

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

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Health  
Benefits  
Offer Rates

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SECTION

2

## HEALTH BENEFITS OFFER RATES

ALTHOUGH NEARLY ALL LARGE FIRMS (200 OR MORE WORKERS) OFFER HEALTH BENEFITS, FIRMS WITH FEWER THAN 200 WORKERS ARE SIGNIFICANTLY LESS LIKELY TO DO SO.

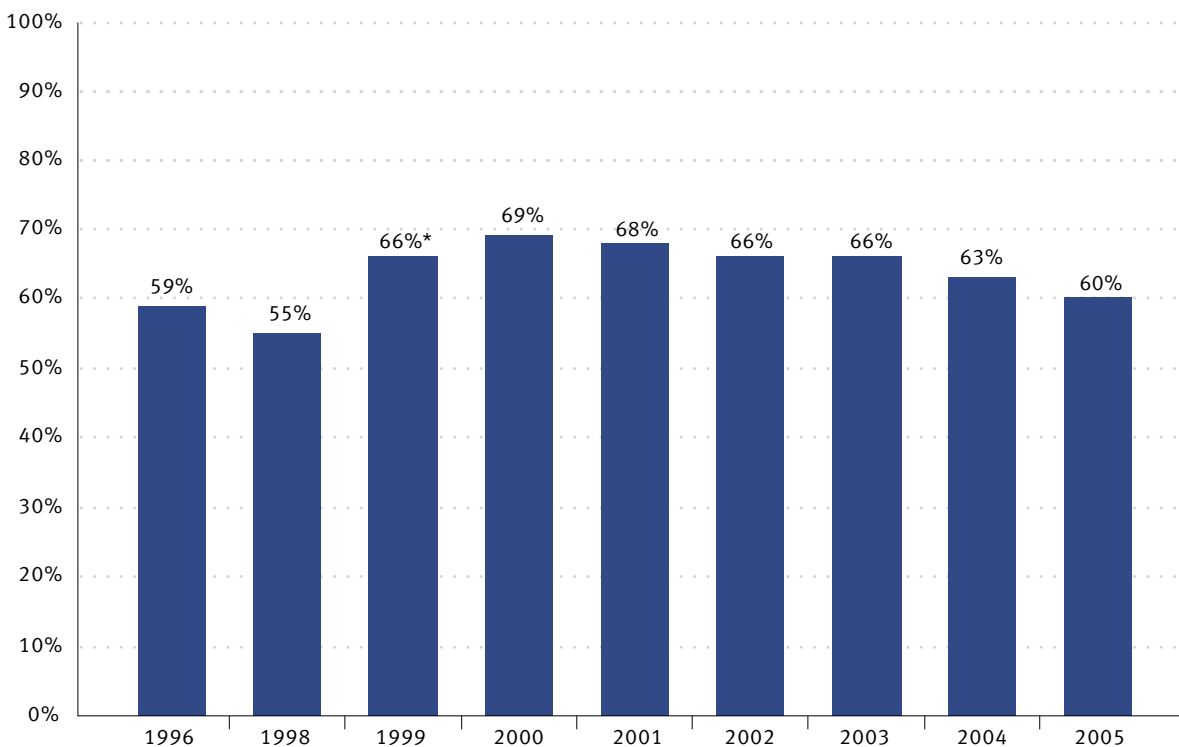
SINCE 2000, THE PERCENTAGE OF FIRMS OFFERING HEALTH BENEFITS HAS DROPPED BY 9 PERCENTAGE POINTS. WHILE THE YEAR-TO-YEAR CHANGES HAVE BEEN RELATIVELY SMALL AND NOT STATISTICALLY SIGNIFICANT, THE CUMULATIVE EFFECT HAS BEEN A LARGE AND STATISTICALLY SIGNIFICANT CHANGE OVER THIS FIVE-YEAR PERIOD. THIS CHANGE IS DRIVEN LARGELY BY A DECREASE IN THE PERCENTAGE OF SMALL FIRMS (3-199 WORKERS) OFFERING COVERAGE, AND MAY REFLECT SEVERAL YEARS OF HIGH PREMIUM GROWTH COMBINED WITH A SLUGGISH JOB MARKET.

