



The Health Insurance Compensation Gap

How Unequal Health Care Coverage for Women Increases the Gender Wage Gap

Jessica Arons and Lindsay Rosenthal

April 16, 2012

Introduction

Equal Pay Day dawns tomorrow—the 108th day of 2012—which marks the number of days into the new year that women have to work to earn as much as men did in 2011. A recent report by the Institute for Women’s Policy Research shows that women earned 77 cents for every dollar earned by men in 2011, an average of \$10,622 in lost wages every year.¹ Yet that earnings ratio actually understates the extent of women’s disparate treatment in the workforce.

Why? Because women are also less likely than men to receive health care coverage through their employer and are more likely to have higher out-of-pocket medical costs, resulting in a health insurance compensation gap on top of the pay gap. This brief focuses on this gap and how the Affordable Care Act will lessen that divide.

The health insurance compensation gender gap

One of the reasons economists believe wages for American workers have stagnated in recent years is because rising health care costs have meant that a growing share of employee compensation is going to employer-sponsored health insurance rather than wages.² But when it comes to working men and women’s access to employer-based health coverage, not all things are created equal.

Women are significantly less likely than men to have access to their own employer-based coverage.³ While men and women have similar rates of job-based insurance coverage overall, less than half of women (48 percent) are eligible to get health insurance through their jobs, compared with 57 percent of men.⁴ So although two-thirds of mothers are either breadwinners or co-breadwinners,⁵ their jobs often do not come with health benefits. This translates into women losing an average of \$4,508 for single coverage and \$10,944 for family coverage in employer contributions to health benefits each year.⁶

According to the Kaiser Family Foundation, 54 percent of uninsured women are employed, with 28 percent employed full time and 26 percent either self-employed or employed part time.⁷ Working women have less access to employer-based coverage in part because even when they have full-time employment they are more likely to be employed in low-wage jobs that do not offer benefits.⁸ As a result 10 percent of women who work full time are uninsured.⁹ Women are also more likely to hold part-time positions and jobs with small businesses that generally do not offer health benefits.¹⁰

Although about two-thirds of women between the ages of 18 to 64 have employer-based insurance coverage, only 38 percent of women are enrolled in an insurance plan they receive through their own employer,¹¹ while 24 percent receive employer-based coverage as a dependent on their spouse's or partner's plan.¹² In contrast, 50 percent of men receive insurance coverage through their own employer, and only 13 percent of men receive dependent coverage.¹³ In part because dependent coverage on a spouse's plan is such a significant source of coverage for women, single women are twice as likely to be uninsured as married women.¹⁴

Being a dependent on a spouse's plan leaves women more susceptible to losing coverage when premium costs rise and employers reduce their contributions to family coverage, when a spouse loses his job, or in the event of divorce.¹⁵ During the Great Recession of 2007-2009, many male-dominated industries were hit hardest. As men lost their jobs, more and more households went from having two incomes to being a single-income, female-headed home. But these families did not just lose a husband's or father's income—many also lost their health care coverage. As of 2010 over 2 million women lost health care coverage when they lost their own or their husband's job during the recession.¹⁶

Even with employer-based coverage, women have higher out-of-pocket costs than men. Overall, women of reproductive age spend 68 percent more out of pocket than men on health care, in part because their reproductive health care needs require more frequent health care visits and are not always adequately covered by their insurance. Among women insured by employer-based plans, oral contraceptives alone account for one third of their total out-of-pocket health care spending.¹⁷

Women face discrimination in the individual health insurance market

When working women cannot obtain employer-based coverage and earn too much to qualify for Medicaid, they must turn to the individual health insurance market. Yet women often face discrimination in the individual market—they are charged more for coverage, denied coverage for gender-specific conditions, and sold plans that inadequately cover their health needs.

