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Upfront

Key Perk of Nonprofit Work Faces Extinction Study finds nonprofits are losing their ability to offer health insurance

By Andrea Orr

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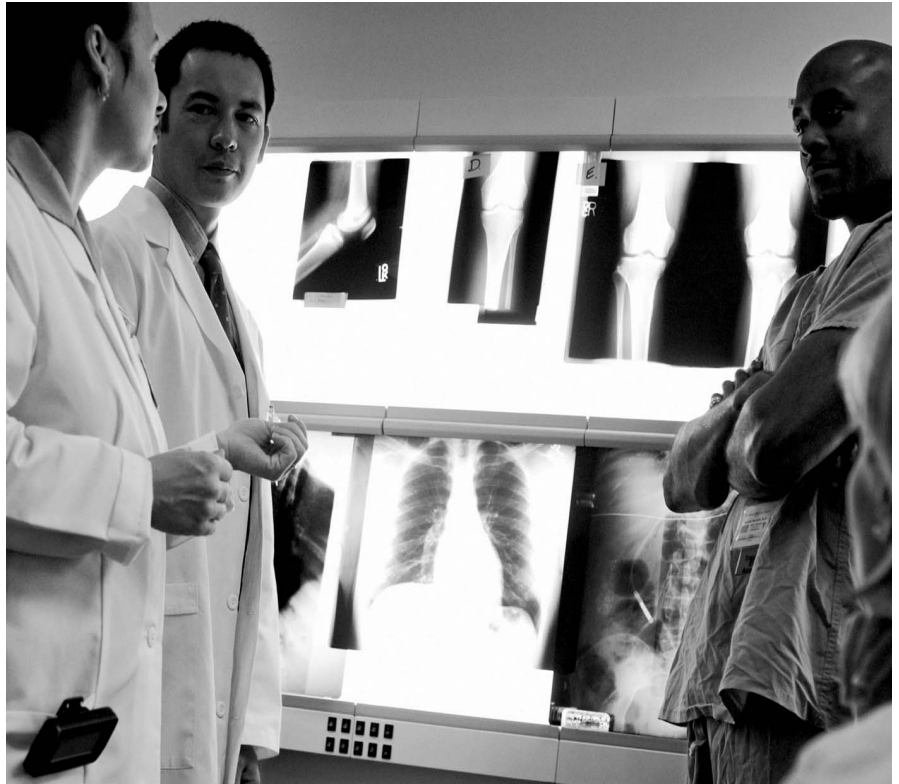
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EMPLOYEE BENEFITS

Key Perk of Nonprofit Work Faces Extinction

Study finds nonprofits are losing their ability to offer health insurance

Dewey Matherly, executive director of Family Service Inc., a small counseling service in rural Gastonia, N.C., has never been able to pay his 15 employees rich salaries, but strives to make up some of the difference through generous healthcare packages. “I think it’s important,” says Matherly. “It’s one of the perks we can provide.”

This kind of generous policy could be facing extinction, however. A recent study by Johns Hopkins University’s Center for Civil Society Studies found that all sorts of nonprofit organizations in the United States, from rural counseling services to urban theater groups, are being squeezed by escalating health insurance costs.

The study surveyed 250 nonprofits

and found that 63 percent of them had health benefit cost increases of at least 11 percent over the past year. More than 60 percent passed at least some of those costs on to their employees, while others were forced to eliminate raises or cut back on employee health benefits.

These statistics alone do not suggest that nonprofit employers endure higher healthcare costs than for-profit businesses. In fact, employers of all kinds, and small businesses in particular, face a similar squeeze. A study by the Kaiser Family Foundation found that between 2002 and 2003, insurance premiums jumped 15.5 percent for firms with fewer than 200 workers, and 13.2 percent for larger companies.

The Johns Hopkins study, however, argued that steep healthcare

costs hurt nonprofits more than they do private-sector employers. Many nonprofit workers are already earning less than their private-sector counterparts and are ill equipped to absorb any sort of increase in living expenses. They also miss out on perks like employee stock options or other forms of company ownership that can supplement salaries. Moreover, when health costs rise across the board, it is often the smallest employers that see the biggest cost hikes, since they cannot negotiate the kinds of large group plans with relatively low premiums that are available for large companies.

“Nonprofits tend to be smaller employers who can’t pool the risk,” explains Lester Salamon, professor of policy studies at Johns Hopkins and director of the Center for Civil Society Studies. While advocates of healthcare reform have proposed

several solutions – such as the formation of umbrella groups consisting of multiple small employers that could negotiate better group health plans – there appears to be no imme-

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diate solution on the horizon, Salamon says.

That leaves the directors of the country’s smallest nonprofits holding their breath each year when it comes time to do the annual budget.

“The ever-increasing costs of medical coverage precludes our being able to offer to our employees dental coverage, disability coverage, or even a basic retirement plan,” says Marilyn Spirt, director of development and marketing at the Shakespeare Festival of St. Louis, another nonprofit that participated in the survey.

Matherly says he likes to think of health and retirement benefits as sacrosanct in a 15-member organization where workers are already underpaid, but he doesn’t know about the future. In recent years, Family Service has had to increase employee co-pays for doctor visits from \$20 to \$60 and has doubled deductibles to \$1,000. And still its health expenses continue to soar.

“As of right now, we can continue to provide health benefits to all employees, but in the future, I’m not so sure,” Matherly says. —*Andrea Orr*