

**Section 3: Trends in Health Insurance Premiums**

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**Exhibit 3.1: Average Annual Employer Health Plan Premiums, by Coverage Type and Type of Plan, 2003**

Annual private employer-sponsored insurance premiums averaged \$3,383 for single coverage and \$9,068 for family coverage in 2003. Conventional coverage was the most expensive type of single coverage, and Preferred Provider Organization (PPO) coverage was the most expensive family coverage option. HMOs were the least costly choice, with both single and family premiums about 10% less than PPO coverage.

	Single Coverage	Family Coverage
Conventional	\$3,576	\$8,800
HMO	\$3,154	\$8,514
PPO	\$3,505	\$9,317
POS	\$3,268	\$9,134
All Plans	\$3,383	\$9,068

Source: Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits, 2003 Annual Survey*, Exhibit 1.14, p.32, at <http://www.kff.org/insurance/ehbs2003-3-1.cfm>.

**Exhibit 3.2: Average Annual Premiums for Employer Health Plans, by Type of Plan and Region, 2003**

Premiums vary by region. The West was the least expensive region for both single and family coverage in 2003, driven by the low cost of HMO coverage in the region. The Northeast had the most expensive family premiums as a result of the high rates for PPOs, which dominate the region.

<b>Single Coverage</b>	<b>Northeast</b>	<b>Midwest</b>	<b>South</b>	<b>West</b>	<b>All Regions</b>
Conventional	\$3,025	\$3,786	\$3,278*	\$4,078	\$3,576
HMO	\$3,289	\$3,378*	\$3,320*	\$2,751*	\$3,154
PPO	\$3,457	\$3,436	\$3,527	\$3,629	\$3,505
POS	\$3,291	\$3,073	\$3,395	\$3,261	\$3,268
All Plans	\$3,356	\$3,383	\$3,454	\$3,288	\$3,383

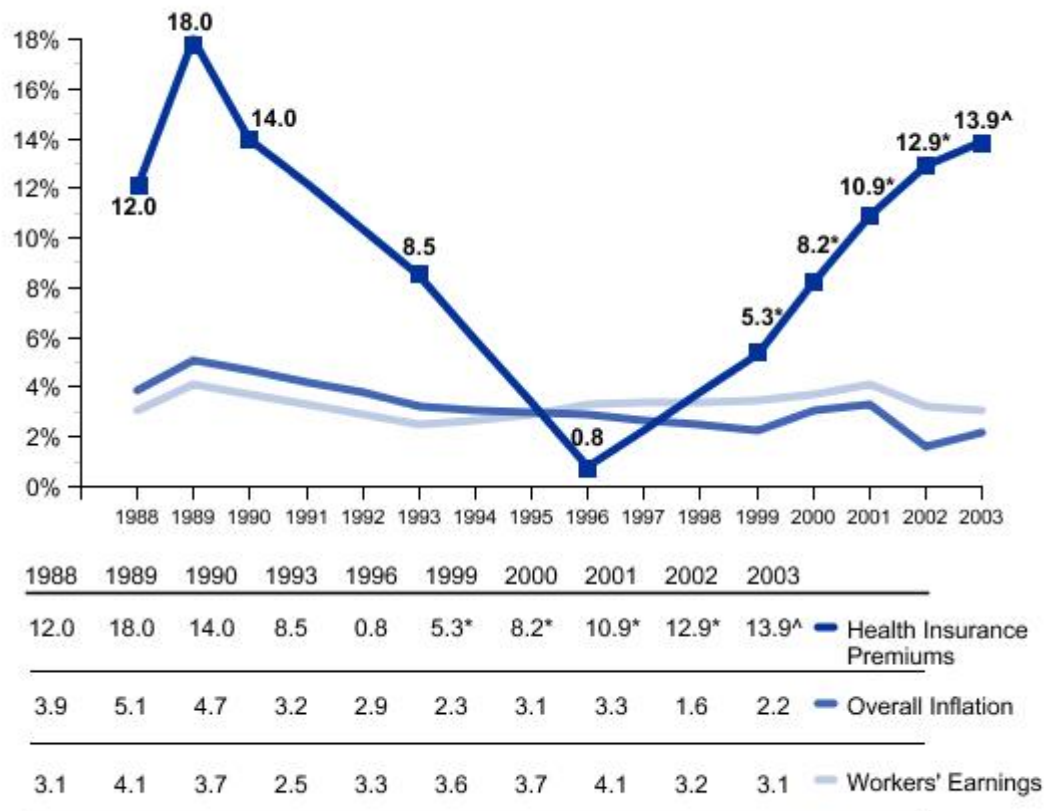
<b>Family Coverage</b>	<b>Northeast</b>	<b>Midwest</b>	<b>South</b>	<b>West</b>	<b>All Regions</b>
Conventional	\$8,113	\$9,359	\$8,482	\$9,088	\$8,800
HMO	\$8,890	\$8,733	\$9,002*	\$7,617*	\$8,514
PPO	\$9,887*	\$9,232	\$9,228	\$9,043	\$9,317
POS	\$9,242	\$8,885	\$9,226	\$9,129	\$9,134
All Plans	\$9,404	\$9,092	\$9,155	\$8,536*	\$9,068

Notes: \*Estimate is statistically different from All Regions within a plan type.