A recent report from the National Women’s Law Center shows that health insurance companies frequently charge women more purely based on their gender, a practice known as gender rating. The study found that women in the individual health insurance market pay \$1 billion more than men each year in health insurance premiums for the same benefits.¹⁸ As a result of the higher costs for women’s health insurance plans, more than half of middle-income, nonelderly women who do not have employer-based coverage remain uninsured and only one-fifth obtain coverage in the individual market.¹⁹

Moreover, even when women can afford the high premiums, they are often denied coverage in whole or in part for gender-specific, so-called “pre-existing conditions” such as breast cancer, Cesarean sections, domestic violence, and rape.²⁰ And when they are allowed to purchase a plan in the individual market, their money often does not buy them the coverage they need most. The same National Women’s Law Center study on gender rating found that 88 percent of plans in the individual health insurance market do not cover maternity care and the inadequate coverage leaves women paying much of the cost of labor and delivery out of pocket²¹ (the average cost of a healthy vaginal birth in the United States is over \$8,000).²²

The impact of the gender health insurance compensation gap

The combination of being paid less than their male counterparts while having higher out-of-pocket medical expenses leaves many women struggling to pay their medical bills or trading off other necessities such as food, heat, and electricity to cover their medical costs. Fifty-two percent of women report delaying or going without needed care because of cost (not filling prescriptions or skipping tests, treatments, or follow-up visits), compared with 39 percent of men.²³

Women also report higher rates of medical debt than those of their male counterparts.²⁴ Lower-income women are especially affected. One study showed that over half of low-income women are underinsured, meaning they spend 10 percent or more of their income on out-of-pocket health care costs and premiums.²⁵

How the Affordable Care Act will help reduce this compensation gap

The Affordable Care Act institutes a series of reforms designed to drastically expand coverage and contain health insurance costs for all Americans. Many of the reforms enacted by the new health law have and will continue to be especially beneficial for women, as they help resolve many of the problems outlined above.

For instance, the minimum coverage provision, often referred to as the “individual mandate,” will help drive down health care costs for everyone by requiring all Americans to

have health insurance. The provision prevents healthy people from waiting to buy insurance until they need it and helps diversify risk pools by mixing the healthy and sick to balance out costs, which in turn reduces premiums for everyone. For those who cannot afford to pay the full cost of their own coverage, the Affordable Care Act guarantees premium assistance through income-based tax credits on a sliding scale. Beginning in 2014 the tax credits will help ensure that Americans can afford quality health insurance plans.

The new law also enables young people to remain on their parents' health plans until their 26th birthday. Young adults experience the highest rates of being uninsured, in part because they are often employed in jobs that do not offer health care coverage. Young women in particular report delaying needed health care because of cost,²⁶ but now they will not lose coverage when they leave college and start their careers. To date over 2 million young people have gained coverage under the Affordable Care Act.

Many currently uninsured women will gain insurance coverage through a provision of the new law that, beginning in 2014, expands Medicaid eligibility to people with incomes below 138 percent of the federal poverty level—about \$31,809 for a family of four in 2011.²⁷ The provision loosens eligibility criteria by eliminating requirements that limit coverage to pregnant women and parents, so women who are not pregnant or parenting will now receive coverage through Medicaid as long as they meet the income requirements.

The Affordable Care Act also includes several reforms that end discriminatory practices by insurance companies that all too often prevent women from having access to quality coverage. The law's guaranteed issue provision prohibits health insurance companies from denying coverage to anyone. Gender rating will be prohibited, thereby ending discrimination that has left women paying up to 150 percent more for the same coverage purely because of their gender.²⁸ And health insurance companies will no longer be able to deny coverage to women through pre-existing conditions exclusions.

Additionally, the law eliminates lifetime limits on how much insurance companies will cover and prohibits insurance companies from dropping health care coverage for technical reasons when a person gets sick and needs it the most. All of these reforms will expand and strengthen coverage for women regardless of their employment status.

The Affordable Care Act also does much to reduce health care costs for women. The preventive-services guarantee of the new law will make sure that women receive vital preventive care—which women often delay for cost reasons—at no additional cost. Significantly, the guarantee includes contraceptive coverage, which will eliminate one of the primary sources of women's out-of-pocket health care spending. It also includes lactation supports; screening for HIV, HPV, and other sexually transmitted infections; domestic violence counseling; screening for gestational diabetes; and annual well-woman visits.

In addition, as noted above, some of the highest out-of-pocket costs for women come from inadequate coverage for maternity care. But the Affordable Care Act also mandates that maternity benefits be covered as an essential part of women's health care. Finally, new health insurance plans will have to cap co-pays and deductibles, which will help reduce the amount women pay in out-of-pocket expenses.