- ▶ Ninety-eight percent of large firms (200 or more workers) offer health benefits in 2005, essentially unchanged from 2004. In contrast, only 59% of small firms (3-199 workers) offer health benefits. This is comparable to the offer rate among all small firms in 2004, but represents a drop in the offer rate for small firms from 68% in 2000. Driven largely by this decline among small firms, the offer rate among all firms has dropped from 69% to 60% over the same time period (EXHIBIT 2.2).
- ▶ The likelihood that a firm offers health benefits to its workers varies considerably with the firm's characteristics, such as firm size, whether the firm is higher wage, the proportion of part-time workers in the firm, and whether workers are unionized (EXHIBIT 2.3).
  - *The smallest firms are least likely to offer health insurance. Only 47% of firms with 3-9 workers offer coverage, compared to 72% of firms with 10-24 workers and 87% of firms with 25-49 workers. Nearly all firms with 50 or more employees offer health insurance coverage (EXHIBIT 2.2).*
  - *Higher wage firms – where fewer than 35% of workers earn \$20,000 or less annually – are more likely to offer health insurance than lower wage firms – where 35% or more of workers earn \$20,000 or less annually. Sixty-five percent of higher wage firms offer health benefits compared to 43% of lower wage firms (EXHIBIT 2.3).*
  - *Firms with fewer part-time workers – where less than 35% of employees work part-time – are also more likely to offer coverage to their workers than firms with many part-time workers. Among firms with fewer part-time workers, 68% offer health insurance, compared to 36% of firms with a higher percentage of part-time workers (EXHIBIT 2.3).*
  - *Firms that employ union workers are much more likely than firms without union workers to offer health benefits to their employees. Ninety percent of firms with union workers offer health benefits, whereas only 59% of firms that do not have union employees offer health coverage (EXHIBIT 2.3).*
- ▶ Among firms offering health benefits, few offer benefits to their part-time and temporary workers. Twenty-eight percent of firms offer health benefits to part-time workers and 3% of firms offer benefits to temporary workers (EXHIBITS 2.4, 2.5).
  - *In 2005, 28% of all firms that offer health benefits offer them to part-time workers. Larger firms are more likely than smaller firms to do so. Only 27% of firms with 3-24 workers that offer health benefits offer them to part-time workers, while 61% of jumbo firms (5,000 or more workers) do so. (EXHIBIT 2.4).*

- *Regardless of firm size, very few firms that offer health benefits (3%) offer them to temporary workers. The percentage of firms offering health benefits to temporary workers has remained Exhibit unchanged over the last several years (EXHIBIT 2.5).*
- ▶ Despite a slowing of health insurance cost growth in 2005, the cost of health insurance remains the main reason cited by firms for not offering health benefits.
- *Of firms not offering health benefits, 73% cite high premiums as a “very important” reason for not doing so. Other factors frequently cited by all firms as “very important” reasons for not offering coverage include: employees are covered elsewhere (33%) and firm can attract good employees without offering health insurance (22%) (EXHIBIT 2.6).*
- ▶ Among firms not offering health benefits, 41% report shopping for coverage in the past year. Twenty-three percent of firms not offering coverage report that they have offered coverage at some point in the past five years.
- ▶ Although cost is often identified as the primary reason that many firms do not offer health benefits, their decisions may also reflect their views about their employees’ preferences for higher wages over health benefits. When non-offering employers were asked to assess whether their employees would prefer an additional \$2 per hour in wages (approximately the cost of health insurance per worker) or health benefits, over 70% answered that their employees would prefer higher compensation rather than receiving health benefits (EXHIBIT 2.8).
- ▶ Consistent with past years, very few employers indicate that they are likely to drop coverage in the near future. Three percent of all firms say that they are either “very likely” or “somewhat likely” to drop coverage in the next year. Similarly, just under 2% of employers say that they are “very likely” to restrict eligibility for benefits in the next year, with an additional 9% indicating that they are “somewhat likely” to do so. Responses to these questions vary little by firm size (see Section 12).

