

THE KAISER FAMILY FOUNDATION
- AND -
HEALTH RESEARCH AND
EDUCATIONAL TRUST

Employer
Health
Benefits

2004
ANNUAL SURVEY

THE HENRY J.
KAISER
FAMILY
FOUNDATION

-AND-

HRET
HEALTH RESEARCH &
EDUCATIONAL TRUST

Overview

The Kaiser Family Foundation/Health Research and Educational Trust 2004 Annual Employer Health Benefits Survey (Kaiser/HRET) reports findings from a survey of 3,017 randomly selected public and private employers, including 1,925 who responded to the full survey and 1,092 who indicated whether or not they provide health coverage. Kaiser/HRET drew its sample from a Dun & Bradstreet list of the nation's employers with three or more workers. The Kaiser/HRET Employer Benefits Survey is based on previous surveys sponsored by the Health Insurance Association of America from 1987–1990 and KPMG from 1991–1998. Researchers at the Kaiser Family Foundation and the Health Research and Educational Trust designed and analyzed the survey and National Research LLC conducted the field work between January and May 2004. The overall response rate for the survey was 50%. All statistical tests are performed at the 0.05 level except where otherwise noted. Some exhibits may not add up to 100% due to rounding effects.

Beginning with the 2003 Survey, several methodological changes were made to the survey, including standardizing survey weights to U.S. Census data. Therefore, historical data in the exhibits may differ slightly from previously published estimates.

These charts present a summary of findings from the 2004 Kaiser/HRET Employer Health Benefits Survey. Individual copies of the full report of survey findings (#7148) are available on the Kaiser Family Foundation's website at www.kff.org. Additional copies of this chartpack (#7150) are also available at www.kff.org.

The Kaiser Family Foundation, based in Menlo Park, California, is a nonprofit, private operating foundation dedicated to providing information and analysis on health care issues to policymakers, the media, the health care community, and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.

Health Research and Educational Trust is a private, not-for-profit organization involved in research, education, and demonstration programs addressing health management and policy issues. Founded in 1944, HRET collaborates with health care, government, academic, business, and community organizations across the United States to conduct research and disseminate findings that help shape the future of health care.

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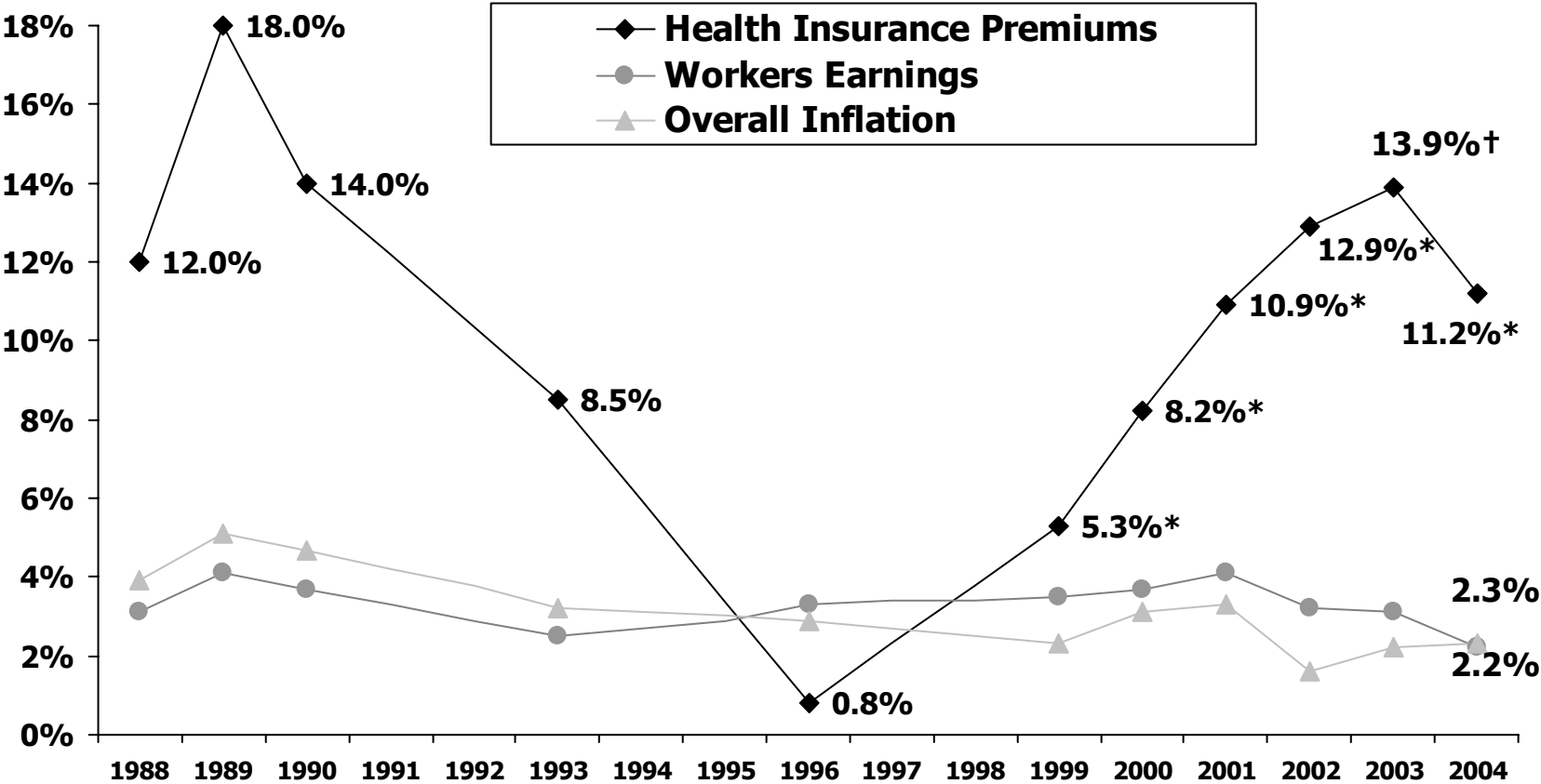
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Cost and Enrollment Trends

Chart #1

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2004



* Estimate is statistically different from the previous year shown at p<0.05.

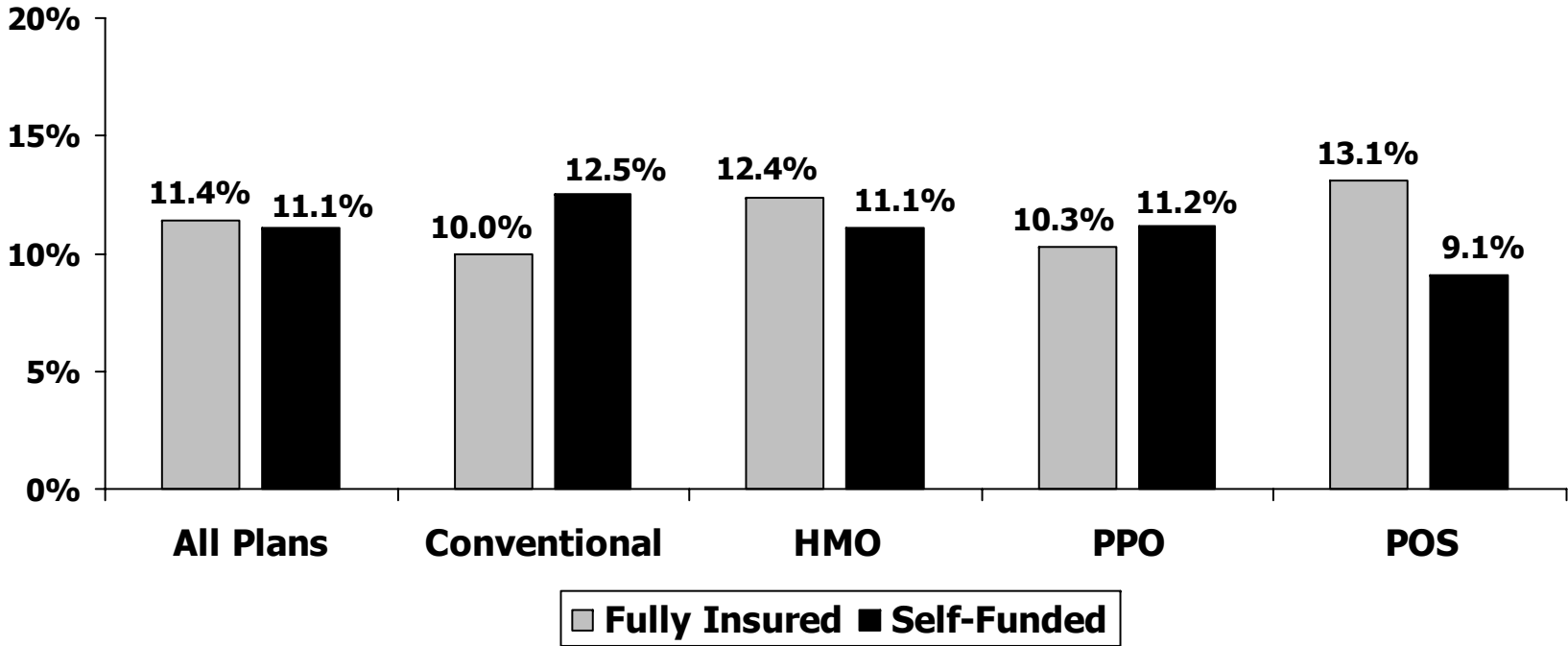
† Estimate is statistically different from the previous year shown at p<0.1.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999-2004; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2004; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2004.

Chart #2

Premium Increases, by Plan Type and Funding Arrangement, 2004*



* Tests found no statistically significant differences between fully insured and self-funded plans at $p < .05$.

