

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Cost of
Health
Insurance

SECTION

1

COST OF HEALTH INSURANCE

IN 2005, PREMIUMS FOR FAMILY COVERAGE INCREASED 9.2%. THIS IS THE FIRST YEAR OF SINGLE DIGIT INCREASES SINCE 2000. THIS IS THE SECOND CONSECUTIVE YEAR THAT PREMIUM INCREASES WERE LESS THAN THEY WERE IN THE PREVIOUS YEAR.¹

WHILE LOWER THAN IN RECENT YEARS, THE 9.2% INCREASE IN THE COST OF COVERAGE EXCEEDS THE OVERALL RATE OF INFLATION BY NEARLY 6 PERCENTAGE POINTS AND THE INCREASE IN WORKERS' EARNINGS BY OVER 6 PERCENTAGE POINTS. SINCE 2000, THE COST OF HEALTH INSURANCE HAS INCREASED BY 73%.

THE AVERAGE COST OF FAMILY COVERAGE IS \$10,880 A YEAR, WHICH EXCEEDS THE ANNUAL GROSS EARNINGS OF A MINIMUM WAGE WORKER WHO IS FULLY EMPLOYED THROUGHOUT THE YEAR.²

PREMIUM INCREASES

- ▶ The cost of health insurance rose 9.2% in 2005, less than the 11.2% increase in 2004, but much higher than the overall rate of inflation of 3.5% and the increase in workers' earnings of 2.7% (EXHIBIT 1.1).
- ▶ Covered workers in small firms (3-199 workers) and large firms (200 or more workers) experienced similar premium increases (9.8% vs. 8.9%) (EXHIBIT 1.3).
- ▶ There is considerable variation in premium increases across workers and firms: 7% of covered workers work in firms that experienced premium increases of greater than 20%, while 32% of covered workers work in firms that experienced premium increases of less than or equal to 5% (EXHIBIT 1.4).

MONTHLY PREMIUM COSTS FOR SINGLE AND FAMILY COVERAGE

- ▶ The average cost of single coverage for covered workers in 2005 is \$335 per month or \$4,024 per year. This figure includes both the employer and employee contribution. The average cost of family coverage is \$907 per month or \$10,880 per year (EXHIBIT 1.13).
- ▶ Covered workers in PPO plans, the plan type with the highest enrollment, face higher average premiums for both single and family coverage than covered workers in HMO plans. The average annual premium for covered workers in PPO plans is \$4,150 for single coverage and \$11,090 for family coverage, while the average annual premium for covered workers in HMO plans is \$3,767 for single coverage and \$10,456 for family coverage (EXHIBIT 1.13).

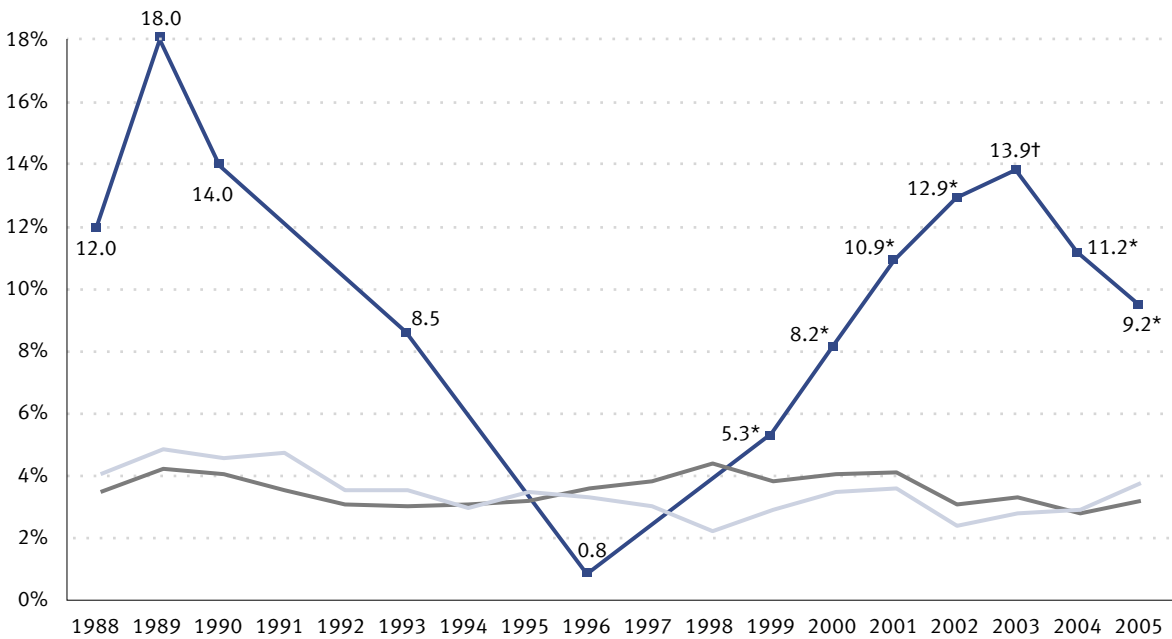
NOTE:

¹ Data on premium increases reflect the cost of health insurance premiums for a family of four.