Through these reforms that level the playing field for women in the health care market, the Affordable Care Act will help reduce the compensation gap that exacerbates the gap between men and women's earnings.

Birth control equity: No-cost coverage of contraception may help reduce the gender compensation and wage gaps

When the pill became widely available in the 1960s and 1970s women joined the workforce in droves, becoming more economically independent and contributing more across every sector of our economy. But a recent study by the University of Michigan has put numbers to the narrative, estimating that the pill alone can account for 10 percent of the convergence of the gap between men and women's salaries in the 1980s and 30 percent in the 1990s. The study also found that the younger women are when they obtain access to the pill, the more they earn over a lifetime.²⁹

It is clear that a woman's ability to control her own fertility is crucial to facilitating her participation in the workforce and achieving financial success and security, but most people do not realize how much it costs for women to buy their contraception. Between the cost of the monthly supply of oral contraceptives and the doctors' visits needed to have an exam and obtain a prescription, women's out-of-pocket costs for oral contraceptives range between \$215 a year for insured women and \$1,210 annually for the uninsured. That's a hefty and often unacknowledged economic burden that in many ways serves as an entry fee that women must pay to participate equally in the workforce.

The Obama administration recently acknowledged in its implementation of the Affordable Care Act that cost is a significant barrier to women's access to contraception by requiring all new group and individual health insurance plans to cover all U.S. Food and Drug Administration-approved methods of family planning at no additional cost as a basic part of preventive medicine for women. The new law not only will help reduce the gender insurance compensation gap, but, if the Michigan study is any indication, it also may help reduce the gender wage gap.

Conclusion

Health care costs are one of the leading causes of bankruptcy, as more families, particularly female-headed families,³⁰ experience exorbitant out-of-pocket medical costs. The National Women's Law Center notes that closing the gender wage gap would cover five months of health insurance for a woman and her family.³¹ The reality is that the choice between health care coverage and having money for other necessities is too often a choice women have to make because of unequal benefits and discrimination in health insurance coverage.

Women deserve not only equal pay but equal benefits as well. The Affordable Care Act will play an important role in closing the gender insurance compensation gap, helping working women obtain equal treatment and economic security.

Jessica Arons is Director of Women's Health and Rights Program at the Center for American Progress. Lindsay Rosenthal is a Special Assistant with the Women's Rights and Health Care teams at the Center.

