

The History of EMPLOYER-SPONSORED HEALTHCARE



How We Got to Now

0 Small Beginnings

┆ Prior to the 1930s

Before the 1930s, the American public largely paid its own way where medical costs were concerned. With the exception of a few industries, employers by and large had little motivation to provide health coverage. Americans who worked in dangerous professions like mining, steel, and railroads had access to company doctors in industrial clinics or union-operated infirmaries. Though this was not healthcare as it exists today, these company-sponsored clinics were some of the earliest precedents of businesses becoming involved in their employees' well-being.

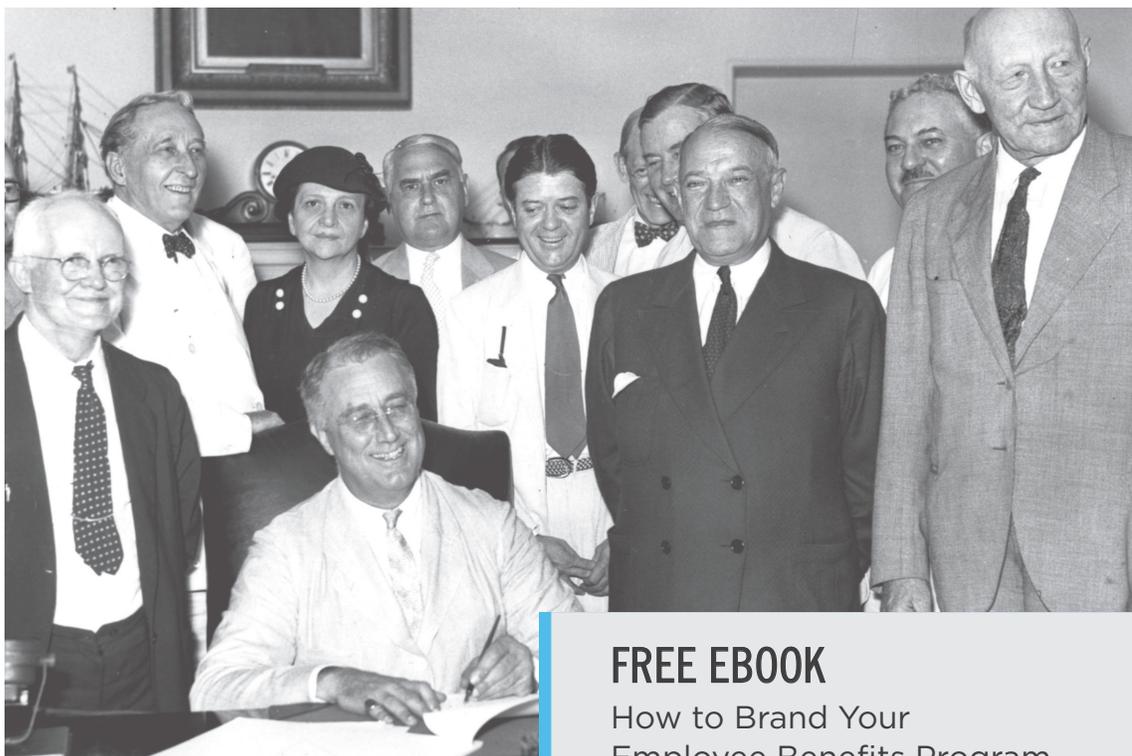


Employers had little motivation to provide health coverage.

1 The Great Depression

1932

After his election to the presidency in 1932, Franklin D. Roosevelt chose not to pursue universal healthcare coverage. Several factors influenced his decision, not the least of which was major opposition from the American Medical Association. Roosevelt toyed with the idea of nationalizing healthcare as part of his plan for Social Security. However, he was a politically astute man, and he realized that tying universal health coverage to the Social Security Act might doom both initiatives to failure.



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1 The Great Depression

1932

Of course, Roosevelt's decision left unresolved the pressing need of many Americans for some way to deal with healthcare costs. In the grips of the Great Depression, many were hard pressed to find money for essentials like food and shelter. Healthcare often fell by the wayside for families working to access the basic necessities of life.

Into this environment came the beginnings of private health insurance, with Blue Cross and Blue Shield plans paving the way for private insurers to begin crafting plans to meet the needs of the growing market. Still, at this stage, employers were not generally in the picture, and these original health insurance offerings were purchased almost exclusively by individuals.