² Gross earnings for someone earning the federal minimum wage in 2005 and working 2,080 hours are \$10,712.

EXHIBIT 1.1

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005



1988	1989	1990	1993	1996	1999	2000	2001	2002	2003	2004	2005	
12.0	18.0	14.0	8.5	0.8	5.3*	8.2*	10.9*	12.9*	13.9†	11.2*	9.2*	HEALTH INSURANCE PREMIUMS
3.9	5.1	4.7	3.2	2.9	2.3	3.1	3.3	1.6	2.2	2.3	3.5	OVERALL INFLATION
3.1	4.2	3.9	2.5	3.3	3.6	3.9	4.0	2.6	2.9	2.2	2.7	WORKERS' EARNINGS

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2005; 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), 1988-2005; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

† Estimate is statistically different from the previous year shown at $p < .10$.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. Historical estimates of workers' earnings have been updated to reflect new industry classifications (NAICS).

EXHIBIT 1.2

Increases in Health Insurance Premiums from the Previous Year, by Plan Type, 1988-2005

	1988	1993	1996	2000	2002	2003	2004	2005
Conventional Plans	12.4%	9.1%	1.9%	9.5%*	13.8%*	14.3%	11.1%	5.0%*
HMO Plans	8.4	7.7	-0.2	7.6*	13.5*	15.2 [†]	12.0*	9.4*
PPO Plans	20.3	7.2	1.0	8.5*	12.7*	13.7	10.9*	9.4*
POS Plans	^	5.2	1.1	7.8*	12.2*	13.2	11.3	9.1
ALL PLANS	12.0%	8.5%	0.8%	8.2%*	12.9%*	13.9%[†]	11.2%*	9.2%*

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown by plan type at $p < .05$. No statistical tests were conducted for years prior to 1999.

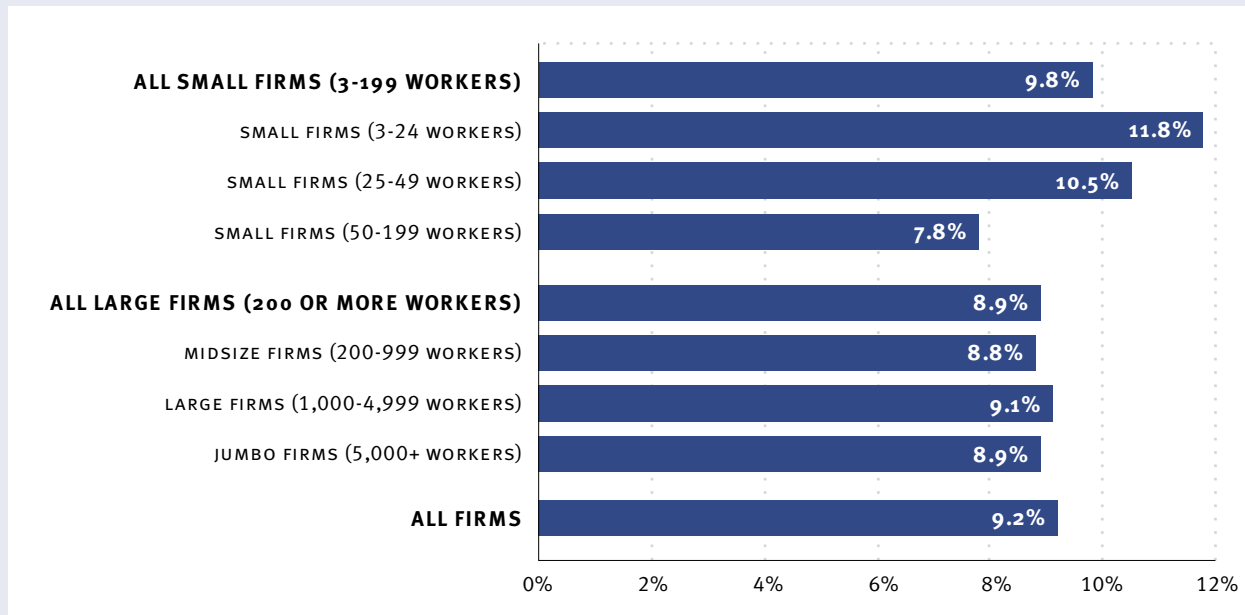
† Estimate is statistically different from the previous year shown by plan type at $p < .10$.

