

EMPLOYER HEALTH BENEFITS
2002 ANNUAL SURVEY

Employee Cost Sharing

SECTION

7

EMPLOYEE COST SHARING

IN ADDITION TO PAYING A HIGHER AMOUNT FOR PREMIUMS, EMPLOYEES ARE ALSO PAYING HIGHER COST-SHARING FOR HEALTH CARE SERVICES, INCLUDING DEDUCTIBLES AND COPAYMENTS. RESEARCH HAS DEMONSTRATED THAT HIGHER COPAYS AND DEDUCTIBLES SAVE COSTS, BUT MAY ALSO DISCOURAGE USE OF NEEDED SERVICES, PARTICULARLY AMONG LOWER-INCOME INDIVIDUALS.⁷

IN-NETWORK DEDUCTIBLES TO SEE PROVIDERS IN PPO NETWORKS JUMPED SIGNIFICANTLY THIS YEAR. THE PERCENTAGE OF HMO ENROLLEES FACING \$20 COPAYS FOR PHYSICIAN VISITS ALSO ROSE SIGNIFICANTLY.

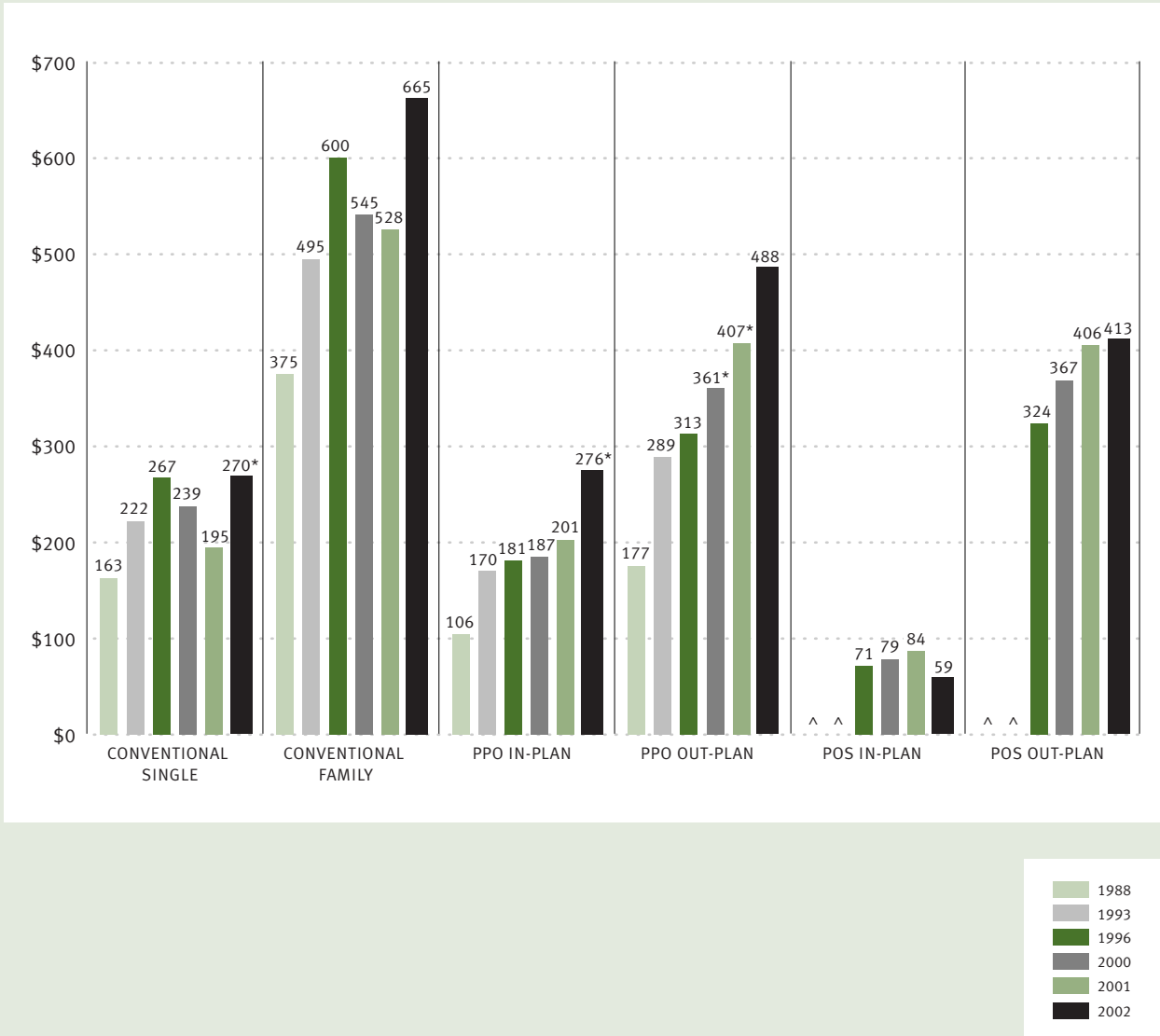
- ▶ In PPOs, deductibles for preferred providers increased from \$201 in 2001 to \$276 in 2002. Deductibles for single coverage in conventional plans also increased significantly – from \$195 to \$270 this year (EXHIBIT 7.1).
- ▶ Deductibles are generally lower for workers in large firms (200 or more workers) than for workers in small firms (3-199 workers) across all types of plans. For PPO preferred providers, for example, the average worker in a small firm must pay a deductible of \$311, compared to \$259 for those in large firms (EXHIBIT 7.2).
- ▶ For HMO coverage, a \$10 copayment continues to be the most common copayment amount for physician visits, applying to about half of covered workers in HMOs. About 29% of covered workers face a \$15 per visit copayment. The percentage of workers with a copayment of \$5 fell from 11% to 5% this year, while the percentage of workers facing a \$20 per visit copayment increased from 2% to 11% (EXHIBITS 7.5, 7.6).
 - *Workers enrolled in a staff or group model HMO continue to be most likely not to face copayments for office visits, at 5%, though this number is down from 10% in 2001.*
- ▶ Significant proportions of covered workers in PPOs (45%) and POS plans (40%) face coinsurance rates of 30% or more for services received from non-preferred providers. Such substantial cost-sharing for out-of-network services may substantially diminish the value of enrollees' broader choice options (EXHIBITS 7.8, 7.9).
- ▶ Tiered insurance plans, in which members must pay more to use certain physicians and hospitals based on their cost, and in some cases their quality, remain relatively uncommon but are growing in use. Five percent of workers in HMOs and PPOs are in such tiered plans, as are 9% of workers in POS plans (EXHIBIT 7.4).