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2 World War II and It's Aftermath

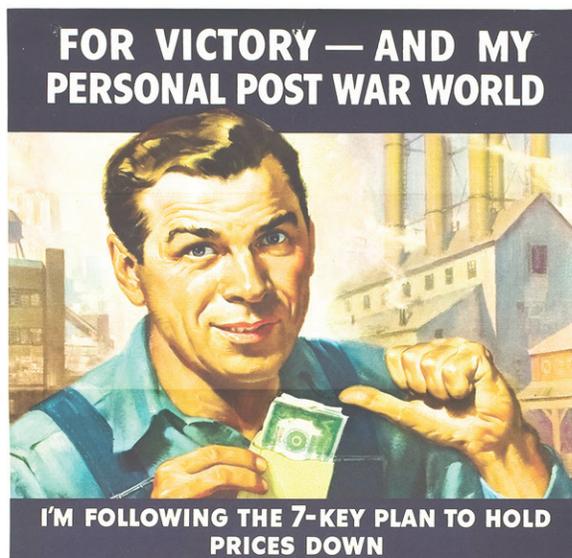
1942

Once America became embroiled in World War II, there was great concern that rampant inflation would threaten America's military effort and undermine its domestic economy. The concern was valid, as Americans had witnessed what inflation had done to war-torn Germany, devastating its economy and giving rise to Hitler's regime.

To combat inflation, the 1942 Stabilization Act was passed. Designed to limit employers' freedom to raise wages and thus to compete on the basis of pay for scarce workers, the actual result of the act was that employers began to offer health benefits as incentives instead.

Suddenly, employers were in the health insurance business. Because health benefits could be considered part of compensation but did not count as income, workers did not have to pay income tax or payroll taxes on those benefits. Thus, by 1943, employers had an increased incentive to make health insurance arrangements for their workers, and the modern era of employer-sponsored health insurance began.

By 1943, employers had an increased incentive to make health insurance arrangements for their workers.



1. Buy and hold War Bonds.
2. Pay willingly our share of taxes.
3. Provide adequate life insurance and savings for our future.
4. Reduce our debts as much as possible.
5. Buy only what we need and make what we have last longer.
6. Follow ration rules and price ceilings.
7. Cooperate with our Government's wage stabilization program.

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3 The '50s Through The '80s

1950 - 1964

The 1950s saw the expansion of healthcare coverage options, as strong labor unions began to bargain for better benefit packages. Major medical plans evolved during this era, with vision care becoming a popular option in 1957 and dental benefits becoming an offering in 1959.

This created a serious situation for retirees, however. Because employer-sponsored healthcare had now become the cornerstone of the entire American healthcare system, health costs fell victim to inflation, and retired Americans found themselves unable to afford private coverage.



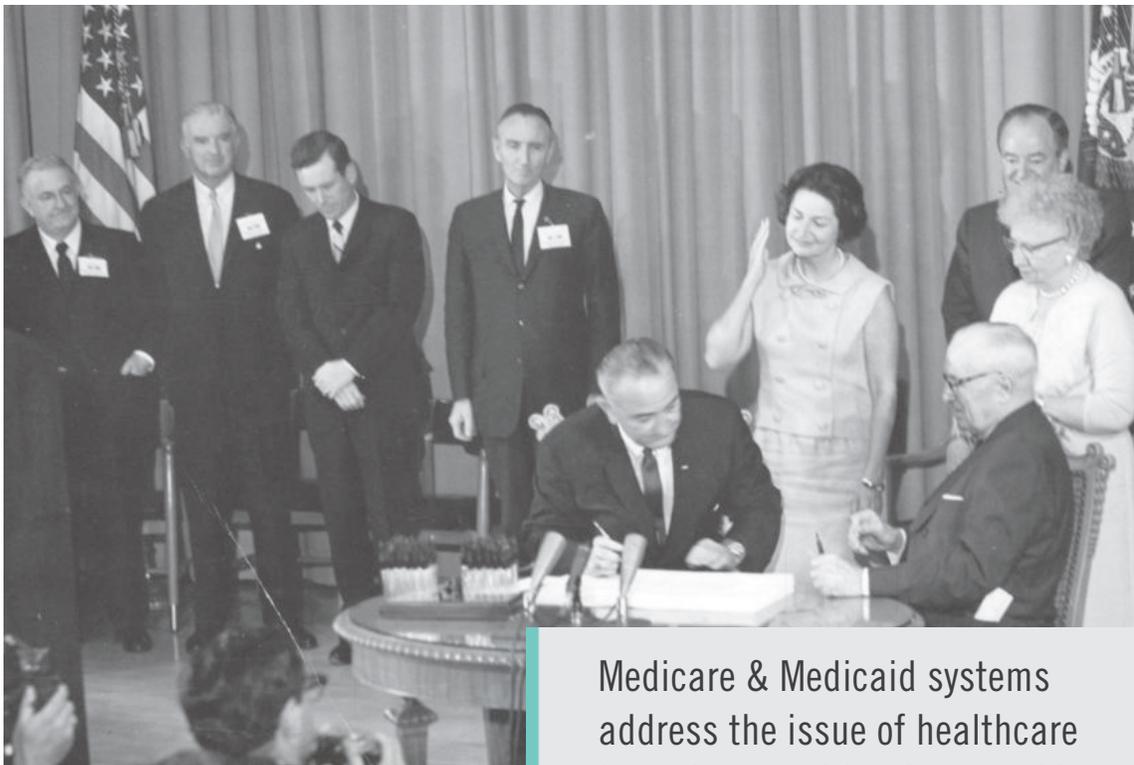
Vision care became a popular option in 1957 and dental benefits was offered in 1959.