^ Information was not obtained for POS plans in 1988.

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

EXHIBIT 1.3

Increases in Health Insurance Premiums for Covered Workers, by Firm Size, 2005*



SOURCE :

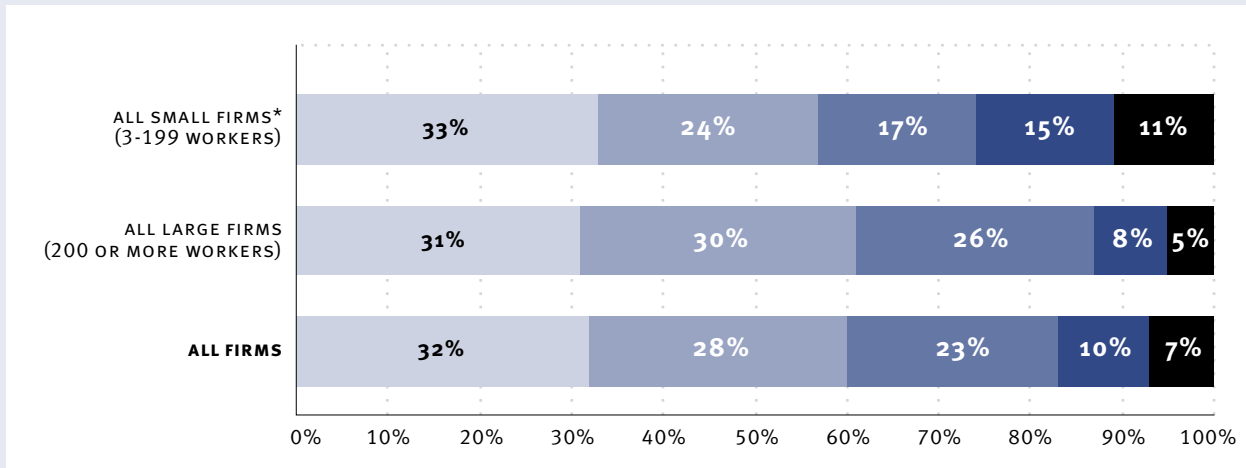
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

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

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

EXHIBIT 1.4

Distribution of Premium Increases for Covered Workers, by Firm Size, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

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

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

- LESS THAN OR EQUAL TO 5%
- GREATER THAN 5%, LESS THAN OR EQUAL TO 10%
- GREATER THAN 10%, LESS THAN OR EQUAL TO 15%
- GREATER THAN 15%, LESS THAN OR EQUAL TO 20%
- GREATER THAN 20%

EXHIBIT 1.5

Increases in Health Insurance Premiums, by Firm Size and Plan Type, 2005

	Conventional	HMO	PPO	POS	All Plans
FIRM SIZE					
All Small Firms (3 - 199 Workers)	3.7%	7.5%	10.8%	10.0%	9.8%
All Large Firms (200 or More Workers)	5.8*	10.1	8.8	8.3	8.9
ALL FIRM SIZES	5.0%*	9.4%	9.4%	9.1%	9.2%

SOURCE :

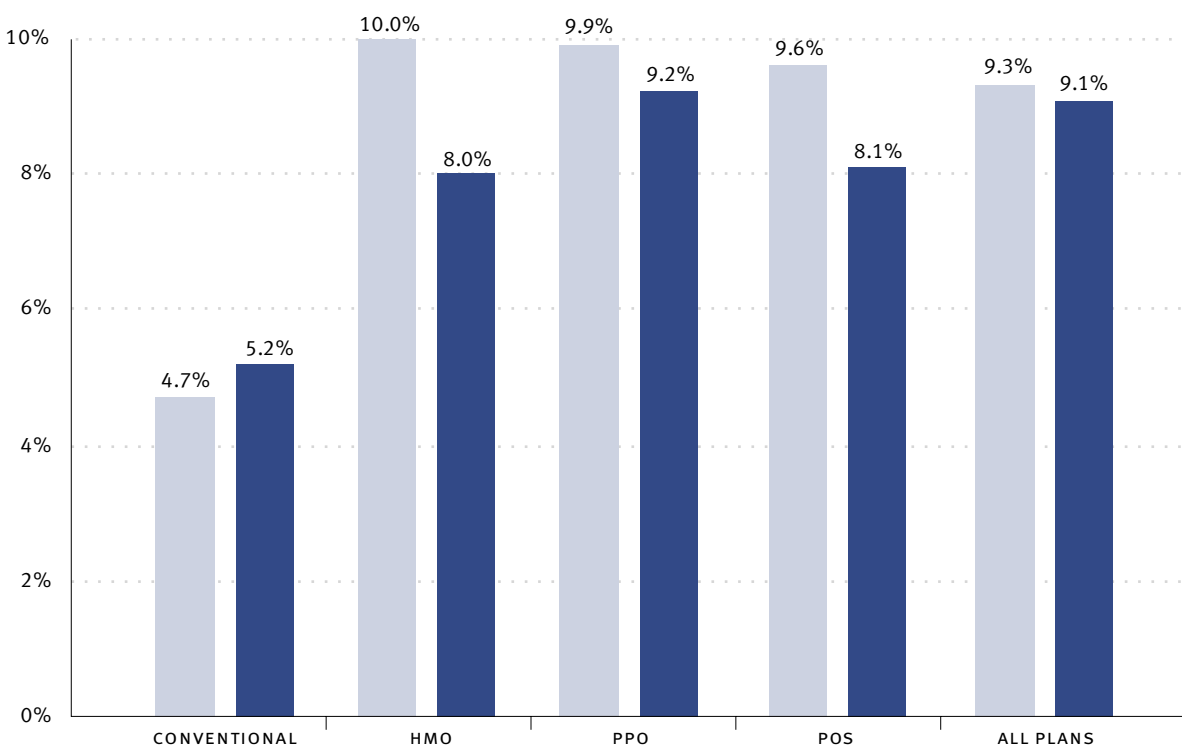
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Plans within a firm size at $p < .05$.