NOTE:

⁷ Willard G. Manning, Joseph P. Newhouse, Naihua Duan, Emmett Keeler, Arleen Leibowitz, and M. Susan Marquis, "Health Insurance and the Demand for Medical Care: Results from a Randomized Experiment," *American Economic Review*, June 1987, 77:3, pp. 251-277. Kathleen N. Lohr, Robert H. Brook, Caren J. Kamberg, George A. Goldberg, Arleen Leibowitz Joan Keesey, David Reboussin, and Joseph P. Newhouse, "Use of Medical Care in the RAND Health Insurance Experiment: Diagnosis and Service Specific Analyses in a Randomized Controlled Trial," *Medical Care*, 24: 9, Supplement, September 1986, pp.

EXHIBIT 7.1

Average Annual Deductibles for Single Coverage in Conventional, PPO, and POS Plans, 1988-2002



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996-2000, 2000-2001, 2001-2002.

^ Information was not obtained for POS plans in 1988 and 1993.

EXHIBIT 7.2

Average Annual Deductible for Typical Covered Worker, by Firm Size and Plan Type, 2002

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
All Small Firms (3-199 Workers)	\$314	\$674
Midsize (200-999 Workers)	196	511
Large (1,000-4,999 Workers)	280	683
Jumbo (5,000+ Workers)	273	722
ALL FIRM SIZES	\$270	\$665
PPO PLANS		
All Small Firms (3-199 Workers)	\$311	\$527
Midsize (200-999 Workers)	221	415
Large (1,000-4,999 Workers)	182*	390*
Jumbo (5,000+ Workers)	310	529
ALL FIRM SIZES	\$276	\$488
POS PLANS		
All Small Firms (3-199 Workers)	\$105*	\$470
Midsize (200-999 Workers)	64	387
Large (1,000-4,999 Workers)	38	368
Jumbo (5,000+ Workers)	22*	385
ALL FIRM SIZES	\$ 59	\$413