Fully insured plan: A plan where the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

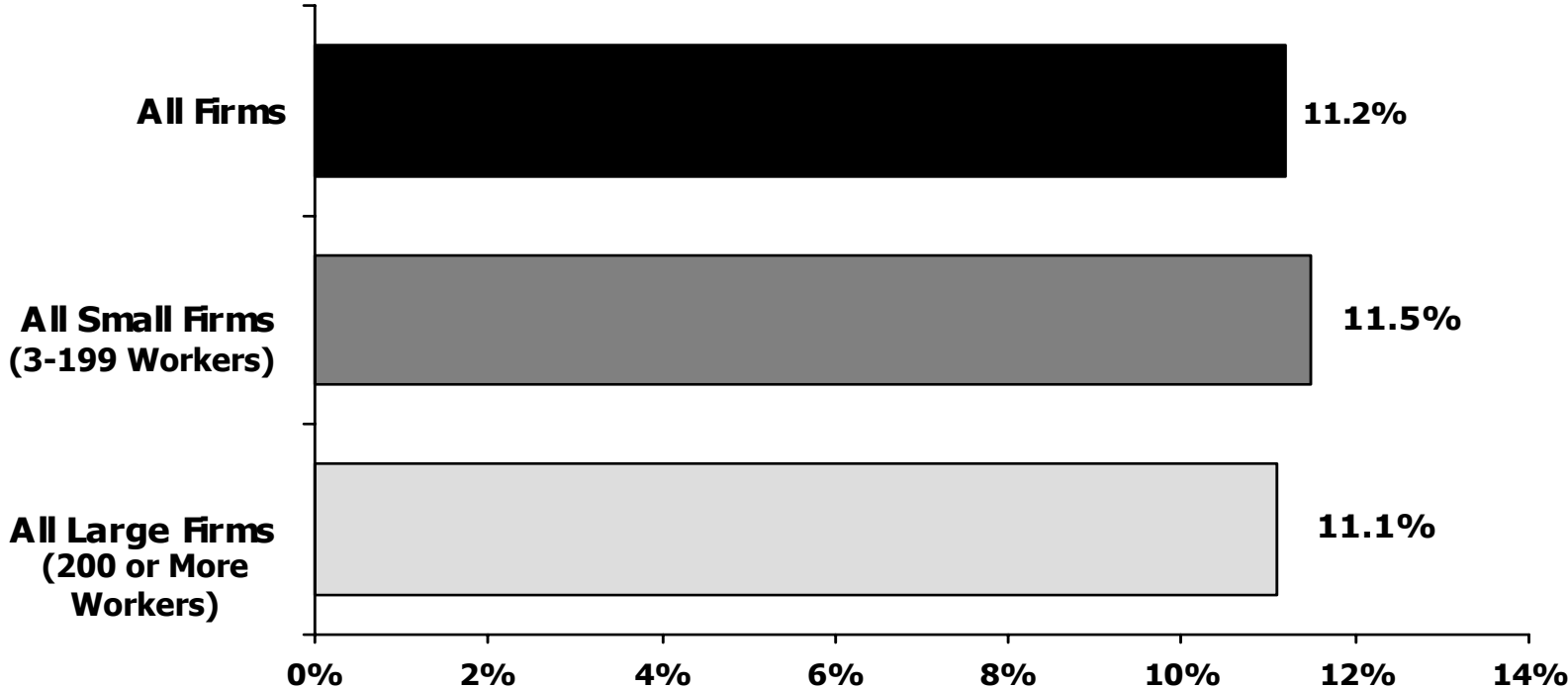
Self-funded plan: A plan where the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for self-funded plans.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #3

Percentage Change in Premiums for Covered Workers‡, by Firm Size, 2004*



* Tests found no statistically different estimates from All Firms at $p < .05$.

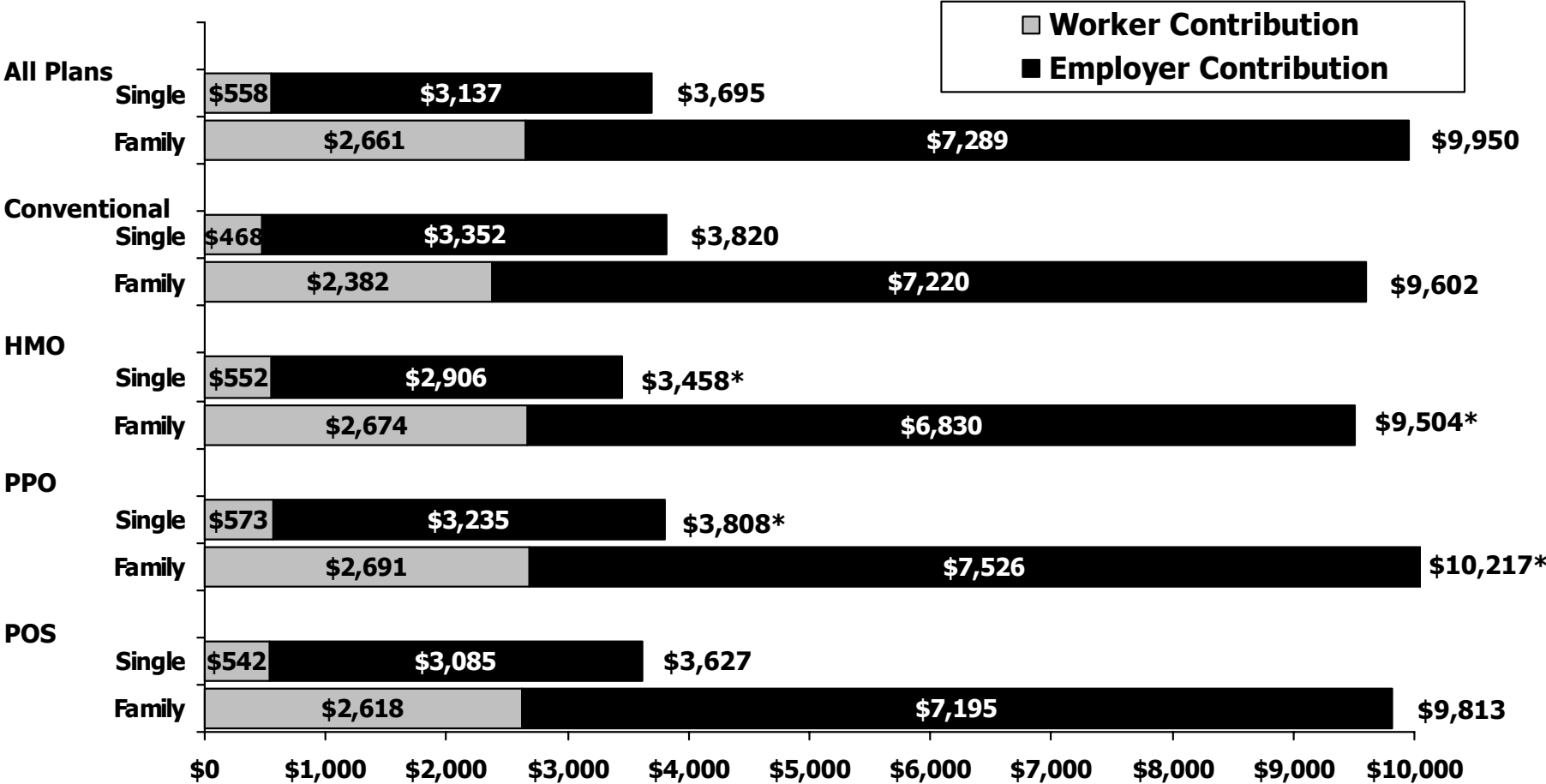
‡ Applies to employer and employee share of premiums.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #4

Average Annual Premiums for Covered Workers, by Plan Type, 2004



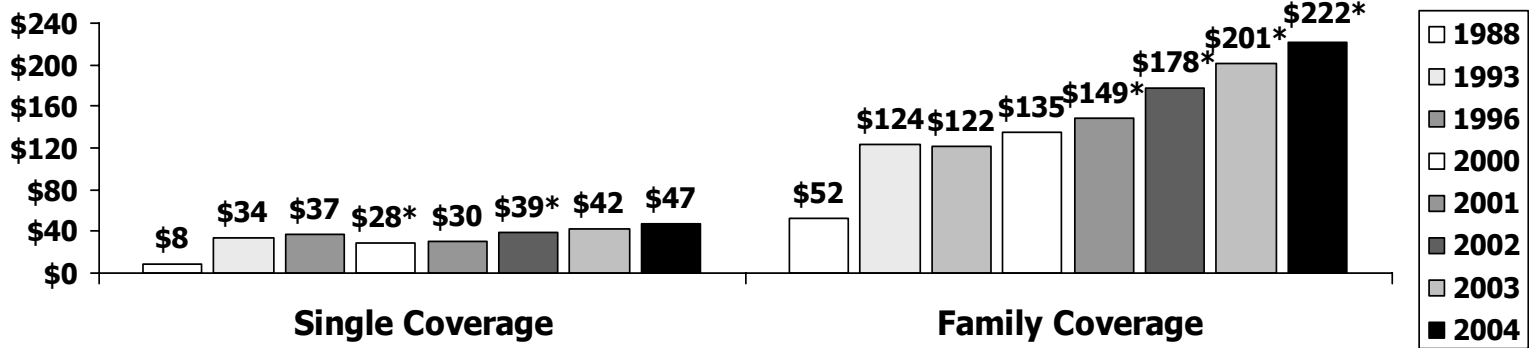
* Estimate of total premium is statistically different from All Plans by coverage type at p<.05.

Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #5

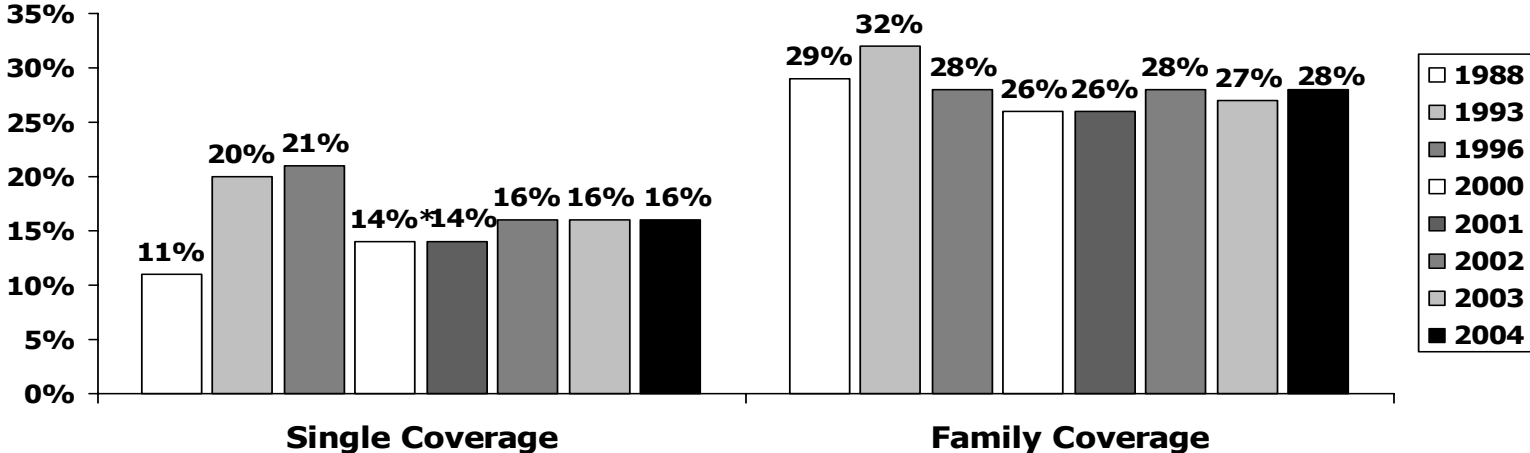
Average Monthly Worker Contribution, 1988-2004



* Estimate is statistically different from the previous year shown at p<.05.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2004; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; Health Insurance Association of America (HIAA): 1988.