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

EXHIBIT 1.6

Increases in Health Insurance Premiums, by Plan Type and Funding Arrangement, 2005*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

■ FULLY INSURED
■ SELF-FUNDED

* Tests found no statistically different estimates between Fully Insured and Self-Funded plans within a plan type at $p < .05$.

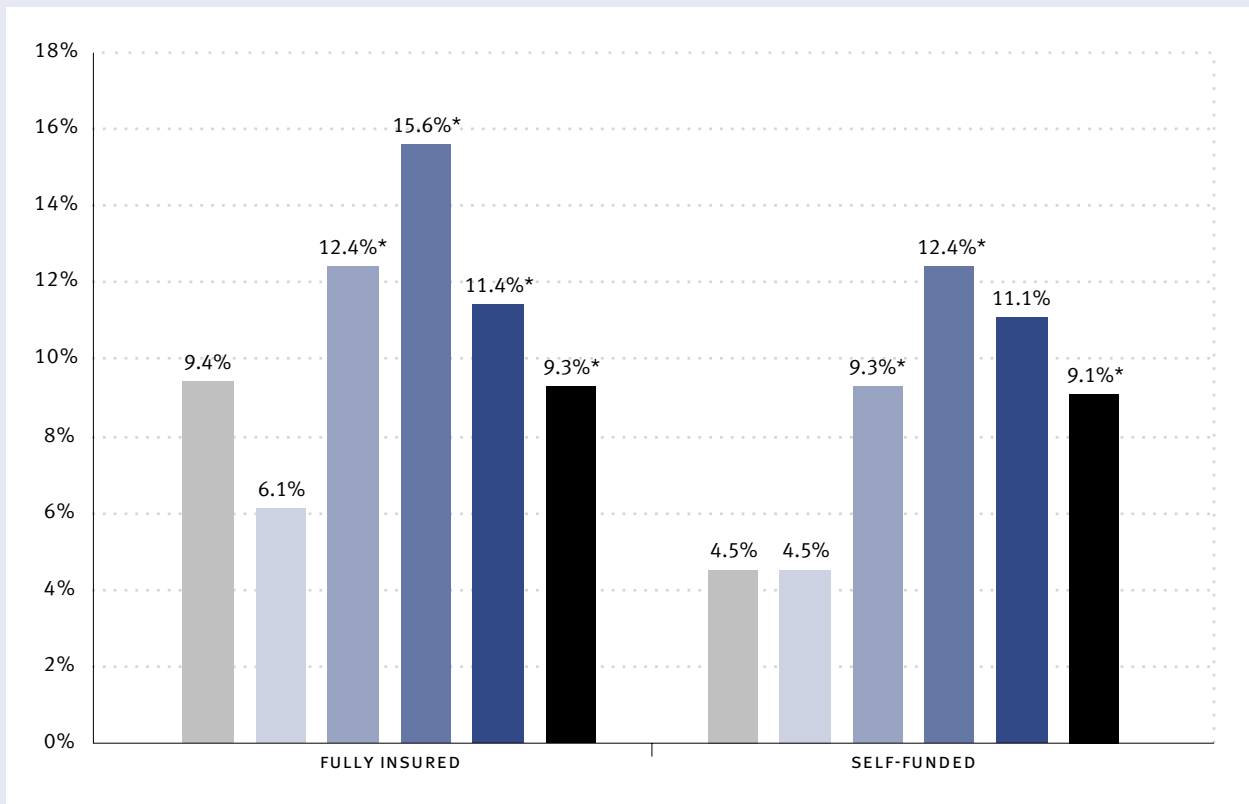
Fully Insured plan: An insurance arrangement in which the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

Self-Funded plan: An insurance arrangement in which 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 the self-funded plan.