Source: Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits, 2003 Annual Survey*, Exhibit 1.15, p.33, at <http://www.kff.org/insurance/ehbs2003-3-1.cfm>.

**Exhibit 3.3: Increases in Employer Health Insurance Premiums Compared to Increases in Overall Inflation and Workers' Earnings, 1988-2003**

While employer health insurance premiums rose modestly in the mid-1990s, increases have now returned to the double-digit levels of the late 1980s and early 1990s, rising 13.9% in 2003. Premium increases significantly outpaced both the rate of inflation and the growth in workers' earnings in almost all years since 1988.

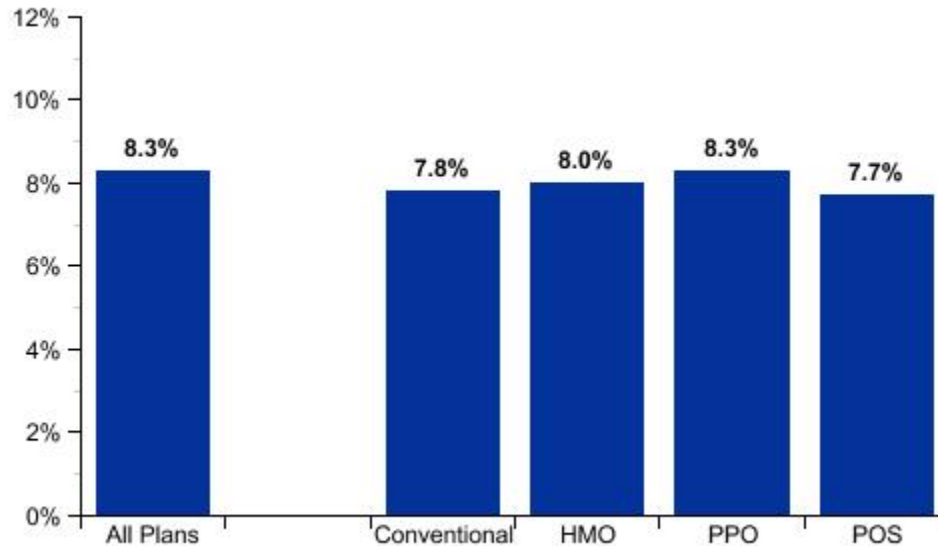


Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four.  
 \*Estimate is statistically different from the previous year shown at p<0.5: 1996-1999, 1999-2000, 2000-2001, 2001-2002. ^Estimate is statistically different from the previous year shown at p<0.1: 2002-2003.

Source: Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits, 2003 Annual Survey*, Exhibit 1.2, p. 21, at <http://www.kff.org/insurance/ehbs2003-3-set.cfm> (employer premiums). Bureau of Labor Statistics, Consumer Price Index 1988-2003, All Urban Consumers, U.S. City Average, All Items, April-April, Not Seasonally Adjusted, at <http://www.bls.gov/cpi/home.htm> (inflation). Bureau of Labor Statistics, Current Employment Statistics 1988-2003, Average Hourly Earnings, April-April, Seasonally Adjusted, at <http://www.bls.gov/ces/home.htm#data> (worker earnings).

**Exhibit 3.4: Average Annual Percent Change in Employer Health Insurance Premiums, by Type of Plan, 1996-2003**

Employer health insurance premiums for different types of plans (Conventional, HMO, PPO, and POS) grew at similar average annual rates from 1996 to 2003 (about 8%), although the actual average premiums for these plan types varied (see Exhibit 3.1)