EXHIBIT 2.1

Percentage of Firms Offering Health Benefits, 1996-2005



SOURCE :

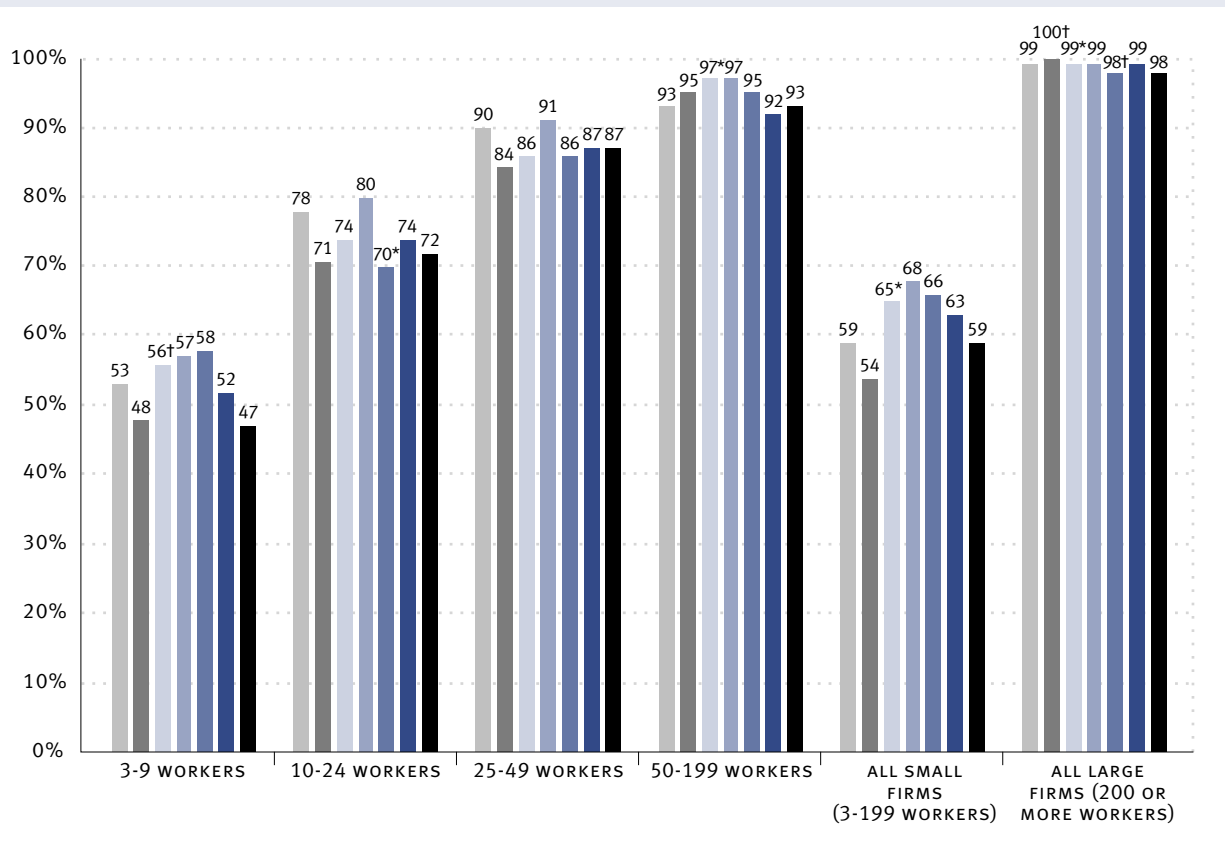
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999 - 2005;  
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

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

Note: Data for years prior to 1999 do not reflect several methodological changes that were made to the survey, including standardizing survey weights to U.S. Census data.