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

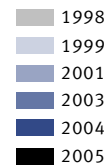
EXHIBIT 1.7

Increases in Health Insurance Premiums, by Funding Arrangement, 1998-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1998.



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

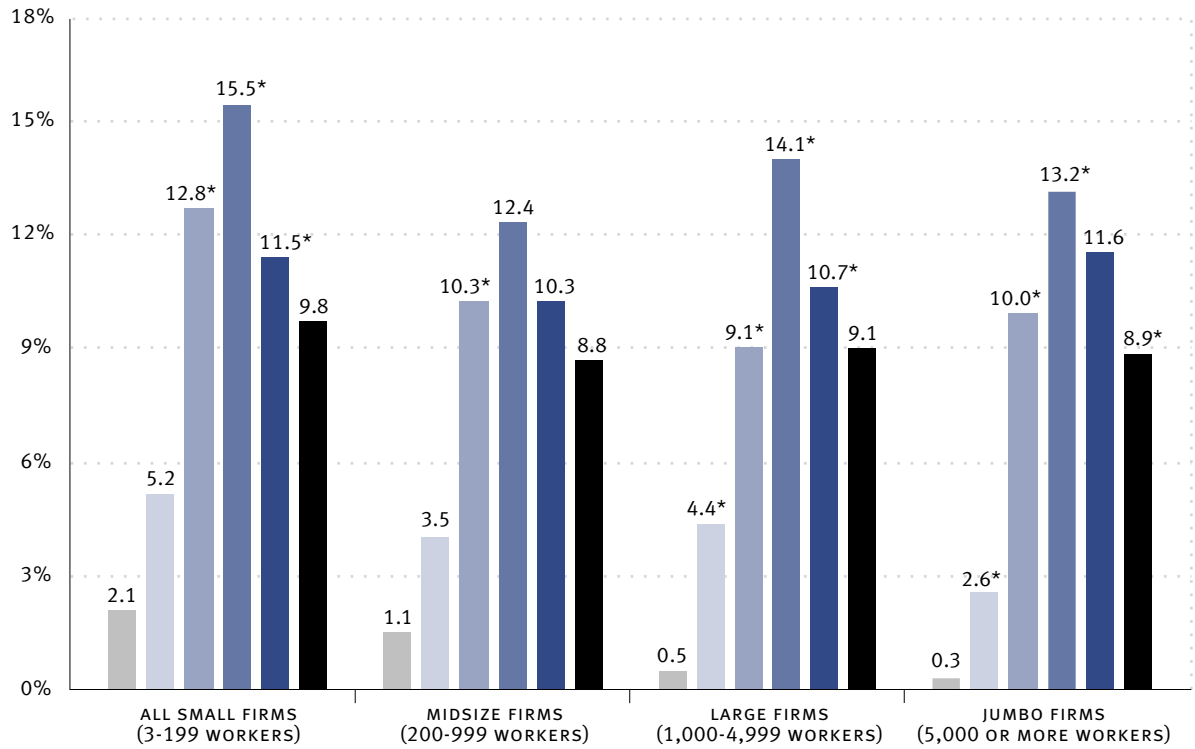
Fully Insured plan: An insurance arrangement in which the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

Self-Funded plan: An insurance arrangement in which 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 the self-funded plan.

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

EXHIBIT 1.8

Increases in Health Insurance Premiums, by Firm Size, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