Percentage of Premium Paid by Covered Workers, 1988-2004

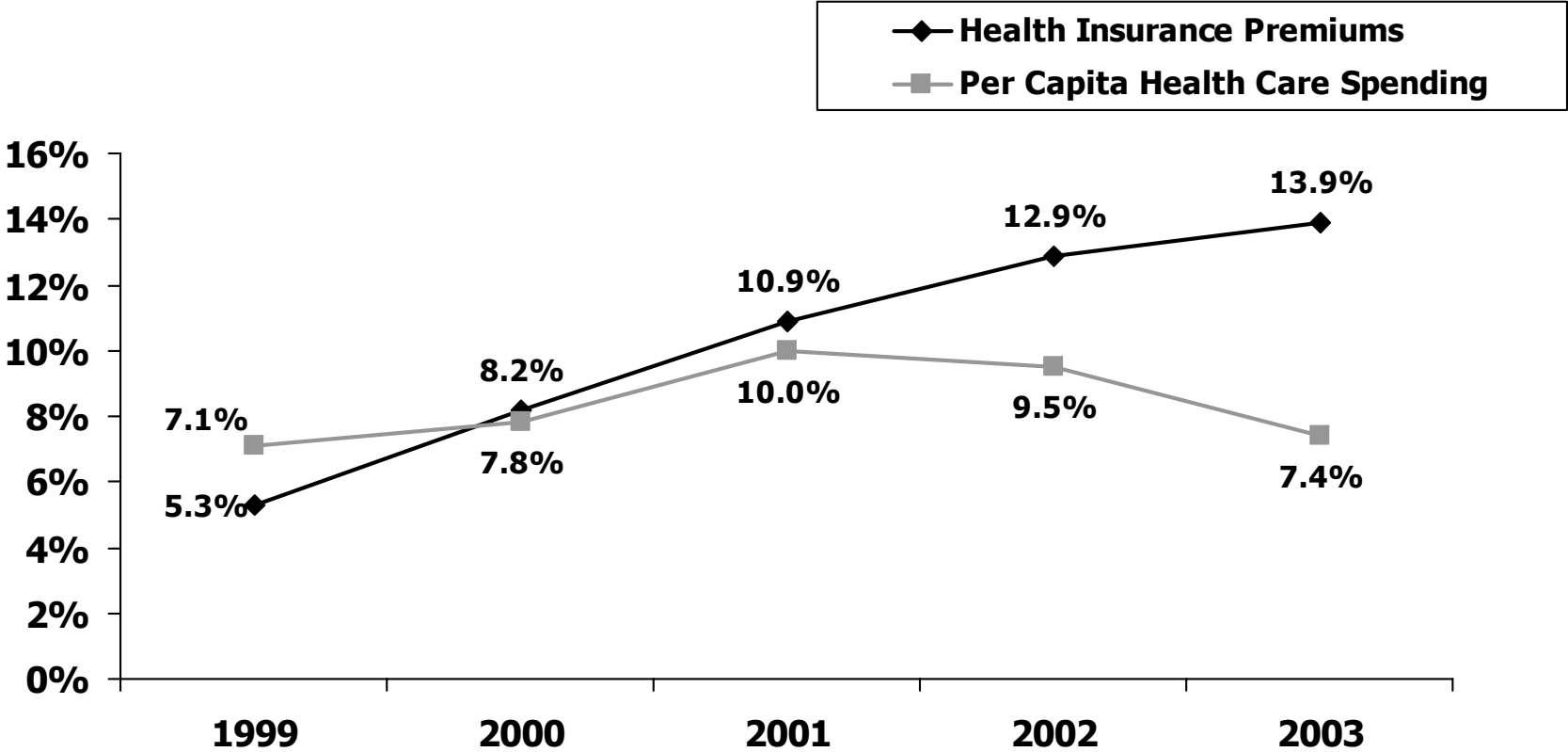


* Estimate is statistically different from the previous year show at p<.05.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2004; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; Health Insurance Association of America (HIAA): 1988.

Chart #6

Health Premium Increases and Per Capita Health Cost Growth, 1999-2003

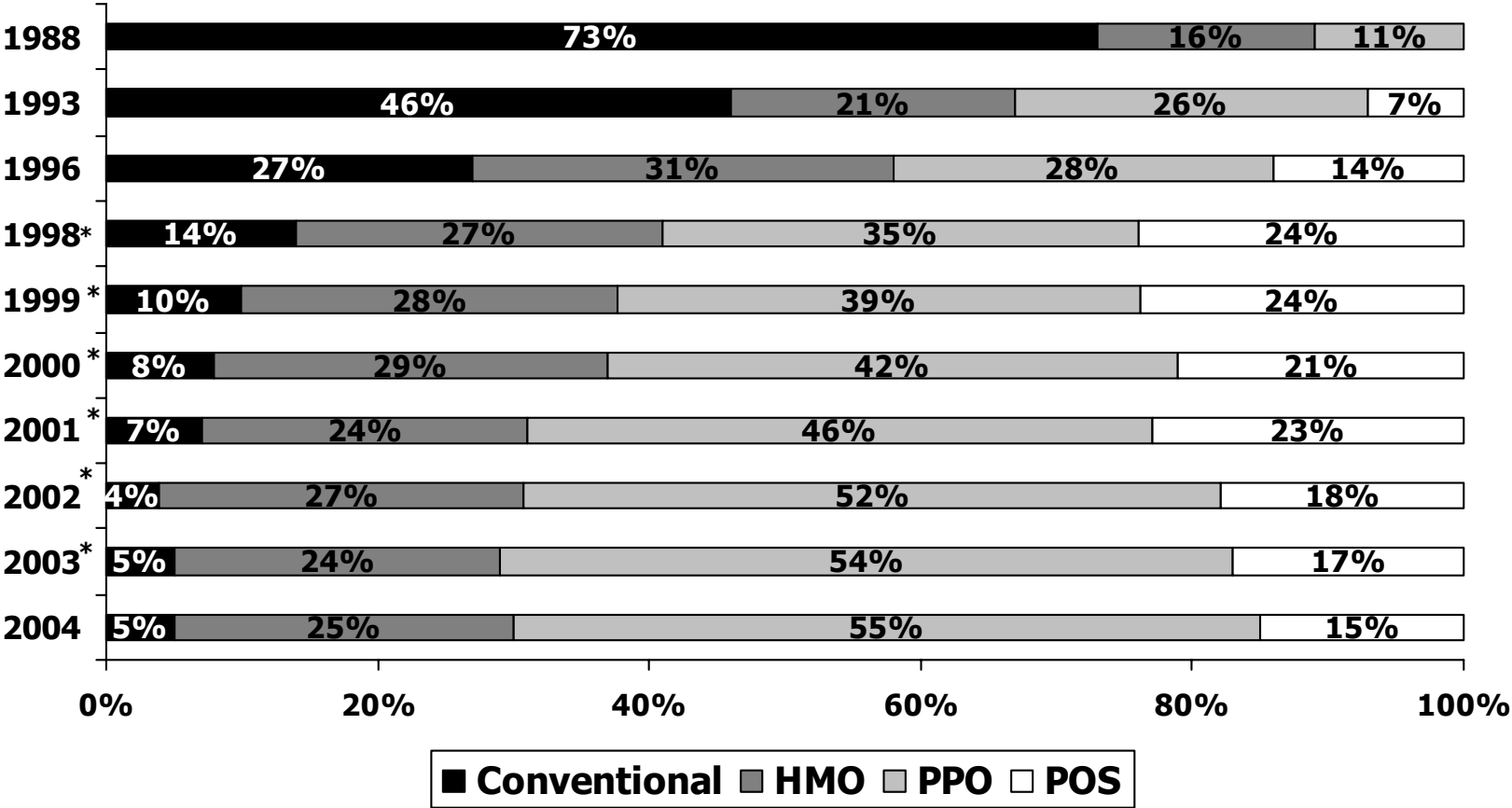


Note: Premium growth includes increases for fully insured and self-funded firms. Per capita health cost growth is the annual change in health care spending per privately insured person.

Source: B. Strunk and P. Ginsburg, Tracking Health Care Costs: Trends Turn Downward in 2003, *Health Affairs* Web Exclusive, June 9, 2004; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2003.

Chart #7

Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2004



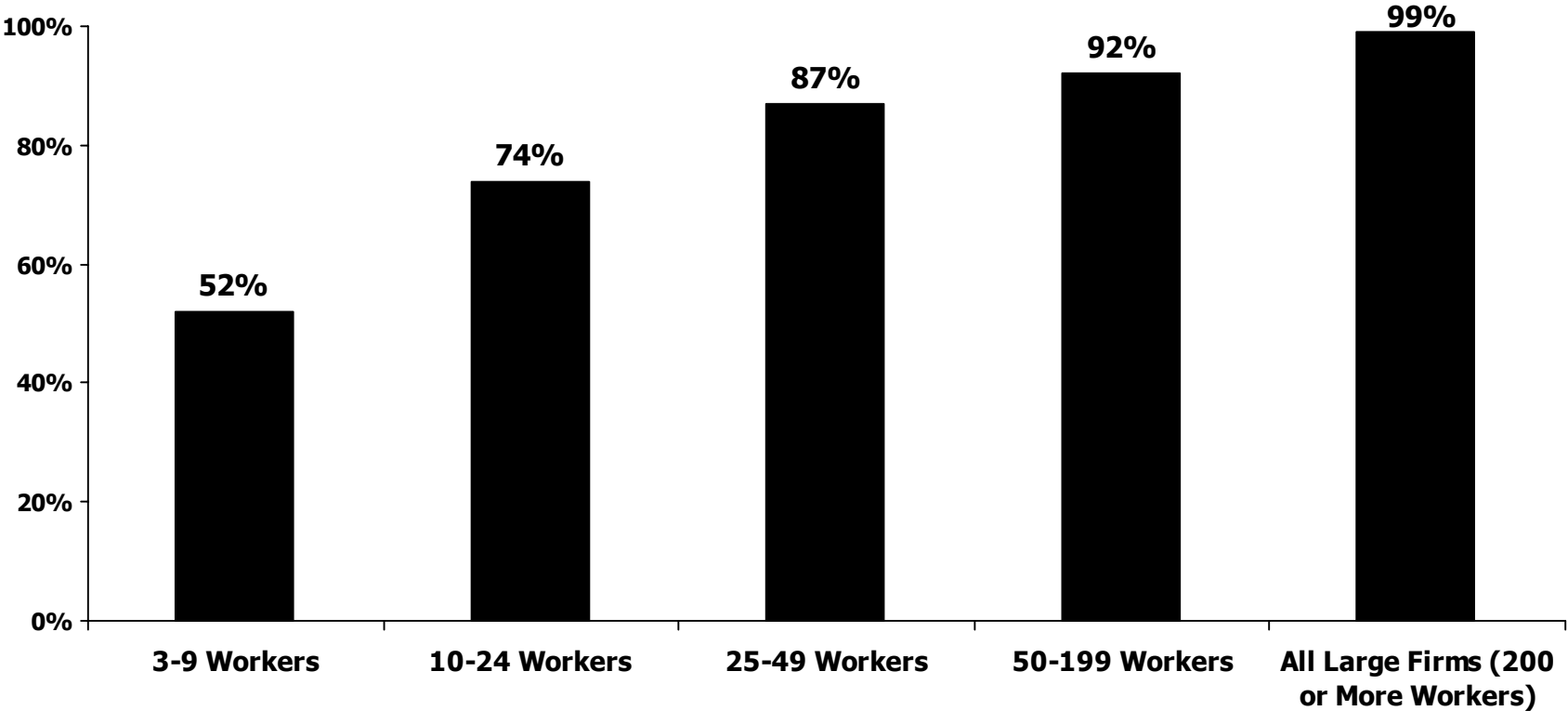
* Distribution is statistically different from the previous year shown at p<.05.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2004; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996. The Health Insurance Association of America (HIAA): 1988.