Endnotes

- 1 U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2010" (2011), available at: <http://www.census.gov/prod/2011pubs/p60-239.pdf>.
- 2 Christina Romer and Mark Duggan, "Exploring the Link between Rising Health Insurance Premiums and Stagnant Wages," The White House Blog, March 12, 2010, available at <http://www.whitehouse.gov/blog/2010/03/12/exploring-link-between-rising-health-insurance-premiums-and-stagnant-wages>.
- 3 The Henry J. Kaiser Family Foundation, "Women's Health Insurance Coverage" (2007), available at http://www.kff.org/womenshealth/upload/6000_05.pdf.
- 4 HealthReform.gov, "Roadblocks to Health Care: Why the Current Health Care System Does Not Work for Women," available at <http://www.healthreform.gov/reports/women/index.html>.
- 5 Heather Boushey and Ann O'Leary, "Our Working Nation: How Working Women Are Reshaping America's Families and Economy and What It Means for Policymakers" (Washington: Center for American Progress, 2010), available at http://www.americanprogress.org/issues/2010/03/pdf/our_work_nation_execsumm.pdf.
- 6 The Henry J. Kaiser Family Foundation & Health Research & Educational Trust, "Employer Health Benefits: 2011 Annual Survey" (2011), available at <http://ehbs.kff.org/pdf/2011/8225.pdf>.
- 7 The Henry J. Kaiser Family Foundation, "Women and Health Insurance Coverage." In Women and Health Care: A National Profile (2005), available at <http://www.kff.org/women-health/upload/Women-and-Health-Care-A-National-Profile-Key-Findings-from-the-Kaiser-Women-s-Health-Survey-Chapter-3.pdf>.
- 8 Ibid.
- 9 Ibid.
- 10 Jessica Arons and Dorothy Roberts, "Sick and Tired: Working Women and Their Health" (Washington: The Shriver Report, 2009), available at <http://www.shriverreport.com/awn/health.php>.
- 11 While 48 percent of women are eligible to enroll in their employer's health care plan, as referenced above, only 38 percent actually enroll. This is often because they have chosen to obtain coverage as a dependent on their spouse's plan.
- 12 The Henry J. Kaiser Family Foundation, "Women's Health Insurance Coverage."
- 13 Ibid.
- 14 "Roadblocks to Health Care."
- 15 The Henry J. Kaiser Family Foundation, "Women and Health Insurance Coverage."
- 16 United States Congress, Joint Economic Committee, "New JEC Report Reveals Women Experiencing Double-Whammy Of Losing Health Insurance Coverage Due To Their Own Or Spouse's Job Loss." Press Release, August 6, 2009, available at http://jec.senate.gov/public/index.cfm?p=PressReleases&ContentRecord_id=f14a0d08-5056-8059-76c7-70ecbc91639c&ContentType_id=66d767ed-750b-43e8-b8cf-89524ad8a29e&14f995b9-dfa5-407a-9d35-56cc7152a7ed&efc78dac-24b1-4196-a730-d48568b9a5d7&Group_id=ef38d8c3-045b-489c-b947-e70dc245504c.
- 17 National Partnership for Women and Families, "Summary of 'Women's Out-of-Pocket Expenditures and Dispensing Patterns for Oral Contraceptive Pills Between 1996 and 2006,' Liang et al., Contraception, October 2010" (2010), available at http://www.nationalpartnership.org/site/News2?abbr=daily3_&page=NewsArticle&id=26932&security=1381&news_iv_ctrl=-1.
- 18 National Women's Law Center, "Turning to Fairness: Insurance discrimination against women today and the Affordable Care Act" (2012), available at http://www.nwlc.org/sites/default/files/pdfs/nwlc_2012_turningtofairness_report.pdf.
- 19 "Roadblocks to Health Care."
- 20 National Women's Law Center, "Still Nowhere to Turn: Insurance Companies Treat Women Like a Pre-existing Condition" (2009), available at <http://www.nwlc.org/sites/default/files/pdfs/stillnowheretoturn.pdf>.
- 21 National Women's Law Center, "Turning to Fairness." A woman who receives insurance through the individual market can be responsible for \$7,884 (or 82 percent) of the cost out of pocket. The Henry J. Kaiser Family Foundation, "Maternity Care and Consumer-Driven Health Plans" (2007), available at <http://www.kff.org/womenshealth/upload/7636.pdf>.
- 22 National Business Group on Health, "Investing in Maternal and Child Health: An Employer's Toolkit" (2007), available at http://www.businessgrouphealth.org/healthtopics/maternalchild/investing/docs/mch_toolkit.pdf.
- 23 Ibid.
- 24 Sheila D. Rustgi, Michelle M. Doty, and Sara R. Collins, "Women at Risk: Why Many Women Are Forgoing Needed Health Care" (Washington: The Commonwealth Fund, 2009), available at http://www.commonwealthfund.org/~media/Files/Publications/Issue%20Brief/2009/May/Women%20at%20Risk/PDF_1262_Rustgi_women_at_risk_issue_brief_Final.pdf.
- 25 Ibid.
- 26 Ibid.
- 27 Department of Health and Human Services. "2012 HHS Poverty Guidelines" (2012), available at <http://aspe.hhs.gov/poverty/12poverty.shtml>.
- 28 The White House, "Health Reform for American Women: The Affordable Care Act Gives Women Greater Control over Their Health Care," (2012) available at http://www.whitehouse.gov/files/documents/health_reform_for_women.pdf
- 29 Martha J. Bailey, Brad Hershbein, and Amalia R. Miller, "The Opt-In Revolution? Contraception and the Gender Gap in Wages." Working Paper No. 17922 (Washington: National Bureau of Economic Research, 2012), available at <http://www.nber.org/papers/w17922>.
- 30 "Out-of-Pocket Expenses: Americans Shoulder the Burden of Growing Health Care Costs," available at http://www.healthreform.gov/reports/out_of_pocket/index.html
- 31 National Women's Law Center, "Women Can't Afford Unfair Pay Today" (2012), available at <http://www.nwlc.org/sites/default/files/pdfs/womenunfairpayfactsheet.pdf>.