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

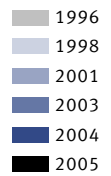
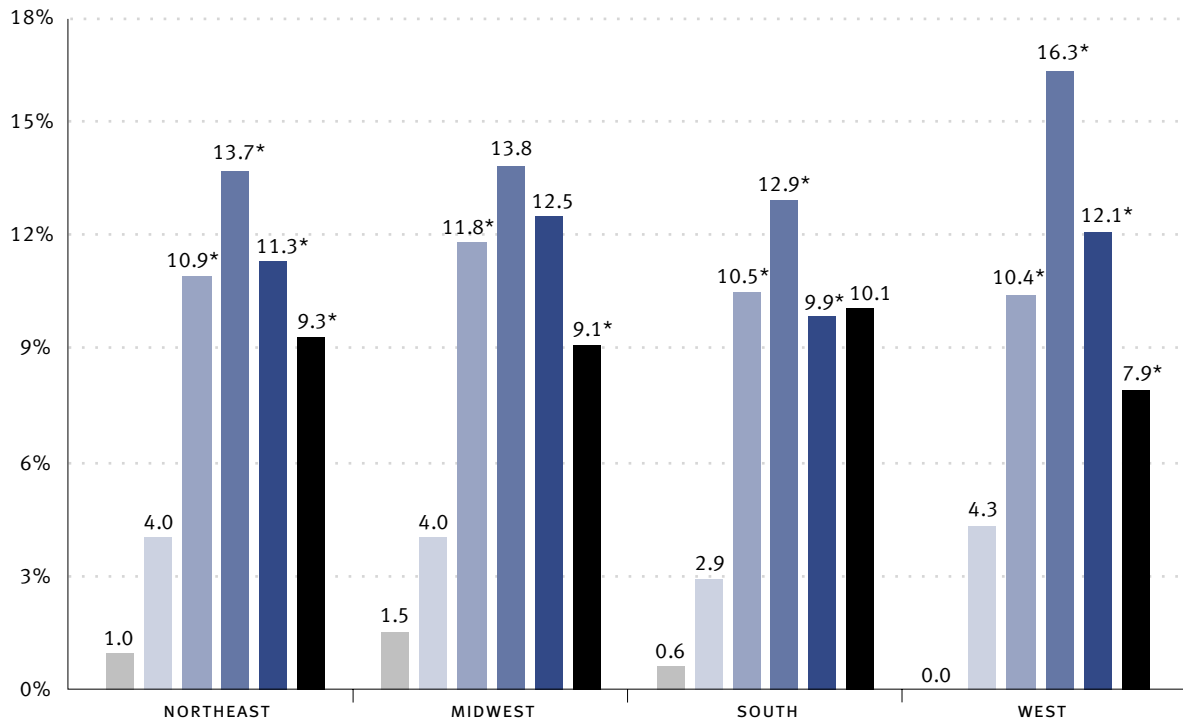


EXHIBIT 1.9

Increases in Health Insurance Premiums, by Region, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999. In 2005, the average premium increase in the West (7.9%) is not significantly different from the average overall increase of 9.2%. Other years were not tested across regions.

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

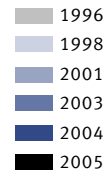
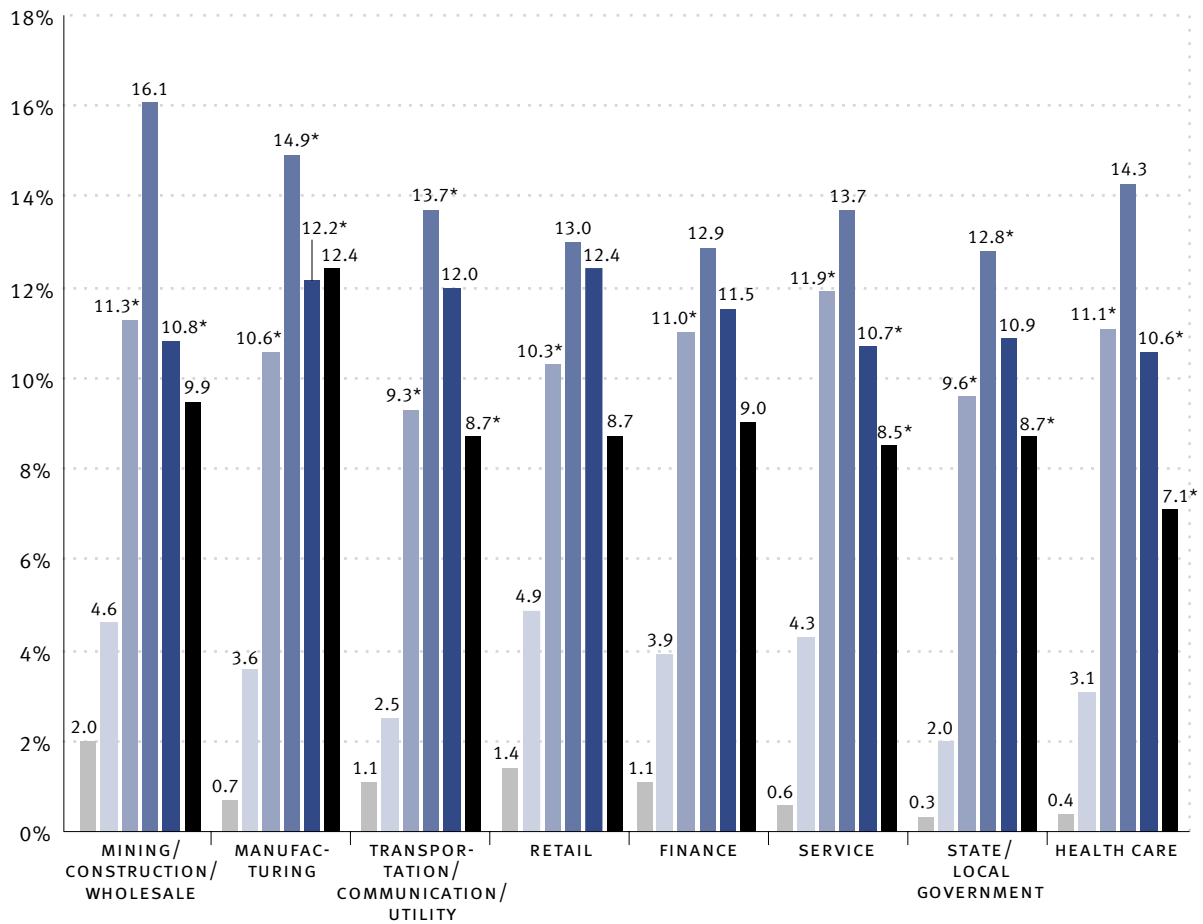