Coverage and Benefit Trends

Chart #8

Percentage of Firms Offering Health Benefits, by Firm Size, 2004



Note: Data are based on a special data request from the U.S. Census Bureau's 2001 Statistics of U.S. Businesses, the most recent available. The data show that, nationally, about 8% of workers are employed in firms with 3 to 9 workers, 9% of workers are employed in firms with 10-24 workers, 7% of workers are employed in firms with 25-49 workers, 14% are employed in firms with 50 to 199 employees, and 62% of workers are employed in firms with 200 or more workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #9

Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2004



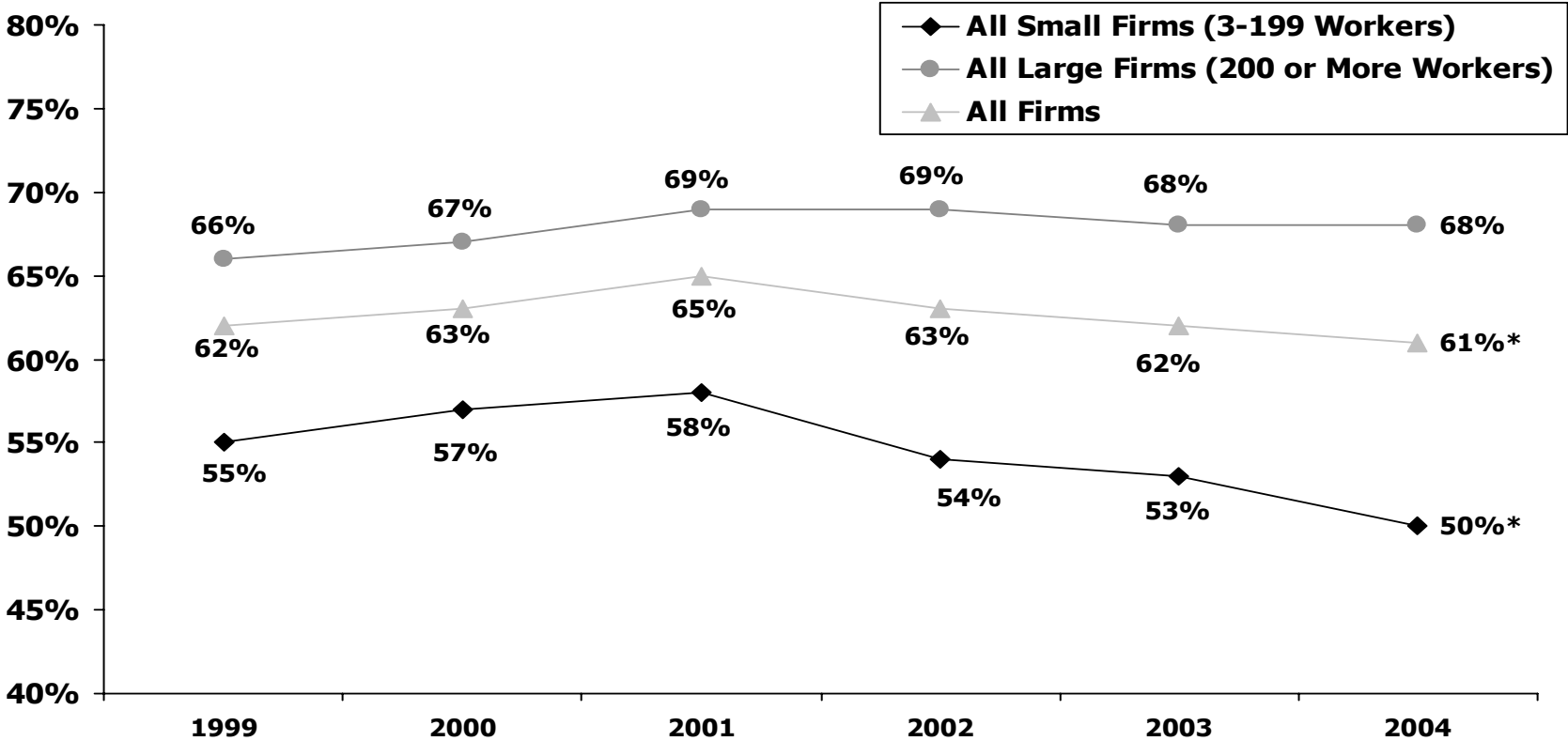
^ Estimate is statistically different from the previous year shown at p<0.1

Estimate is statistically different between 2001 and 2004 at p<0.1.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2004; KPMG Survey of Employer-Sponsored Health Benefits: 1996.

Chart #10

Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999-2004

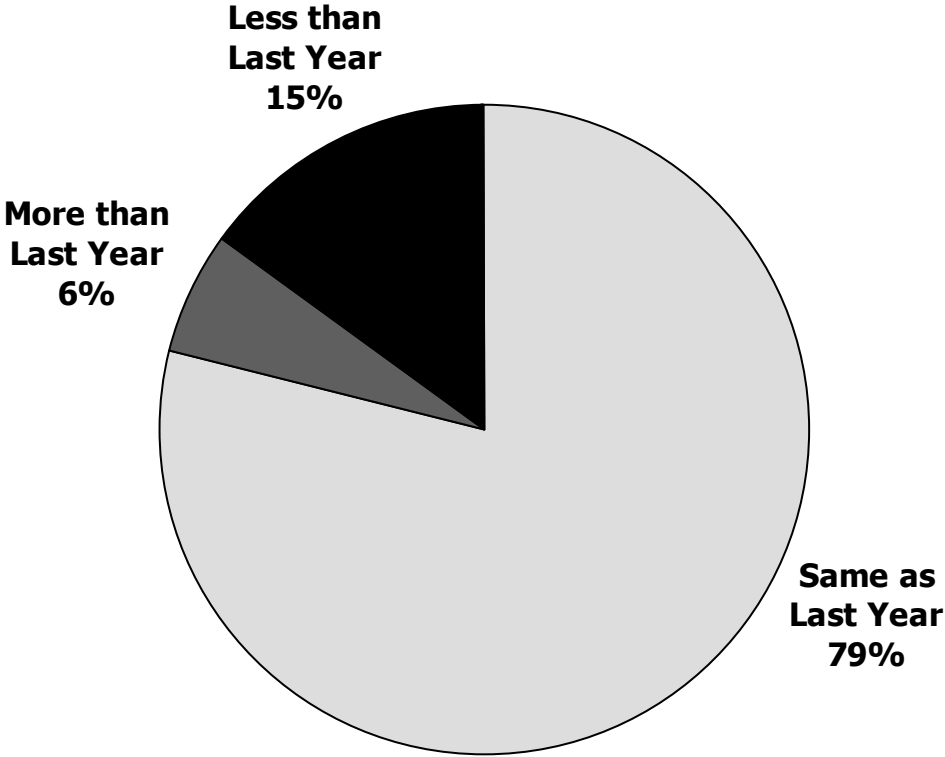


* Year-to-year estimates are not significantly different. However, there is a significant change between 2001 and 2004 for All Firms and All Small Firms at $p < .05$. Changes for All Small Firms are also significantly different at $p < .05$ between 2000 and 2004 and between 1999 and 2004.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999-2004.