EXHIBIT 2.2

Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005;  
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

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

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

Note: The percentage of all large firms (200 or more workers) offering health benefits in 1999 was 99%, not 100% as reported last year. Data prior to 1999 do not reflect several methodological changes that were made to the survey, including standardizing survey weights to U.S. Census data.

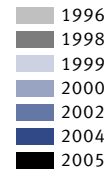
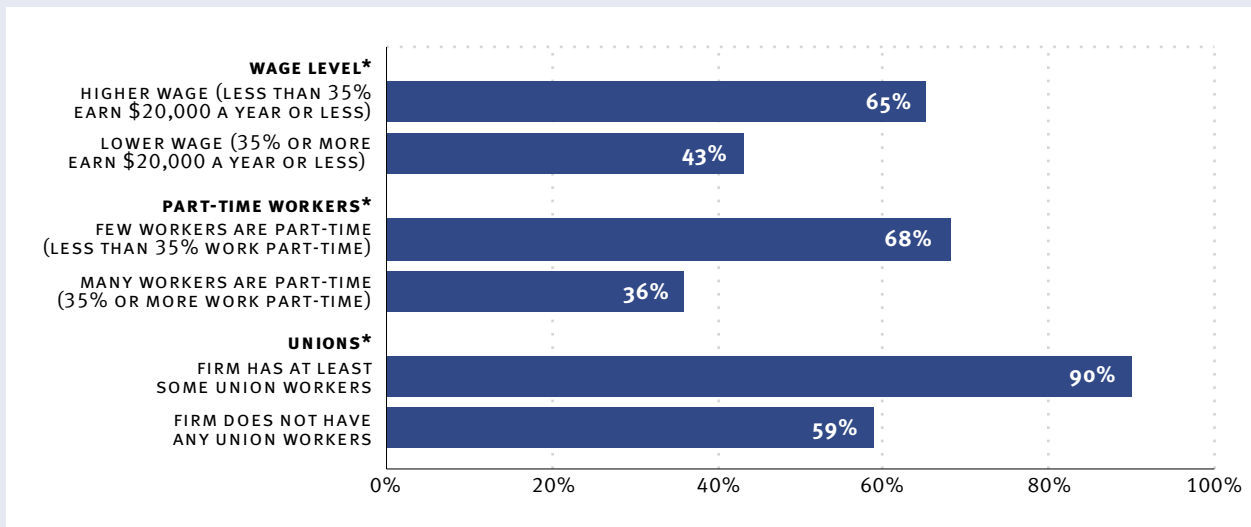


EXHIBIT 2.3

Percentage of Firms Offering Health Benefits, by Firm Characteristics, 2005



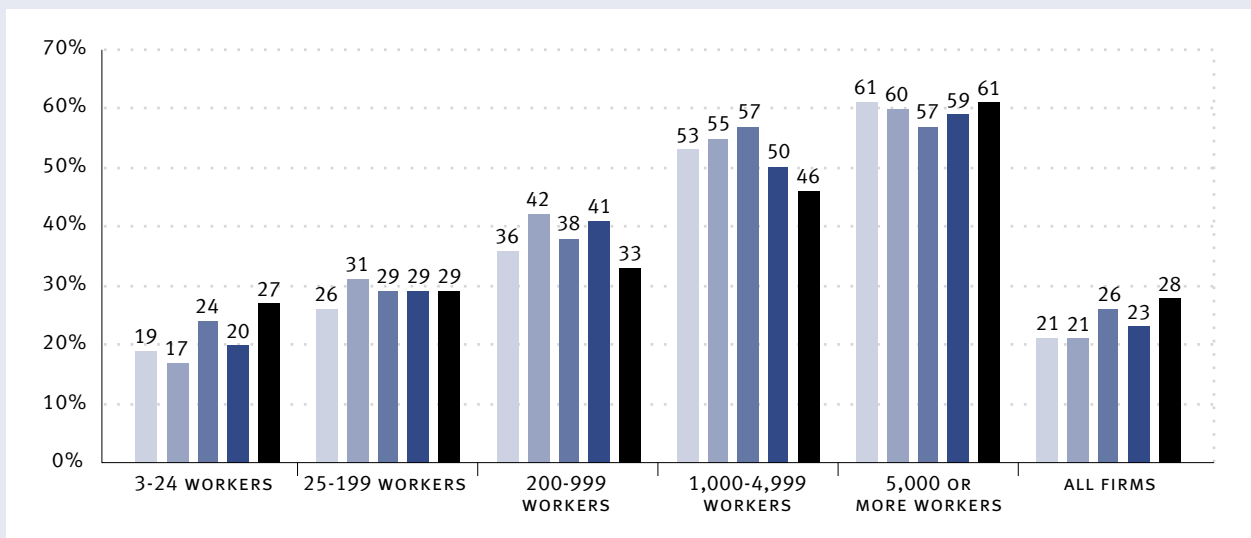
SOURCE :