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

* Estimate is statistically different from All Firms within a type.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EXHIBIT 7.3

Average Annual Deductible for Typical Covered Worker in Conventional, PPO, and POS Plans, by Region, 2002

	<i>Single Coverage</i>	<i>Single Coverage</i>
CONVENTIONAL PLANS		
Northeast	\$202	\$531
Midwest	274	642
South	321	880*
West	286	675
ALL REGIONS	\$270	\$665
	<i>Single Coverage Preferred Provider</i>	<i>Single Coverage Non-Preferred Provider</i>
PPO PLANS		
Northeast	\$150*	\$437
Midwest	260	449
South	318	544
West	352	455
ALL REGIONS	\$276	\$488
POS PLANS		
Northeast	\$38	\$424
Midwest	96	441
South	71	392
West	45	402
ALL REGIONS	\$59	\$413

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

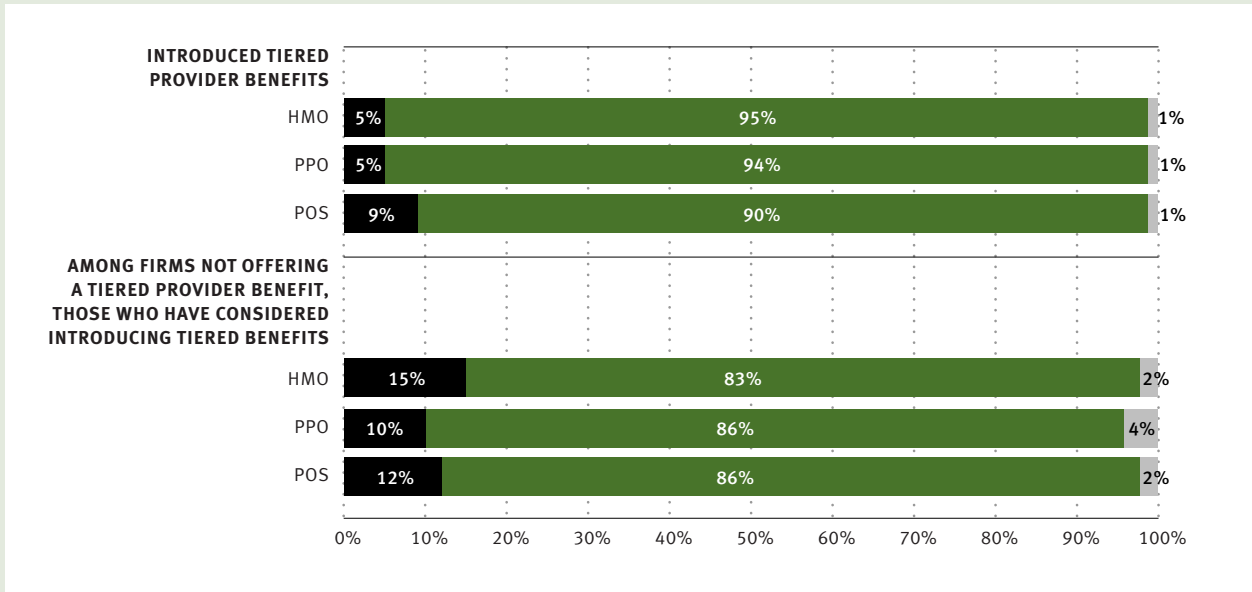
* Estimate is statistically different from All Regions within a type.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EXHIBIT 7.4

Percentage of Covered Workers in HMO, PPO, and POS Plans Whose Plan Has Introduced or Has Considered Introducing a Tiered Cost-Sharing Arrangement for Doctor or Hospital Visits, 2002