EXHIBIT 1.10

Increases in Health Insurance Premiums, by Industry, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

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

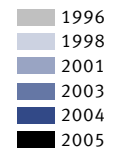
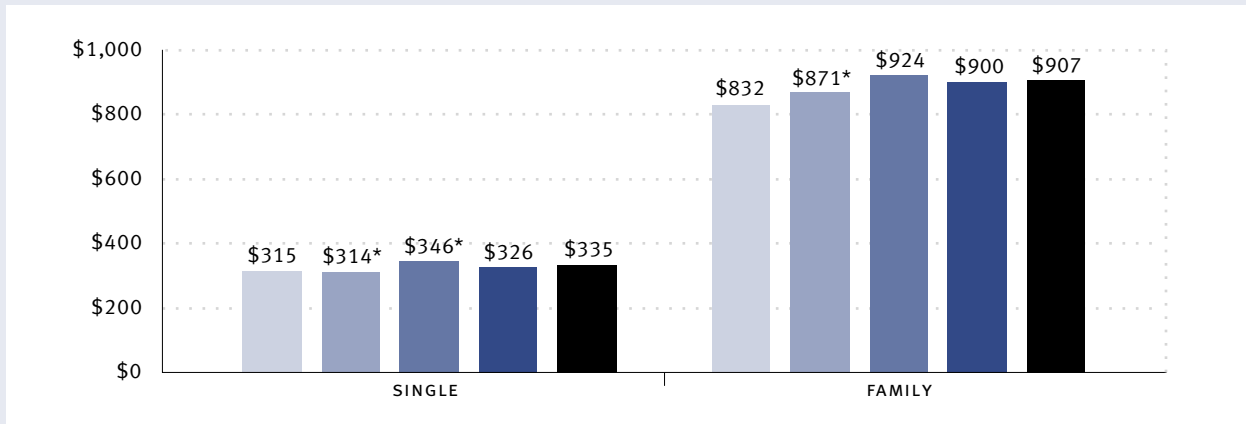


EXHIBIT 1.11

Average Monthly Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

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

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

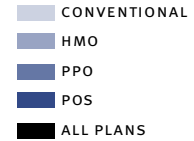


EXHIBIT 1.12

Distribution of Single and Family Monthly Premiums for Covered Workers, 2001-2005

	2001	2002*	2003*	2004*	2005*
SINGLE PREMIUMS (\$)					
\$0 to \$200	37%	19%	10%	6%	5%
201 to 250	41	36	22	16	8
251 to 300	14	26	38	29	21
301 to 350	4	11	19	29	30
351 to 400	2	3	7	12	21
More than 400	2	5	5	8	15
FAMILY PREMIUMS (\$)					
\$0 to \$550	38%	19%	10%	5%	5%
551 to 650	38	29	13	9	4
651 to 750	15	27	25	17	10
751 to 850	4	14	29	25	21
851 to 950	2	6	13	24	22
More than 950	2	4	10	20	38

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005.

* Distribution is statistically different from the previous year shown within a dollar category at p<.05.

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

EXHIBIT 1.13

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Firm Size, 2005*

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
All Small Firms (3 - 199 Workers)	\$325	\$830	\$3,895	\$9,963
All Large Firms (200 or More Workers)	309	833	3,709	9,990
ALL FIRM SIZES	\$315	\$832	\$3,782	\$9,979
HMO PLANS				
All Small Firms (3 - 199 Workers)	\$310	\$845	\$3,720	\$10,140
All Large Firms (200 or More Workers)	315	881	3,784	10,574
ALL FIRM SIZES	\$314	\$871	\$3,767	\$10,456
PPO PLANS				
All Small Firms (3 - 199 Workers)	\$349	\$900	\$4,189	\$10,797
All Large Firms (200 or More Workers)	344	935	4,132	11,224
ALL FIRM SIZES	\$346	\$924	\$4,150	\$11,090
POS PLANS				
All Small Firms (3 - 199 Workers)	\$323	\$874	\$3,874	\$10,483
All Large Firms (200 or More Workers)	329	924	3,950	11,083
ALL FIRM SIZES	\$326	\$900	\$3,914	\$10,801
ALL PLANS				
All Small Firms (3 - 199 Workers)	\$336	\$882	\$4,032	\$10,587
All Large Firms (200 or More Workers)	335	919	4,020	11,025
ALL FIRM SIZES	\$335	\$907	\$4,024	\$10,880

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Tests found no statistically different estimates from All Firm Sizes within a plan type at $p < .05$.

