



## Open Letter to Congress and the President on Coverage for the Flex Workforce

We thank you for your leadership and support your efforts to cover America's 48 million uninsured. One particular challenge for the reform effort is how the current proposals will cover flex workers, a population which experiences great difficulty obtaining coverage through the private employment-based health system. By flex workforce, we mean part-time, temp, provisional, seasonal, contract, micro-business, and self-employed workers<sup>1</sup>. Flex workers may account for as much as 1/6<sup>th</sup> of the workforce with very high rates of uninsurance.<sup>2</sup>

Many in the flex workforce work for employers that offer coverage for their full-time, full-year employees, but do not offer coverage for their flex workers. To achieve meaningful health care reform, we will need to develop a better system of coverage for the flex workforce; otherwise, individuals who amply contribute to our nation's economy will not be effectively covered.

Many flex workers work long hours at several jobs for multiple employers without adequate hours or longevity to qualify for employer sponsored coverage. Others are self-employed or micro-businesses, such as family stores, farms and businesses. They experience twin challenges of availability and affordability – i.e. they cannot get coverage if they have any pre-existing condition and they cannot afford it as their incomes are not adequate to pay the full cost of individual coverage. The proposed Exchanges with tax credits and underwriting reforms would go a long way to resolving these challenges, but there are other issues as well that are important for those seeking coverage for flex workers.

For the past 10 years, Insure the Uninsured Project (ITUP) has been involved with employers, unions and health plans seeking to increase coverage opportunities for two parts of the flex workforce: agricultural workers and childcare workers.<sup>3</sup> Agricultural workers spend long hours doing strenuous work for multiple employers at low pay and often with no benefits. In California, many work hot summers on farms up and down the Central Valley and the interior of the Central Coast, putting themselves at risk for dehydration and exposure to pesticides. In 2006, there were about 859,000 agricultural workers in the United States, with more than 80% working as farm workers or laborers making about \$7.95 to \$9.17 per hour.<sup>4</sup> In comparison, a family of three living at 100% of the federal poverty level (FPL) made about \$16,600 per year or \$7.98 per hour this same year.<sup>5</sup> Farm workers are one part of the flex workforce that needs affordability to be addressed in order to obtain health insurance coverage.

Childcare workers work out of their homes (family child care) or in childcare centers to care for children. Often childcare workers are self-employed or part of women owned micro-businesses. There are about 1.3 million childcare workers in the United States, the overwhelming majority of whom are women.<sup>6,7</sup> Household income levels vary, although compared to other professions, there is a high concentration of low-income jobs in this field.<sup>8</sup> The median annual income for these workers was \$17,630 in 2006, with the top ten-percent averaging just over \$27,000 per year.<sup>9</sup> This amounts to less than half the income estimated for a family of three to be self-sufficient in California, and at the median for all childcare workers, just \$1,030 above 100% FPL, adjusted to 2006. Because of such low wages and often a lack of benefits like health insurance, this profession has high rates of turnover as well as high rates of uninsured. For



example, in several surveys of Los Angeles’ childcare workers, respondents reported that nearly half are uninsured, compared to an overall state uninsurance rate of 19%.<sup>10,11</sup>

The nature of childcare work involves caring for substantial numbers of young children, putting workers at near constant risk for communicable diseases. Childcare workers have the potential to favorably impact the futures of those young children in their care, with high quality care leading to greater school success, lower juvenile crime and adolescent pregnancy rates, and better social skills.<sup>12</sup> Part of having high quality childcare is having *consistent* care from well-trained and experienced caregivers, making the challenge for this profession to find ways to reduce the turnover of childcare workers. Research has shown that benefits like health insurance coverage increase retention.<sup>13,14</sup>

Similar to agricultural workers, the flex workforce at-large, and low-income workers in general, the employment-based health insurance system does not work for childcare workers. It is too costly for low-income self-employed and micro-business, as it is designed to best serve larger firms with higher-income workers. Case in point, the tax subsidies for providing employment-based coverage are regressive disproportionately benefiting higher-income workers in larger firms. For example, for places where most employees are making less than \$10.43 per hour (\$21,700 per year), the subsidy is \$637 per worker compared to \$2,525 for establishments where most earn more than \$23 per hour (\$47,800 per year). The distribution is further skewed by industry type, with the lowest subsidies for agriculture, retail, construction and low wage service jobs, such as childcare where coverage is less frequently offered and incremental tax rates are lowest.<sup>15</sup>

Both agricultural workers and childcare workers are examples of demanding low wage jobs that are critical—one for our food supply, the other to care for our nation’s children. Yet, both populations of workers show how those in the flex workforce struggle, because employers do not offer them health insurance coverage and because individual coverage is often unaffordable and/or unavailable. The individual insurance market presents a poor solution for those with low incomes. Barebones plans may be cheap, but for those who actually need ongoing medical care, the plans are unavailable due to underwriting and do not provide sufficient coverage to care for chronic conditions. More comprehensive plans are offered but are often prohibitively expensive and have exclusions or waiting periods for the coverage of preexisting conditions. And, plans in the individual market lack the tax advantages and employer contributions that employment-based plans offer. Public insurance programs like Medicaid<sup>16</sup> are options for low-income populations, but those in the flex workforce often are making a bit too much money to qualify for these programs or fail to meet the multiple other exclusionary rules of Medicaid.