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

\* Estimates are statistically different from each other within categories at  $p < .05$ .

EXHIBIT 2.4

Percentage of Firms Offering Health Benefits That Offer Them to Part-Time Workers, by Firm Size, 1999-2005\*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Insurance, 1999-2005.

\* Tests found no statistically different estimates from the previous year shown at  $p < .05$ .

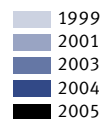
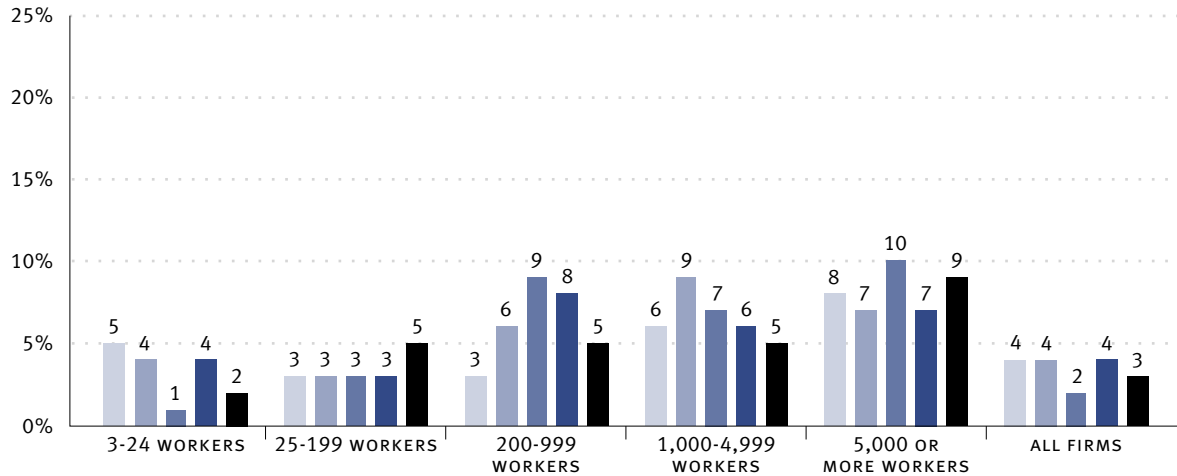


EXHIBIT 2.5

Percentage of Firms Offering Health Benefits That Offer Them to Temporary Workers, by Firm Size, 1999-2005\*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Insurance, 1999-2005.

\* Tests found no statistically different estimates from the previous year shown at  $p < .05$ .