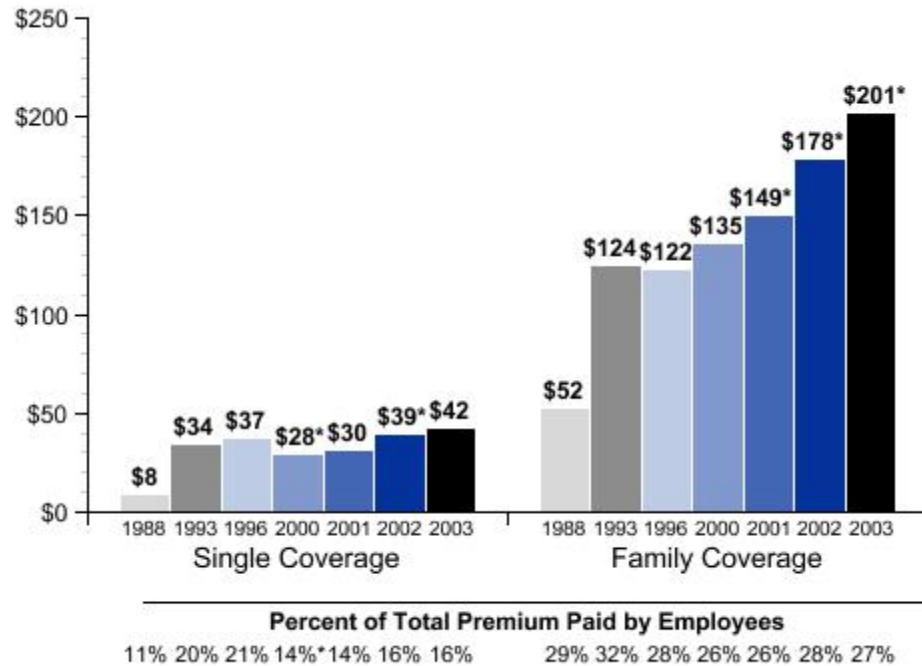


Notes: Data reflect the cost of health insurance premiums for a family of four.

Source: Kaiser Family Foundation calculations using data from the Kaiser Family Foundation/Health Research and Educational Trust Annual Survey of Employer-Sponsored Health Benefits, 1997-2003, and the KPMG Survey of Employer-Sponsored Health Benefits, 1996.

**Exhibit 3.5: Average Monthly Employee Premium Contributions and Percent of Total Premium Paid by Employees, by Coverage Type, 1988-2003**

In 2003, employees paid on average 16% of the single coverage premium, or \$42 monthly, and 27% of the family coverage premium, or \$201 monthly. Although the amount of contributions has increased substantially in recent years, employees contributed a smaller share of the total premium in 2003 than in 1993.

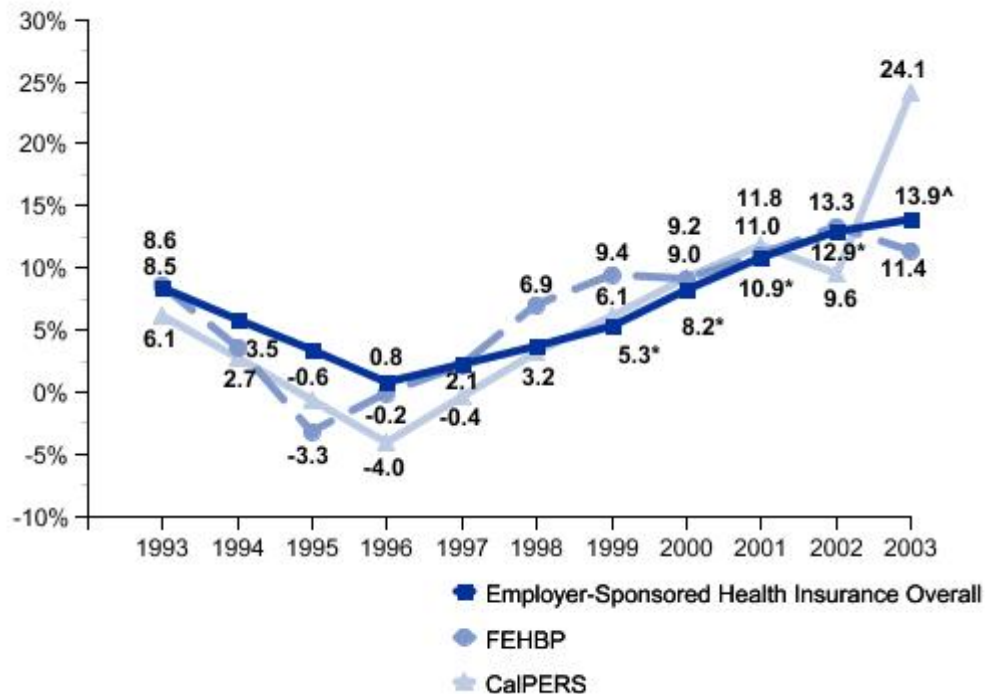


Notes: \*Estimate is statistically different from the previous year shown: 1996-2000, 2000-2001, 2001-2002, 2002-2003.