Reform proposals seek to remedy the biggest problems with the health care system: reducing the rise in costs and expanding coverage by the largest amount possible while improving health outcomes. They seek to improve the functioning of the individual and small employer markets while preserving employment-based coverage and individuals’ right to coverage of their own choice. What is not being done is to consider a new and better coverage model for the flex workforce – a task that employers and unions have undertaken with some, but limited, success.<sup>17</sup>



Solutions will require some form of health insurance trust fund to collect the revenues; this could be organized by industry (e.g. the Screen Actors Guild coverage) or by type of flex worker (e.g. temp agencies and temp employees).<sup>18</sup> A purchasing pool can combine individual uninsured workers into a group to negotiate better premium rates and offer insurance that is portable as these workers shift from employer to employer (as many in the construction, agricultural, entertainment and other industries do). The insurance exchange, pool or trust could offer targeted group coverage with sliding subsidies to specified populations, such as the uninsured, low and moderate income, flex workers. Federal reform currently proposes offering some assistance up to 400% FPL or \$73,240 for family of three.<sup>19,20</sup> For flex workers above that level, Section 125 plans could be established through their place of employment so that premiums are paid with pre-tax dollars.

Why won't the proposed Exchanges be sufficient? As proposed, they are a very big improvement, but they do not link or have any proposed mechanism for incorporating employers' pro rata contributions. A small employer is either all in or all out of the Exchange, and large employers are simply out of the Exchange. There needs to be an option for any employer to pay pro rata into the Exchange for their part time, seasonal and other flex workers who are not part of the full time, full year workforce that is offered coverage.

Accessibility and affordability are the main obstacles for the low- and moderate-income flex workforce. Accessibility can be readily secured through the guaranteed issue and renewal reforms being proposed at the federal level if they are applied to flex workforces.

Affordability is the larger challenge, as under the legislative proposals under consideration, flex workers will pay their premiums on a sliding fee basis up to 11% of their incomes for coverage in the Exchange. Employers who do offer coverage for full-time, full-year employees may want to contribute pro rata to reduce their flex workers share of Exchange premiums, and there needs to be a mechanism that allows them to do so. Why might an employer wish to do so? First, to build allegiance and loyalty and improve health status and productivity of flex workers. Second, to eliminate the disparity in benefits with full time workers. Third, to reduce financial hardships – the same reason some employers choose to offer retiree health benefits.

The Exchange will not offer public subsidies to workers unless they are citizens or legal permanent residents. And workers without the requisite immigration status may not be able to use the purchasing powers of the Exchange at all.<sup>21</sup> This argues for authorizing a private "Exchange" or pools or trust funds that would allow employers and employees to purchase collectively for their flex workforces without federal subsidies, but with the protections for guaranteed eligibility and renewability, and assurances that these pools are sufficiently large to avoid adverse selection and sufficiently well regulated to avoid financial chicanery that have plagued some trusts and private pools in the past.<sup>22</sup>

There are significant barriers for those in the flex workforce to access health care coverage that cause ample portions of the flex workforce to fall through the cracks. In devising federal health care reform, designing better coverage models for this workforce should not be overlooked.



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<sup>1</sup> In California, 23% of the self-employed are uninsured and 30% of the owners and those employed by small family businesses or farms are uninsured as compared to 5.6% of those who work for government. See Ask CHIS at [www.chis.ucla.edu](http://www.chis.ucla.edu).

<sup>2</sup> Wulsin, Ahmed and Shofet, Developing Coverage Models for the Flex Workforce (Insure the Uninsured Project, December 2000) at [www.itup.org/reports](http://www.itup.org/reports)

<sup>3</sup> Ibid. See also Pizzitola and Wulsin, Covering Child Care Workers (Insure the Uninsured Project, June 2009) at [www.itup.org/reports](http://www.itup.org/reports)

<sup>4</sup> Bureau of Labor Statistics. (2009). Occupational outlook handbook, 2008-09 edition: Agricultural workers. Retrieved September 30, 2009 from <http://www.bls.gov/oco/ocos285.htm>. See Diring, Health Coverage for California's Farm Workers: a Consensus Report of Local Agriculture and Union Representatives (August 2009) at [www.diringassociates.com/Health%20Care%20for%20Farmworkers%20-8-20%20%20final.pdf](http://www.diringassociates.com/Health%20Care%20for%20Farmworkers%20-8-20%20%20final.pdf)

<sup>5</sup> Department of Health and Human Services. The 2006 HHS poverty guidelines. Retrieved September 30, 2009 from <http://aspe.hhs.gov/POVERTY/06poverty.shtml>.