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

EXHIBIT 1.14

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Region, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Northeast	\$269	\$712	\$3,227	\$8,544
Midwest	271	790	3,250	9,476
South	330	868	3,955	10,420
West	NSD	NSD	NSD	NSD
ALL REGIONS	\$315	\$832	\$3,782	\$9,979
HMO PLANS				
Northeast	\$328	\$909	\$3,932	\$10,903
Midwest	323	883	3,880	10,592
South	329	896	3,950	10,754
West	285*	817	3,421*	9,809
ALL REGIONS	\$314	\$871	\$3,767	\$10,456
PPO PLANS				
Northeast	\$359	\$995*	\$4,313	\$11,938*
Midwest	353	946	4,235	11,354
South	333	877	3,998	10,526
West	348	918	4,177	11,012
ALL REGIONS	\$346	\$924	\$4,150	\$11,090
POS PLANS				
Northeast	\$342	\$961*	\$4,105	\$11,528*
Midwest	317	900	3,809	10,806
South	310	845	3,726	10,142
West	338	913	4,059	10,958
ALL REGIONS	\$326	\$900	\$3,914	\$10,801
ALL PLANS				
Northeast	\$346	\$959*	\$4,147	\$11,504*
Midwest	342	926	4,103	11,115
South	329	876*	3,950	10,507*
West	328	886	3,937	10,638
ALL REGIONS	\$335	\$907	\$4,024	\$10,880

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Regions within a plan type at $p < .05$.

NSD: Not Sufficient Data

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

EXHIBIT 1.15

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Industry, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Mining/Construction/Wholesale	NSD	NSD	NSD	NSD
Manufacturing	NSD	NSD	NSD	NSD
Transportation/Communications/Utility	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	297	745	3,563	8,942
State/Local Government	NSD	NSD	NSD	NSD
Health Care	NSD	NSD	NSD	NSD
ALL INDUSTRIES	\$315	\$832	\$3,782	\$9,979
HMO PLANS				
Mining/Construction/Wholesale	\$302	\$858	\$3,619	\$10,301
Manufacturing	317	898	3,800	10,772
Transportation/Communications/Utility	332	936	3,979	11,232
Retail	301	869	3,607	10,433
Finance	314	869	3,769	10,434
Service	303	836	3,636	10,029
State/Local Government	335	881	4,016	10,572
Health Care	319	896	3,827	10,749
ALL INDUSTRIES	\$314	\$871	\$3,767	\$10,456
PPO PLANS				
Mining/Construction/Wholesale	\$328	\$916	\$3,933	\$10,994
Manufacturing	330	903	3,964	10,831
Transportation/Communications/Utility	321	890	3,858	10,684
Retail	309*	824*	3,712*	9,893*
Finance	371	987	4,451	11,843
Service	347	912	4,161	10,949
State/Local Government	381*	922	4,576*	11,069
Health Care	389*	1045*	4,662*	12,544*
ALL INDUSTRIES	\$346	\$924	\$4,150	\$11,090

Continued on page 29

EXHIBIT 1.15 Continued from page 28

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Industry, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
POS PLANS				
Mining/Construction/Wholesale	\$305	\$826	\$3,666	\$9,911
Manufacturing	352	1,004*	4,230	12,045*
Transportation/Communications/Utility	NSD	NSD	NSD	NSD
Retail	301	831	3,616	9,976
Finance	NSD	NSD	NSD	NSD
Service	324	902	3,887	10,826
State/Local Government	372*	947	4,463*	11,365
Health Care	325	865	3,895	10,382
ALL INDUSTRIES	\$326	\$900	\$3,914	\$10,801
ALL PLANS				
Mining/Construction/Wholesale	\$318	\$892	\$3,819	\$10,702
Manufacturing	329	910	3,948	10,925
Transportation/Communications/Utility	328	914	3,941	10,963
Retail	309*	833*	3,704*	9,992*
Finance	349	940	4,186	11,279
Service	331	889	3,977	10,672
State/Local Government	365*	915	4,377*	10,974
Health Care	366*	991*	4,393*	11,887*
ALL INDUSTRIES	\$335	\$907	\$4,024	\$10,880

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Industries within a plan type at $p < .05$.

NSD: Not Sufficient Data

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