Chart #11

Levels of Benefits for Covered Workers Compared to Last Year, All Plans, 2004

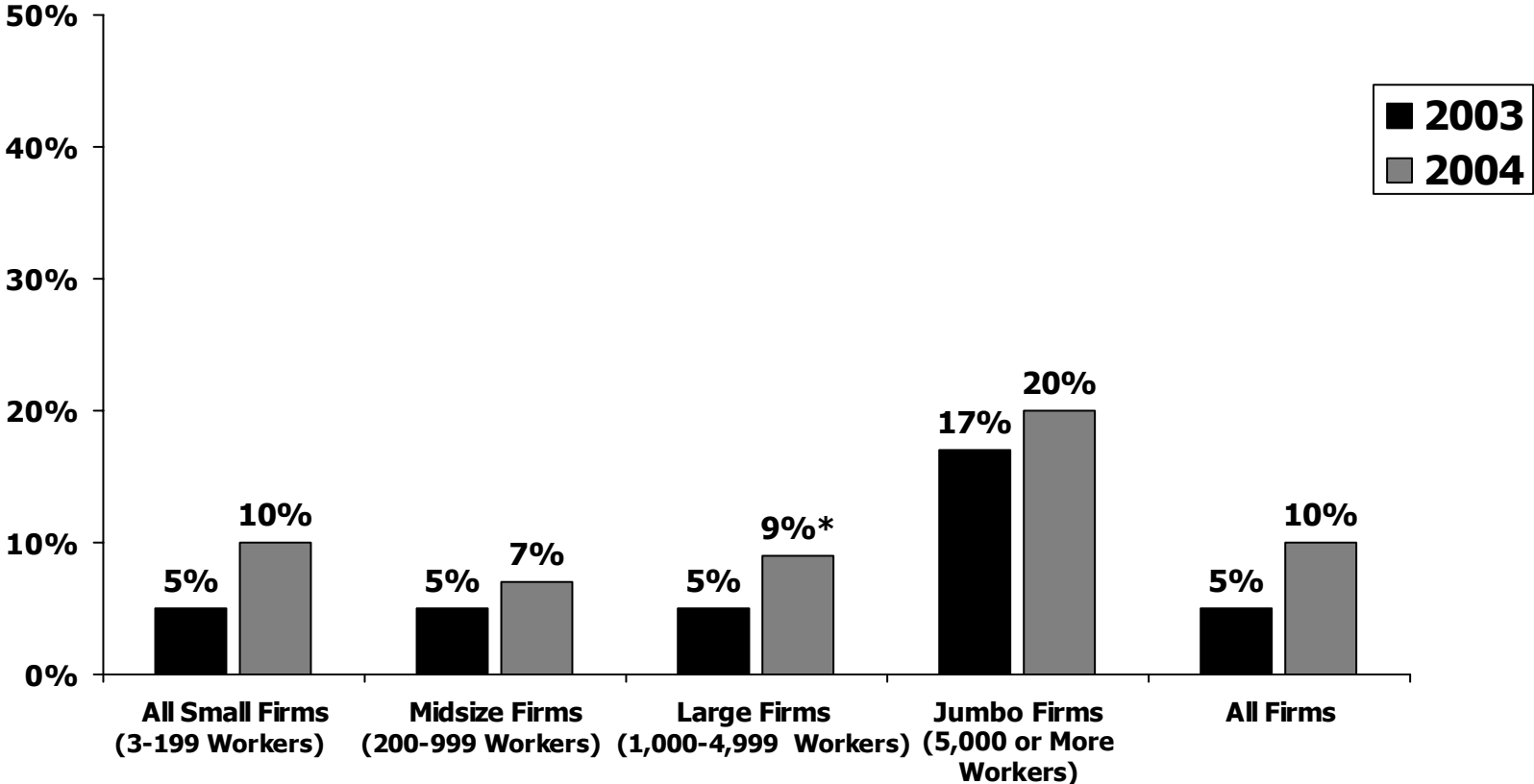


Note: The survey asks about changes to benefits "other than cost sharing." In this year and prior years, the question asks about changes in the level of benefits for family coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #12

Percentage of Firms That Offer Employees a High-Deductible Health Plan, by Firm Size, 2003-2004



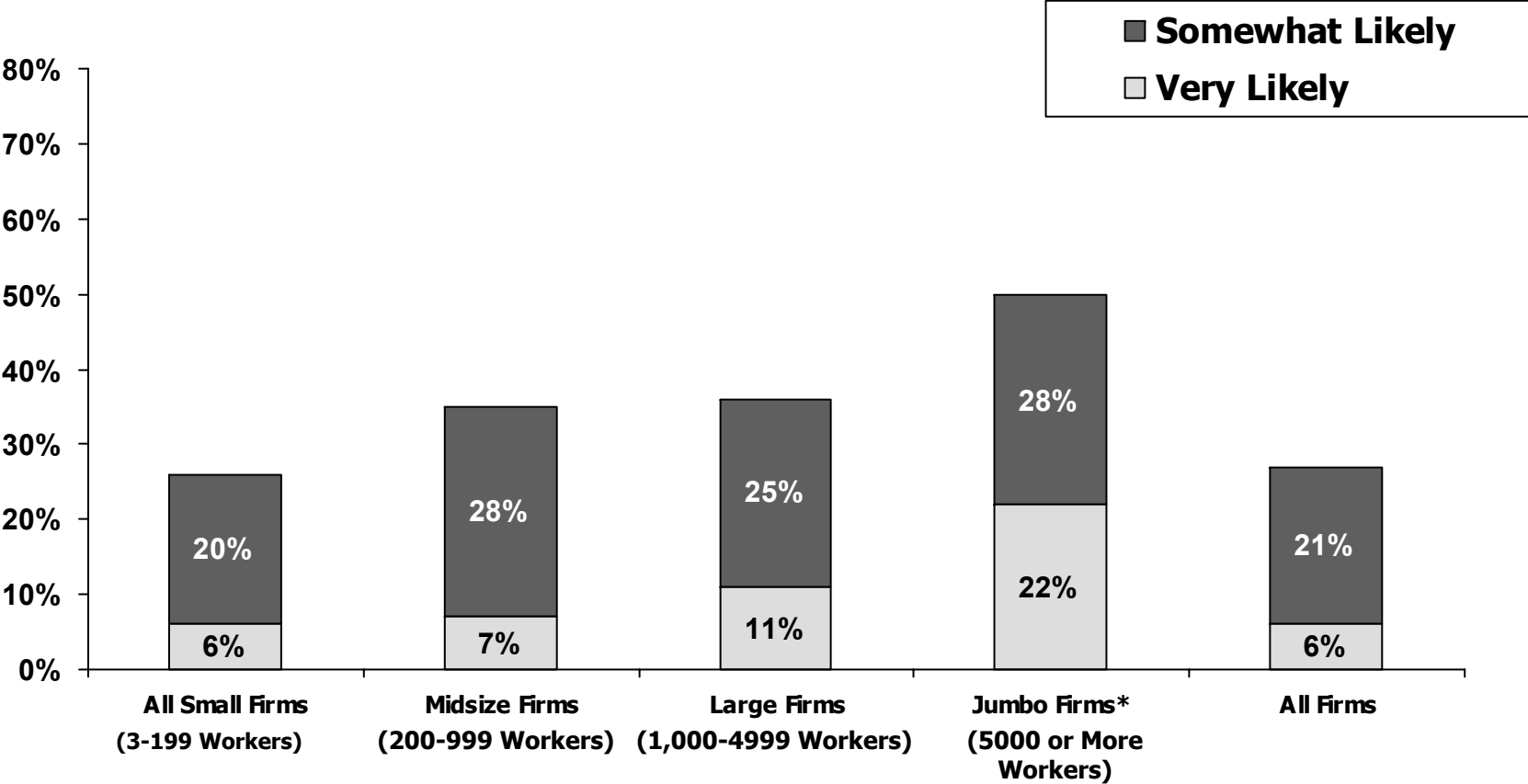
* Estimate is statistically different from previous year shown at p<.05.

High-deductible health plan: A plan with an annual deductible of more than \$1,000 for single coverage. High-deductible plans can be offered with or without a personal or health savings account.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003, 2004.

Chart #13

Likelihood of Offering High-Deductible Health Plan with a Personal or Health Savings Account Option in the Next Two Years, 2004



* Column total is statistically different from All Firms at p<.05.

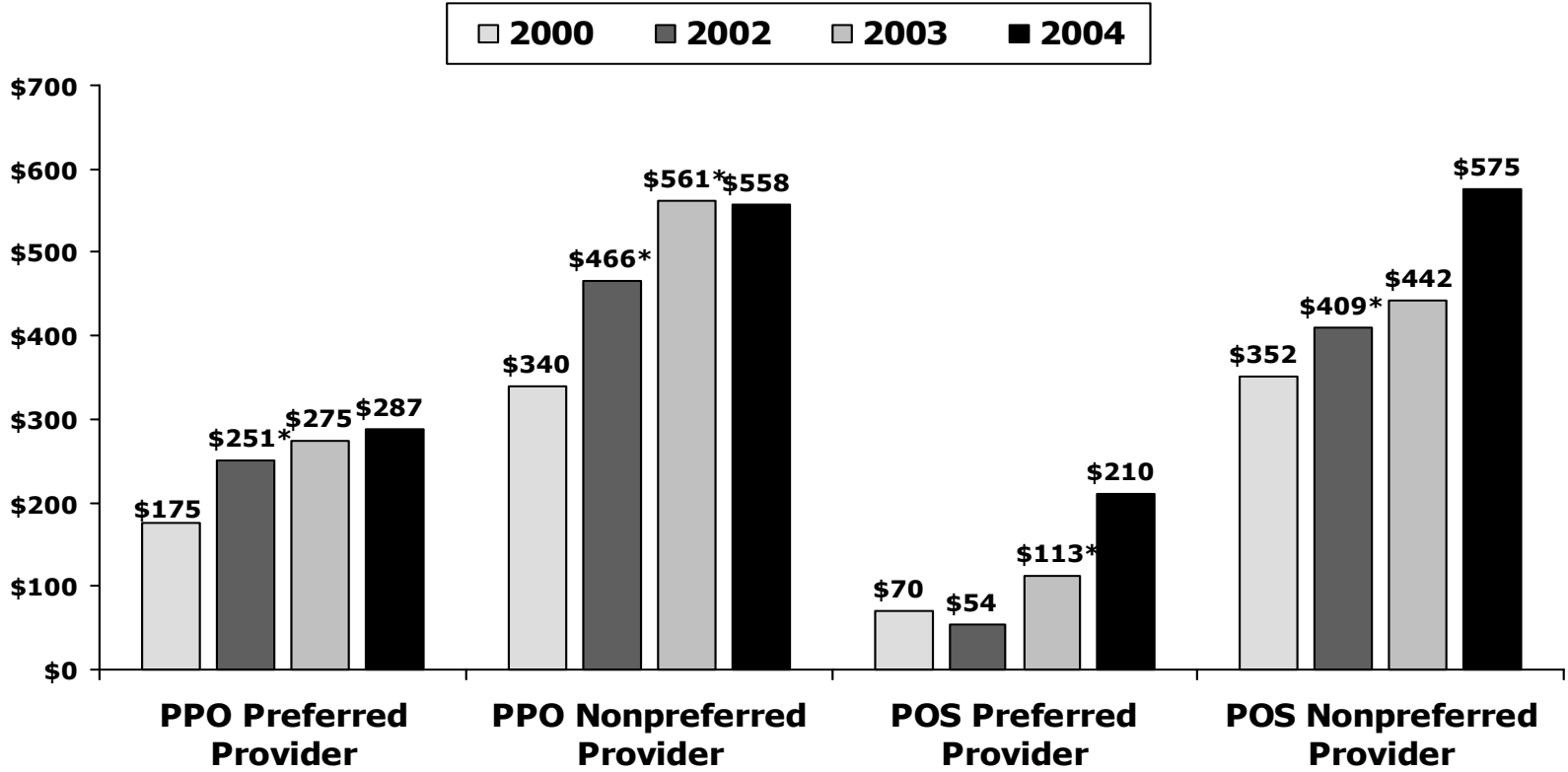
High-deductible health plan: A plan with an annual deductible of more than \$1,000 for single coverage. High-deductible plans can be offered with or without a personal or health savings account.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Cost Sharing