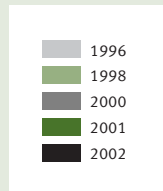
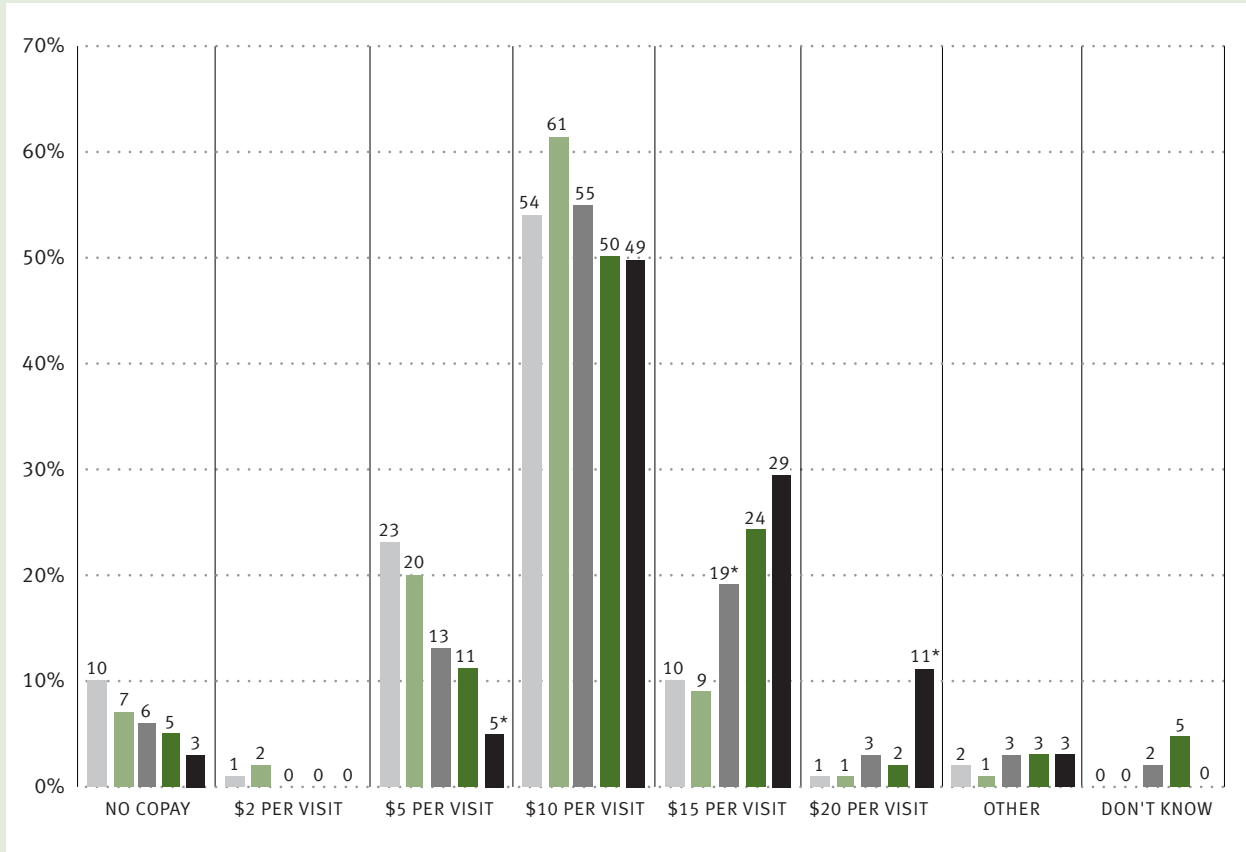


SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

EXHIBIT 7.5

Percentage of Covered Workers Facing HMO Copayments for Physician Visits, 1996-2002



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002.
 KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996-1998, 1998-2000, 2000-2001, 2001-2002.

EXHIBIT 7.6

Percentage of Covered Workers Facing HMO Copayments for Physician Visits, by HMO Type, 2002*

	<i>IPA</i>	<i>Staff/Group</i>	<i>Mixed</i>	<i>All HMO Types</i>
No Copayment	1%	5%	4%	3%
\$2 Per Visit	0	0	0	0
\$5 Per Visit	5	14	3	5
\$10 Per Visit	51	38	49	49
\$15 Per Visit	33	33	22	29
\$20 Per Visit	5	9	19	11
Other	4	1	2	3
Don't Know	0	0	0	0
TOTAL	100%	100%	100%	100%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

* Tests found no statistically different distributions from All HMO Types.

IPA (Independent Practice Association) model HMO: an HMO model in which the HMO contracts with a physician organization, which, in turn, contracts with independent physicians. The IPA physicians practice in their own offices and continue to see fee-for-service patients.

Staff model HMO: a model in which the HMO employs health care providers directly. The providers are employees of the HMO, and provide care exclusively to HMO members.

Group model HMO: an HMO in which the plan contracts exclusively with a single group of physicians.