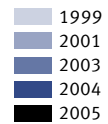


EXHIBIT 2.6

Among Firms Not Offering Health Benefits, Reasons for Not Offering, 2005

	Very Important	Somewhat Important	Not Too Important	Not At All Important	Don't Know
High Premiums	73%	13%	5%	9%	<1%
Employees Covered Elsewhere	33	26	13	25	3
High Turnover	16	13	23	49	0
Obtain Good Employees Without Offering A Health Plan	22	32	18	27	2
Administrative Hassle	14	29	25	28	3
Firm Too Newly Established	2	9	9	80	0
Firm Is Too Small	52	21	9	19	0
Firm Has Seriously Ill Employee	4	6	5	82	3

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Insurance, 2005.

EXHIBIT 2.7

Distribution of Firms<sup>‡</sup> by the Amounts They Believe They and Their Employees Could Afford to Pay for Health Insurance and by Their Estimate of the Cost of Coverage, Per Month, 2005

Amount Per Month	Distribution of Firms by Amount They Think They Could Afford to Pay for Health Insurance	Distribution of Firms by Amount They Think Their Employees Could Afford to Pay for Health Insurance	Distribution of Firms by Their Estimate of the Cost of Health Insurance
Less than \$100	22%	36%	8%
\$100-\$199	19%	27%	27%
\$200-\$299	23%	16%	23%
\$300-\$399	8%	1%	15%
\$400 or more	4%	3%	22%
Don't Know	24%	17%	5%

SOURCE :

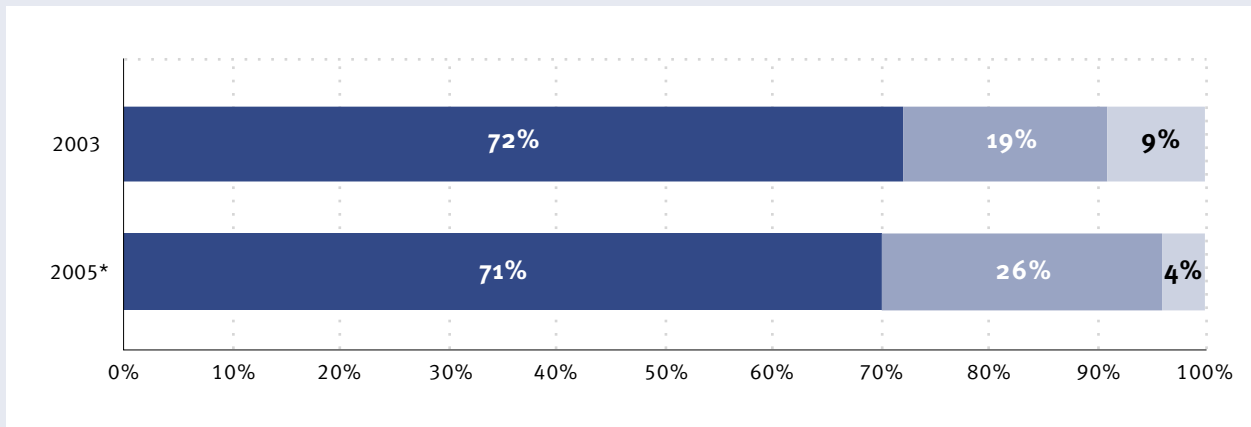
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

<sup>‡</sup> Among firms that do not offer health benefits to active workers.

Note: Average premiums for single coverage in 2005 are \$335 per month, with a monthly worker contribution of \$51. Average premiums for family coverage in 2005 are \$907 per month, with a monthly worker contribution of \$226.

EXHIBIT 2.8

Among Firms Not Offering Health Benefits, Beliefs About Employees' Preferences for Higher Wages or Health Insurance Benefits, 2003 and 2005<sup>‡</sup>



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003, 2005.

<sup>‡</sup> The survey asks firms, "To the best of your knowledge, if your firm could afford to pay your employees an additional \$2 per hour (approximately \$4,000 a year), in which way do you think your employees would prefer to receive the additional funds?"

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

- EMPLOYEES WOULD PREFER HIGHER WAGES
- EMPLOYEES WOULD PREFER HEALTH INSURANCE
- DON'T KNOW