Chart #14

Average Annual Deductibles for Single Coverage in PPO and POS Plans, 2000-2004



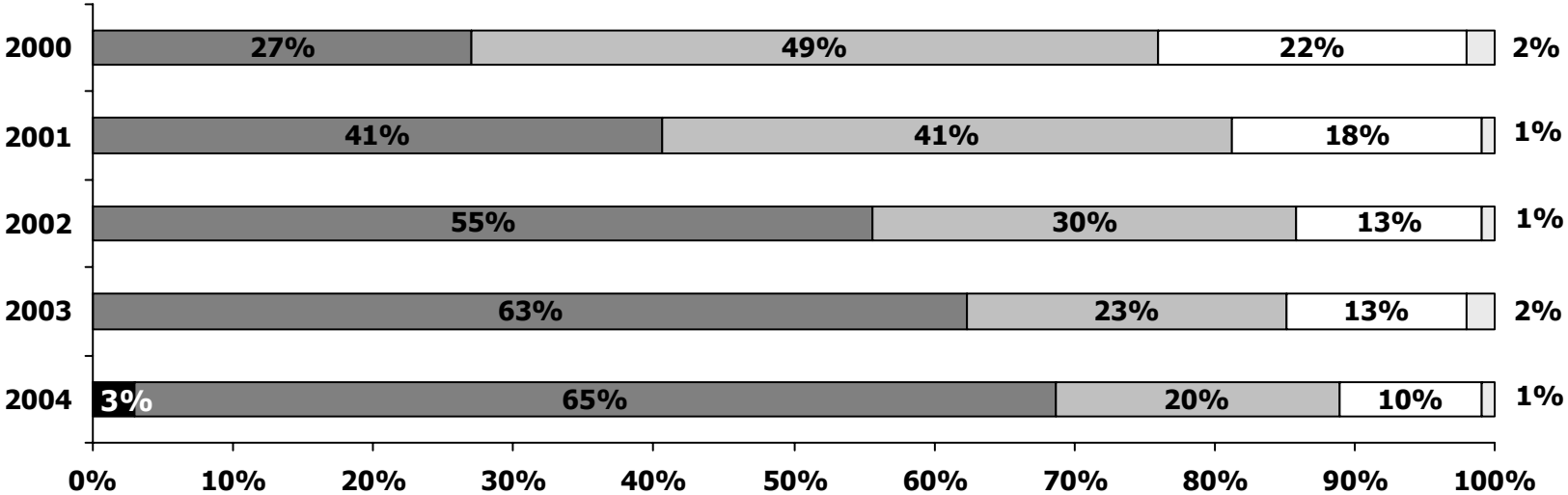
* Estimate is statistically different from the previous year shown at p<.05.

Note: Average deductibles include covered workers who do not have a deductible or report a \$0 deductible.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2004.

Chart #15

Distribution of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drug Benefits, 2000-2004*



- **Four-Tier: One payment for generic drugs, another for preferred drugs, a third for nonpreferred drugs, and a fourth for other specified drugs**
- **Three-Tier = One payment for generic drugs, another for preferred drugs, and a third for nonpreferred drugs**
- **Two-Tier: One payment for generic drugs and one for all brand name drugs**
- **Payment is the same regardless of type of drug**
- **Other/Don't Know**

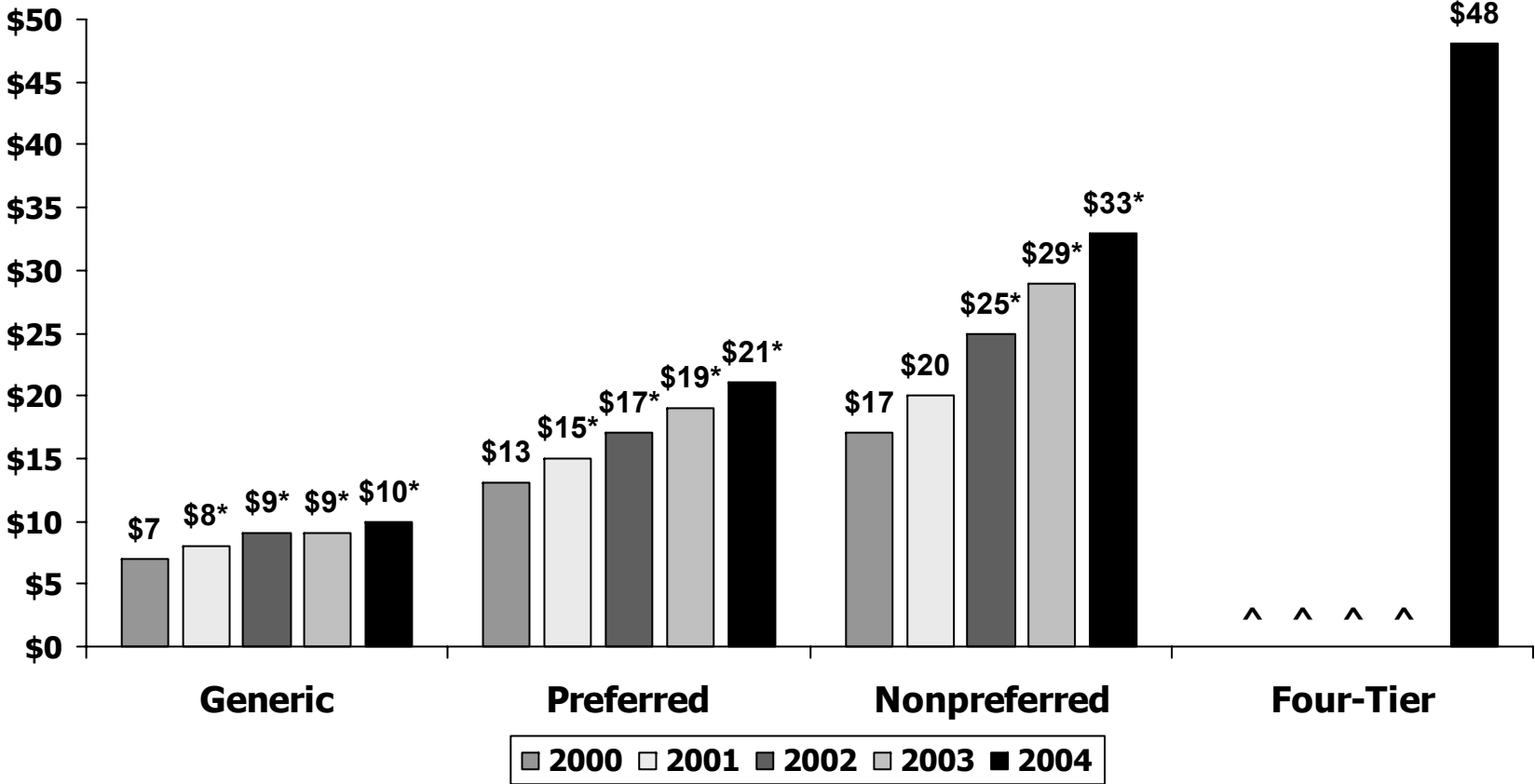
* Tests found no statistically different distributions from the previous year shown at p<.05. No test was conducted between 2003 and 2004 due to the addition of a new category.

Note: Four-Tier drug copayment information was not obtained prior to 2004.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2004.

Chart #16

Average Copayments Per Prescription in Multi-Tier Arrangements, 2000-2004



* Estimate is statistically different from the previous year shown at p<.05.

^ Four-tier copayment information was not obtained prior to 2004.

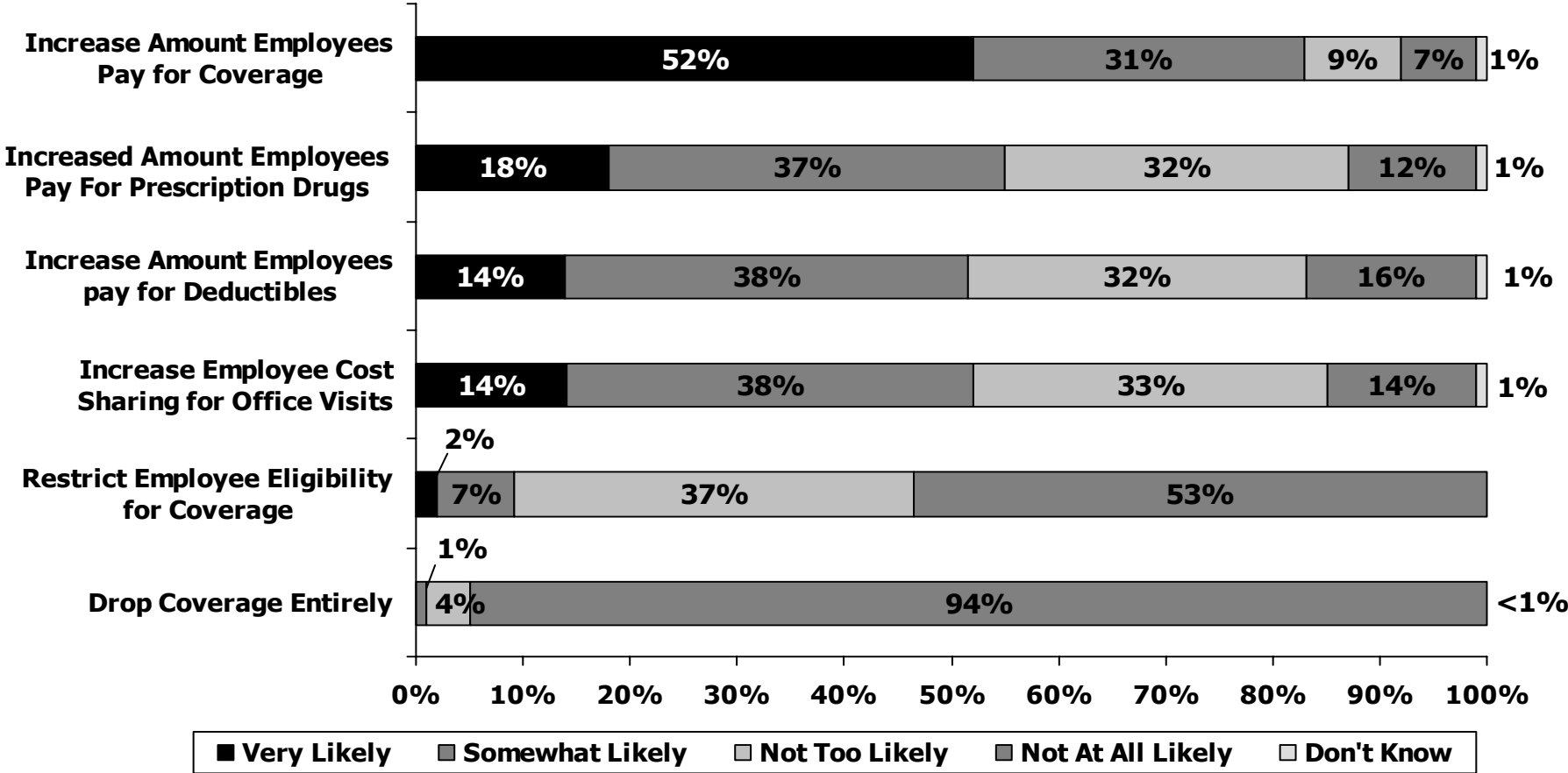
Note: On average, copayments for generic drugs are \$7.42 in 2000, \$8.05 in 2001, \$8.74 in 2002, \$9.47 in 2003, and \$10.46 in 2004.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2004.