EXHIBIT 7.7

Percentage of Covered Workers Facing Various Coinsurance Rates in Conventional Plans, by Firm Size, 2002*

	<i>All Small Firms (3-199 Workers)</i>	<i>Midsized (200-999 Workers)</i>	<i>Large (1,000-4,999 Workers)</i>	<i>Jumbo (5,000+ Workers)</i>	<i>All Firm Sizes</i>
0%	16%	10%	3%	0%	7%
10%	1	19	5	2	5
15%	1	4	0	0	1
20%	50	51	85	93	72
25%	0	0	4	3	2
30%	7	0	1	0	2
Rate Varies	0	0	0	2	1
Other	22	15	2	0	9
Don't Know	4	0	0	0	1
TOTAL	100%	100%	100%	100%	100%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

* Tests found no statistically different distributions from All Firms.

Coinsurance rates: a cost sharing arrangement in which a member pays a specified proportion of the bills for services received.

EXHIBIT 7.8

Percentage of Covered Workers Facing Coinsurance Rates and Copayments in PPO Plans, by Firm Size, 2002

	All Small Firms (3-199 Workers)	Midsize (200-999 Workers)	Large (1,000-4,999 Workers)	Jumbo (5,000+ Workers)	All Firm Sizes
<i>Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	15%	2%	9%	6%	8%
10%	35	38	35	39	37
15%	0	2	7	5	4
20%	41	51	43	48	46
25%	4	4	0	1	2
30%	0	1	0	1	1
40%	0	0	4	0	1
Varies	1	1	0	0	0
Other	1	0	0	0	0
Don't Know	4	0	0	1	1
TOTAL	100%	100%	100%	100%	100%
COPAYMENTS WORKER PAYS					
\$5	4%	4%	0%	1%	2%
\$10	29	39	41	36	35
\$15	29	36	41	25	31
\$20	29	19	12	30	25
Other	9	3	7	8	7
Don't Know	0	0	0	0	0
TOTAL	100%	100%	100%*	100%	100%
<i>Non-Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	6%	3%	5%	4%	5%
10%	5	6	5	2	4
15%	0	0	0	1	0
20%	34	30	22	30	30
25%	3	3	1	5	4
30%	17	38	39	27	27
35%	0	2	3	2	2
40%	16	13	15	17	16
Varies	0	0	1	3	1
Other	3	4	9	6	5
Don't Know	15	2	0	2	6
TOTAL	100%*	100%	100%*	100%	100%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

* Distribution is statistically different from All Firms.

NSD: Not sufficient data.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EXHIBIT 7.9

Percentage of Covered Workers Facing Coinsurance Rates and Copayments in POS Plans, by Firm Size, 2002*

	<i>All Small Firms (3-199 Workers)</i>	<i>Midsize (200-999 Workers)</i>	<i>Large (1,000-4,999 Workers)</i>	<i>Jumbo (5,000+ Workers)</i>	<i>All Firm Sizes</i>
<i>Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	NSD	NSD	NSD	NSD	11%
10%	NSD	NSD	NSD	NSD	24
15%	NSD	NSD	NSD	NSD	2
20%	NSD	NSD	NSD	NSD	42
25%	NSD	NSD	NSD	NSD	3
30%	NSD	NSD	NSD	NSD	10
Varies	NSD	NSD	NSD	NSD	3
Other	NSD	NSD	NSD	NSD	1
Don't Know	NSD	NSD	NSD	NSD	4
TOTAL	NSD	NSD	NSD	NSD	100%
COPAYMENTS WORKER PAYS					
\$5	3	6	1	7	5
\$10	41	38	44	43	42
\$15	35	30	37	35	34
\$20	15	18	17	7	12
Other	6	8	1	1	3
Don't Know	1	0	0	8	3
TOTAL	100%	100%	100%	100%	100%
<i>Non-Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	4%	8%	9%	4%	5%
10%	3	2	2	0	2
20%	37	33	23	24	30
25%	4	1	1	7	4
30%	20	28	29	32	27
35%	2	0	2	0	1
40%	9	7	18	16	12
Varies	0	1	2	0	0
Other	3	7	6	10	6
Don't Know	19	13	9	7	12
TOTAL	100%	100%	100%	100%	100%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

NSD: Not sufficient data.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

* Tests found no statistically different distributions from All Firms.