<sup>6</sup> Bureau of Labor Statistics. (2008). Current Population Survey: Household data annual averages. Retrieved March 16, 2009 from <http://www.bls.gov/cps/cpsa2008.pdf>.

<sup>7</sup> Center for the Child Care Workforce. (2002). Estimating the size and components of the U.S. child care workforce and caregiving population. Retrieved April 10, 2009 from <http://www.ccw.org/pubs/workforceestimatereport.pdf>.

<sup>8</sup> Center for the Child Care Workforce. (2002). Current data on child care salaries and benefits in the United States. Retrieved March 31, 2009 from [http://www.sciencedirect.com.libproxy.albany.edu/science?\\_ob=RedirectURL&\\_method=externObjLink&\\_locator=url&\\_cdi=6538&\\_plusSign=%2B&\\_targetURL=http%253A%252F%252Fccw.cleverspin.com%252Fpubs%252F2002Compendium.pdf](http://www.sciencedirect.com.libproxy.albany.edu/science?_ob=RedirectURL&_method=externObjLink&_locator=url&_cdi=6538&_plusSign=%2B&_targetURL=http%253A%252F%252Fccw.cleverspin.com%252Fpubs%252F2002Compendium.pdf).

<sup>9</sup> Bureau of Labor Statistics. (2008). Occupational outlook handbook, 2008-09 edition: Child care workers. Retrieved March 16, 2009 from <http://www.bls.gov/oco/pdf/ocos170.pdf>.

<sup>10</sup> Kaiser Family Foundation. (2009). California: health insurance coverage of the total population, states (2006-2007), U.S. (2007). Retrieved April 3, 2009 from <http://www.statehealthfacts.org/profileind.jsp?ind=125&cat=3&rgn=6>.

<sup>11</sup> Insure the Uninsured Project. (2004). California Childcare Providers for Action survey report. Retrieved April 3, 2009 from <http://itup.org/Workgroups/ChildCare/FinalCCPASurveyStudy.pdf>.

<sup>12</sup> National Conference of State Legislatures. (2004). Why early childhood education? Retrieved October 8, 2007 from <http://www.csl.org/programs/cyf/prekreport.htm>.

<sup>13</sup> Gable, S. et al. (2007). Cash incentives and turnover in center-based child care staff. *Early Childhood Research Quarterly*, 22(3): 363-378.

<sup>14</sup> Whitebrook, M. & L. Sakai. (2003). Turnover begets turnover. *Early Childhood Research Quarterly*, 18(3): 273-293.

<sup>15</sup> Selden, T. & B. Gray. Tax subsidies for employment-related health insurance: estimates for 2006. (2006). *Health Affairs*, (25)6: 1568-1679.

<sup>16</sup> The proposed federal reforms will increase the income thresholds for Medicaid coverage to 133% of FPL. In California, they are currently 100% of FPL for parents and older children, 133% of FPL for younger children and 200% of FPL for pregnant women and infants.

<sup>17</sup> See examples at Developing Coverage Models for the Flex Workforce (Insure the Uninsured Project, December 2000) at [www.itup.org/reports](http://www.itup.org/reports) and "Fifty Fortune 500 Companies Join Forces to Offer Access to Affordable Coverage Opportunities for 4 million Uninsured Employees" (The Medical News, May, 2004) at <http://www.news-medical.net/news/2004/05/10/1360.aspx>

<sup>18</sup> Ibid.

<sup>19</sup> Open Congress. Chairman's Mark, America's Healthy Future Act of 2009. Retrieved October 9, 2009 from [http://www.opencongress.org/baucus\\_bill\\_health\\_care.html](http://www.opencongress.org/baucus_bill_health_care.html).

<sup>20</sup> Department of Health and Human Services. (2009). The 2009 HHS poverty guidelines. Retrieved October 9, 2009 from <http://aspe.hhs.gov/poverty/09poverty.shtml>.

<sup>21</sup> Over half of California farm workers lack the requisite immigration status to get a subsidy through the Exchange. See Diring, Health Coverage for California's Farm Workers.



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<sup>22</sup> These pools could be authorized offer less costly coverage, such as the “young invincibles” policies of preventive and catastrophic coverage being considered in the Senate Finance Committee and should be allowed to wrap around existing public coverage (i.e. Medicaid) as Medicare Supp policies already do for Medicare.