3 The '50s Through the '80s

1965 - 1980s

In 1965, Lyndon Johnson created the Medicare and Medicaid systems to address the issue of healthcare for retirees and for those working in low-paying jobs for companies that did not offer healthcare benefits.

By the late 60's and early 70's, it was becoming increasingly clear that healthcare reform was in order. In 1971, Senator Edward Kennedy proposed a single-payer plan that would have likely expanded nationalized healthcare to every American. Nixon had his own plan, and it appeared that healthcare reform would happen. However, Watergate derailed that plan, and healthcare reform took a back seat to other national policy issues for the following decades.



Medicare & Medicaid systems address the issue of healthcare for retirees and for those working in low-paying jobs.

4 The '90s Through Today

1990 - 2009

With Bill Clinton's election to the presidency in 1992, healthcare once again took center stage in the national debate. Putting his wife, Hillary Clinton, in charge of promoting his health insurance reform plan known as the Health Security Act, Clinton intended to enact legislation that would require virtually all Americans to enroll in a health policy, which would be managed by regional purchasing cooperatives.

By 1993, Clinton's plan died in Congress, largely because it was considered too radical an overhaul of the healthcare system. This left the major portion of healthcare still in the hands of employers. To deal with the growing number of employers who were dropping coverage because of rampant inflation, the HMO as we know it today was born.

Employees were generally unhappy with managed care options, as they wanted greater autonomy concerning their health decisions. Patient "bills of rights" were crafted, and HMOs became more liberal, with so-called open-access plans. Meanwhile, healthcare costs continued to rise.



First lady, Hillary Clinton was in charge of the Health Security Act.

4 The '90s Through Today

2010 - Present

In 2010, in response to the crisis state of American healthcare, President Obama signed into law the Affordable Care Act. Met with stiff opposition and widely called by the moniker “Obamacare,” the ACA is still in its infancy. While it remains to be seen what the long-term effects of Obamacare will be, there is little doubt that we are in the midst of a new chapter in America’s turbulent healthcare history.

If you would like information about employer-sponsored healthcare initiatives and how the Affordable Care Act affects them, please [contact us](#). As experienced benefits consultants, we can answer your questions and work with you to craft a benefits package that is ACA-compliant and affordable for your business and your employees.



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Consult with Us

If you would like to discuss a holistic benefits solution designed to address your overall business objectives, as well as the unique needs of your workforce and your marketplace, please contact us. Our extensive work in the nonprofit industry gives us unique insights into many of the common challenges and opportunities facing employers today.

We'll ensure that your benefits package aligns with board policies and meets budgetary constraints, while creating a competitive edge within the local workforce. The ability of a firm like the JP Griffin Group to gather comparative data, analyze an organization, understand where it fits within its sector, and make objective recommendations—is priceless to HR and Finance departments. Having an external, professional recommendation is often received positively by both boards and staff.

ABOUT THE AUTHOR

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Dave is a veteran marketing and digital platforms expert, whose passion lies at the intersection of the creative arts, behavioral economics and social sciences. He spends his days finding new ways to help drive benefit strategies and desired outcomes through more influential employee communications and decision-making tools.

Dave's hands-on client work taps into the behavioral insights of their workforces to solve their most difficult communication, enrollment and behavioral modification challenges.



6 About the JP Griffin Group

The JP Griffin Group is a group employee benefits consulting firm that specializes in the design, implementation, and management of complex multi-site, multi-state employee benefit programs. We work with both fully insured and self-funded companies to deliver innovative, impactful and tailored benefit solutions through fact-based strategic planning, insightful and actionable analytics, leading-edge automation solutions and award-winning communication materials.

We measure our success by our ability to ease our clients HR administrative and financial burdens, while at the same time delivering truly competitive employee benefits packages that assist our clients in employee recruitment and retention.

We work with a diverse set of clients, which span 47 states as well as the District of Columbia. Our clients range in size from 25 to 4,000+ employees. The majority of our clients are geographically dispersed with varied compensation tiers, diverse demographics, multicultural talent pools, bilingual language requirements, and unique funding arrangements.