Employer Attitudes and Behavior

Chart #17

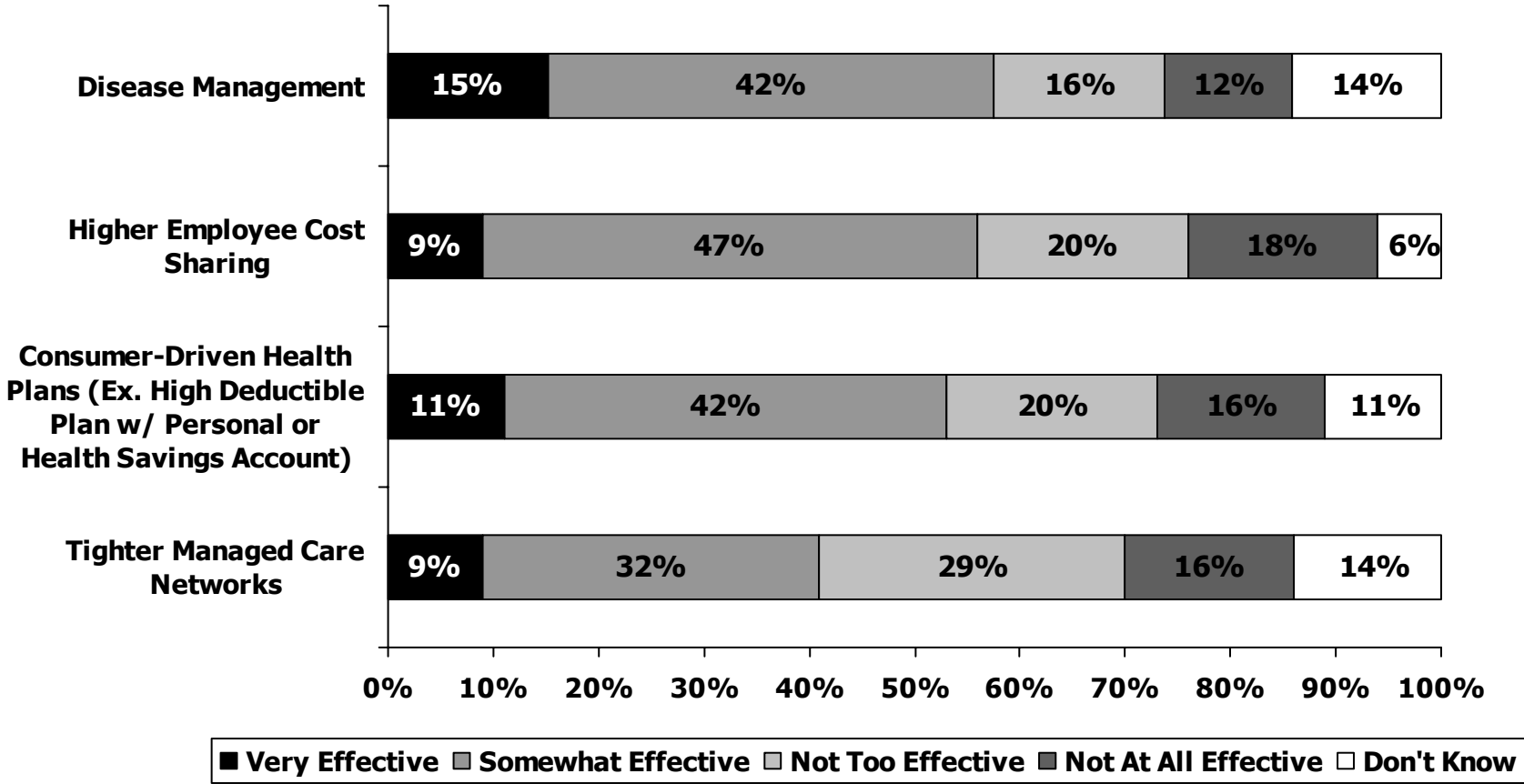
Distribution of Large Firms (200 or More Workers) Reporting the Likelihood of Making the Following Changes in the Next Year, 2004



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #18

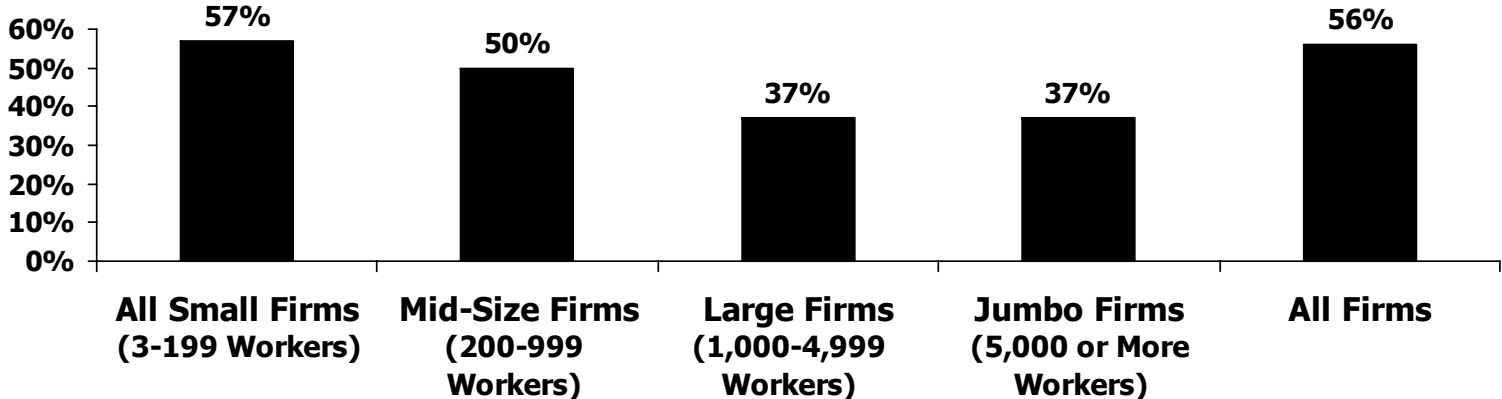
Distribution of Firms' Opinions on the Effectiveness of the Following Cost Containment Strategies, 2004



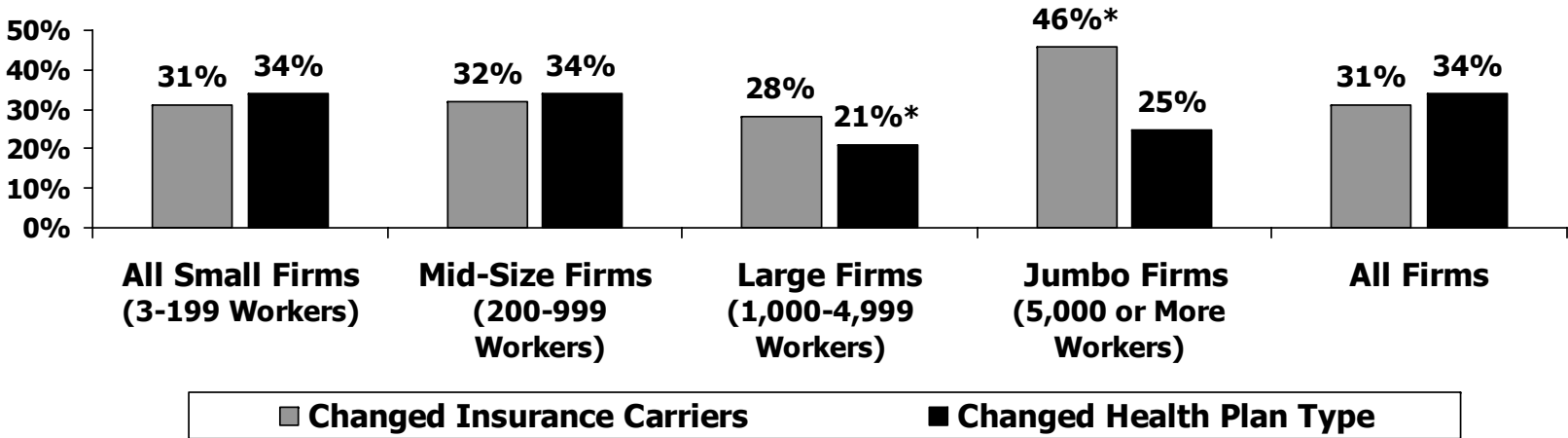
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #19

Percentage of Firms That Shopped For A New Plan, 2004



Among Firms That Shopped For A New Plan, Percentage Reporting That They Changed Insurance Carrier And/Or Health Plan Type, 2004‡



