress.com/news/2024-01-employer-sponsored-health-flattening-worker.html>

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