Source: Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits, 2003 Annual Survey*, Exhibits 6.1 and 6.2, p.75, at <http://www.kff.org/insurance/ehbs2003-8-set.cfm>.

### Exhibit 3.6: Annual Change in Health Insurance Premiums for Employers Overall, FEHBP, and CalPERS, 1993-2003

Large purchasing programs like FEHBP and CalPERS are often cited as purchasing models best able to contain costs, but their premium growth has in fact largely mirrored employers overall. Premium trends for all three groups show the same general pattern from 1993-2003, except for CalPERS in 2002 and 2003.



Notes: *Employer-Sponsored Health Insurance Overall* is the average premiums across all size employers based on the annual survey conducted by the Kaiser Family Foundation and Health Research and Educational Trust. The premiums are for employees (not retirees), for a family of four. *FEHBP* is the *Federal Employees Health Benefits Program*, which provides health insurance benefits to more than 8 million Federal enrollees, retirees, and their dependents. FEHBP data for this exhibit are weighted average premiums for employees (both non-Postal and Postal, not including retirees) in all plans, across all enrollment options (self and family). *CalPERS* is the *California Public Employees' Retirement System*, which provides retirement and health benefits to California public employees and retirees. CalPERS is the nation's third largest purchaser of employee health benefits, after the federal government and General Motors, covering 1.24 million active and retired state and local government public employees and their families. CalPERS data for this exhibit are weighted average premiums for Basic Plans (non-Medicare Plans), across all enrollment options (single, 2-person, and family); the 1996 premium is for a period longer than 12 months because of a change in the reporting period. \*Estimate is statistically different from the previous year shown at  $p < 0.5$ : 1996-1999, 1999-2000, 2000-2001, 2001-2002. ^Estimate is statistically different from the previous year shown at  $p < 0.1$ : 2002-2003.

Source: Employers Overall: Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits, 2003 Annual Survey*, Exhibit 1.2, p. 21, at <http://www.kff.org/insurance/ehbs2003-3-2.cfm>. FEHBP: Kaiser Family Foundation calculations using data provided by the Office of Personnel Management. CalPERS: Data for 1993, 1996, and 1999 provided by CalPERS; data for 2000-2002 from *Facts at a Glance: Health*, December 2003, on the CalPERS website at <http://www.calpers.ca.gov/about/factglan/health/health.pdf>.

**Exhibit 3.7: Adjusted Medicaid Managed Care Monthly Payment Rates and Comparison to the National Median Payment Rate, 2001**

There is substantial geographic variation in the amount states pay plans for public managed care coverage through Medicaid. This is likely the result of variations in fee-for-service spending levels, eligibility, local health care costs, and demographics. The national median Medicaid managed care (MMC) payment rate for 2001 was \$150.60 per month, with a low of \$105.35 in Michigan and a high of \$209.34 in North Dakota.

State	Adjusted MMC Rate	Rate To 50 <sup>th</sup> Percentile
North Dakota	\$209.34	39%
Minnesota	\$202.36	34%
Kentucky	\$191.95	27%
Virginia	\$190.35	26%
North Carolina	\$188.68	25%
New Mexico	\$186.94	24%
Washington, DC	\$186.40	24%
Iowa	\$181.43	20%
Maryland	\$180.05	20%
New Hampshire	\$175.95	17%
Massachusetts	\$170.96	14%
Connecticut	\$169.37	12%
Indiana	\$164.84	9%
Ohio	\$162.30	8%
Delaware	\$159.61	6%
Rhode Island	\$159.29	6%
Washington	\$154.67	3%
Missouri	\$151.79	1%
<b>U.S. 50th Percentile</b>	<b>\$150.60</b>	<b>-</b>
New York	\$149.41	-1%
Hawaii	\$147.64	-2%
Illinois	\$146.36	-3%
West Virginia	\$143.81	-5%
New Jersey	\$143.04	-5%
South Carolina	\$141.38	-6%
Utah	\$140.21	-7%
California	\$137.79	-9%
Florida	\$135.82	-10%
Kansas	\$134.84	-10%
Colorado	\$134.36	-11%
Pennsylvania	\$132.52	-12%
Wisconsin	\$132.44	-12%
Arizona	\$131.54	-13%
Nevada	\$128.06	-15%
Texas	\$127.63	-15%
Oklahoma	\$118.32	-21%
Michigan	\$105.35	-30%

Source: The Urban Institute, John Holahan and Shinobu Suzuki, "Medicaid Managed Care Payment Methods and Capitation Rates in 2001, Results of a New National Survey," March 31, 2003, at <http://www.urban.org/urlprint.cfm?ID=8357>.