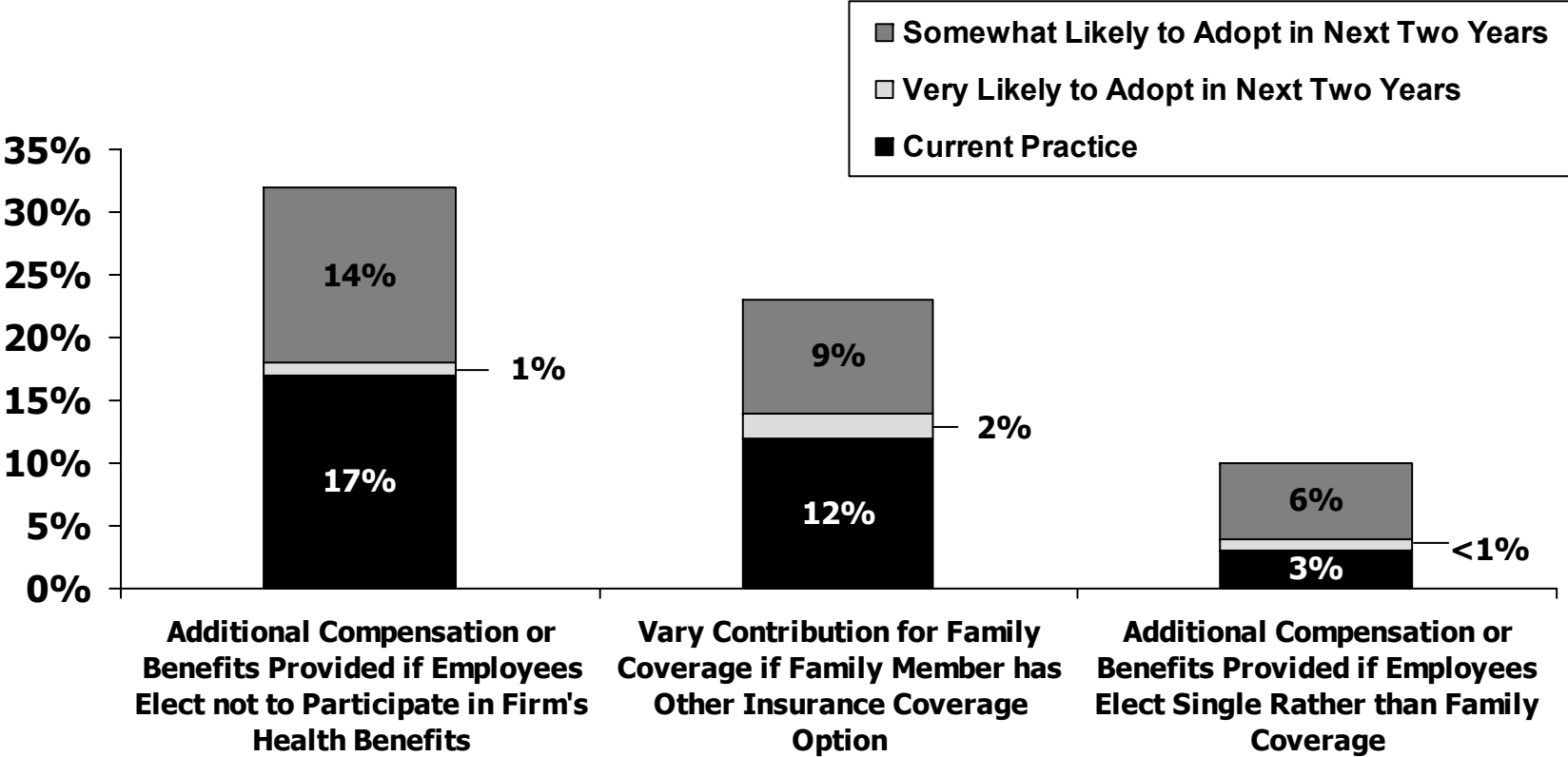
* Estimate is statistically different from All Firms at p<.05.

‡ These answers are not exclusive; 11% of firms that shopped switched both carrier and type of health plan offered.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

Chart #20

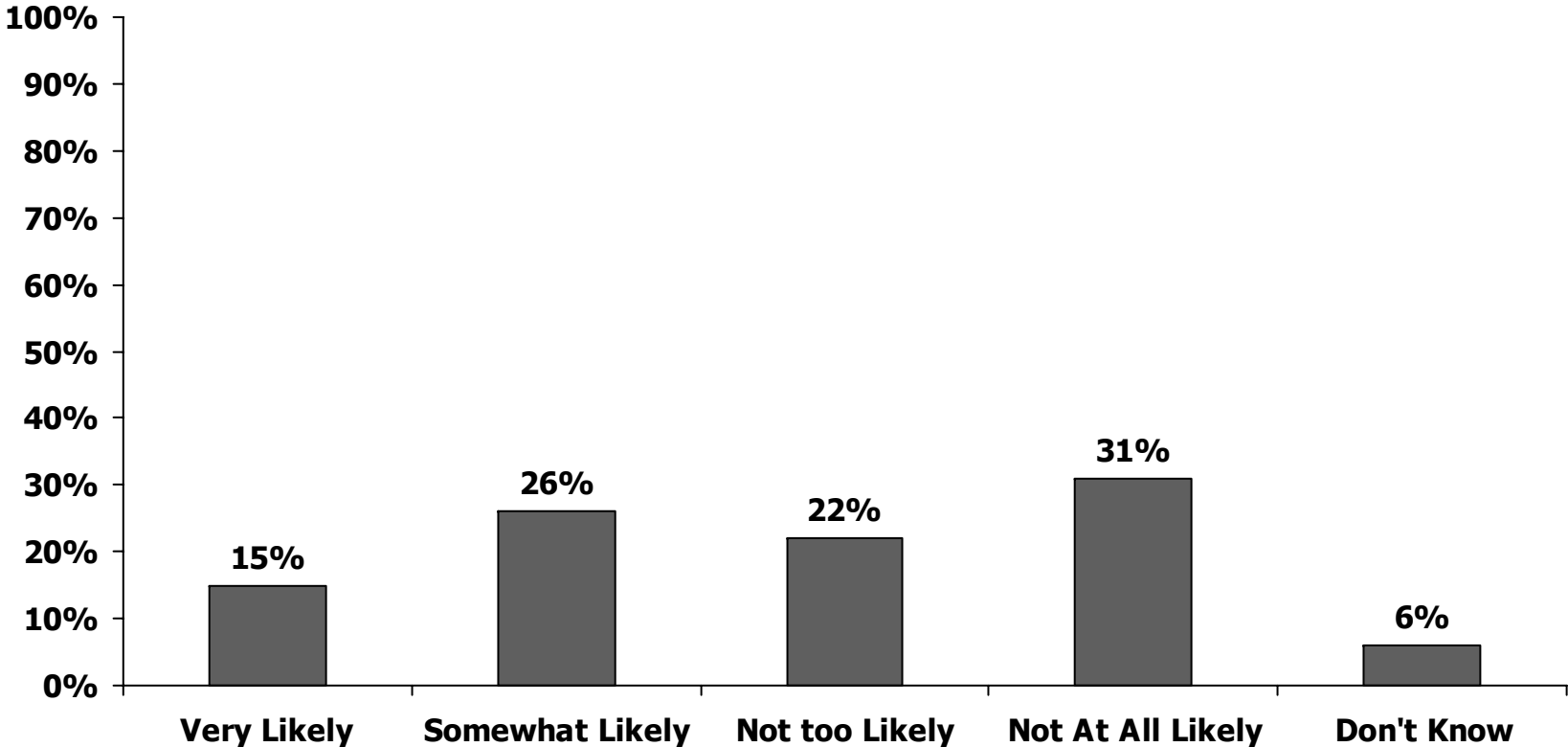
Percentage of Firms with Specified Contribution Practices, 2004



Source: Kaiser/HRET Annual Employer Benefits Survey: 2004.

Chart #21

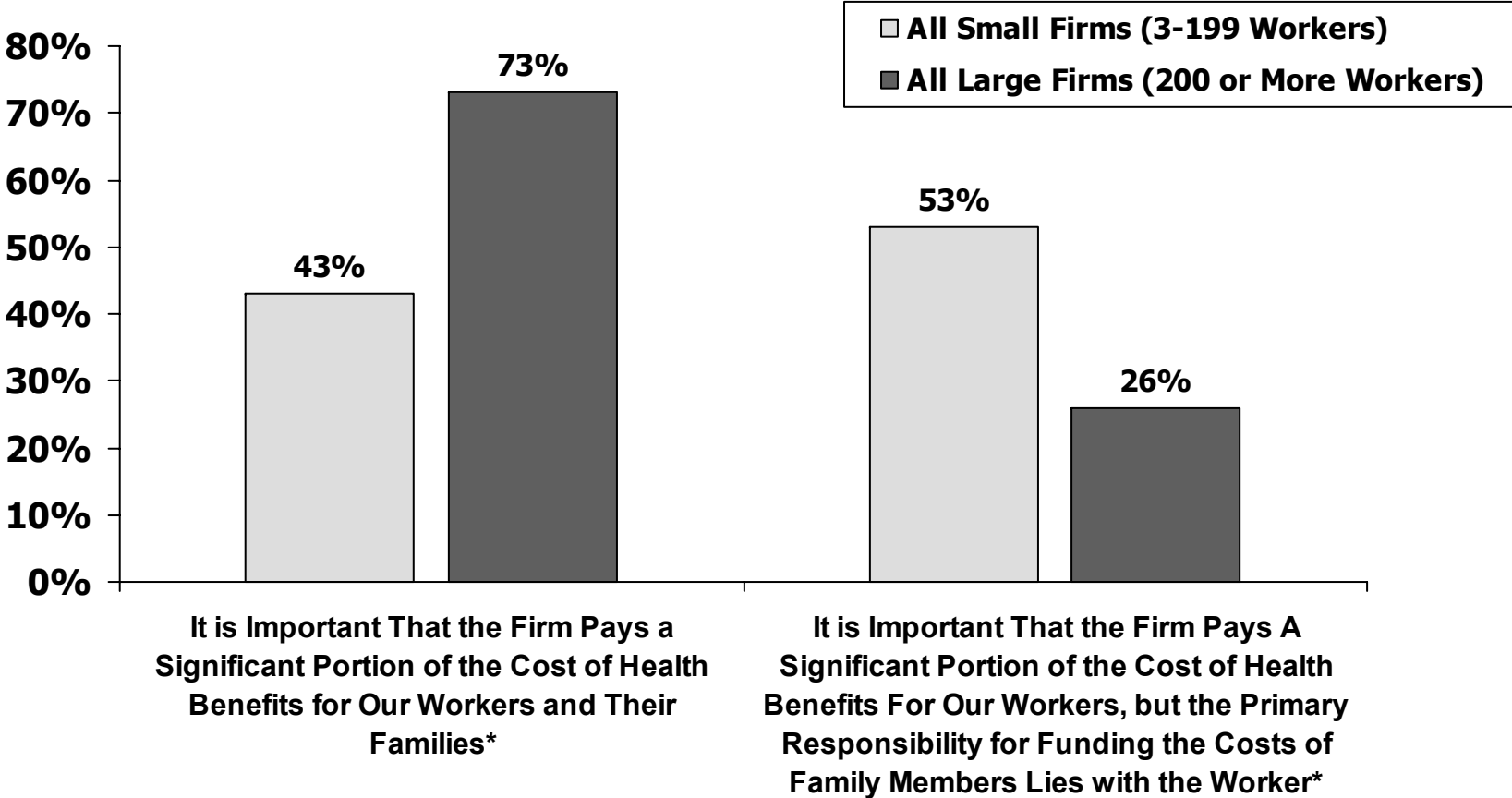
Likelihood that Firms Will Increase Percentage of Family Premium Paid by Employees in the Next Two Years, 2004



Source: Kaiser/HRET Annual Employer Health Benefits Survey: 2004.

Chart #22

Percentage of Firms Reporting the Following Attitudes Toward Coverage for Workers and Dependent Family Members, 2004



*Estimate is statistically different by firm size within each category at p<.05.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004



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