

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Employee
Coverage,
Eligibility, and
Participation

SECTION

3

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRINCIPAL SOURCE OF HEALTH INSURANCE IN THE UNITED STATES, PROVIDING HEALTH BENEFITS TO OVER 60% OF NONELDERLY PEOPLE IN 2003.³ SIXTY-SIX PERCENT OF EMPLOYEES WORKING IN FIRMS THAT OFFER BENEFITS ARE COVERED BY THEIR FIRMS' HEALTH COVERAGE. MOST WORKERS ARE OFFERED HEALTH COVERAGE AT WORK, AND THE VAST MAJORITY OF WORKERS WHO ARE OFFERED COVERAGE TAKE IT. WORKERS MAY NOT BE COVERED BY THEIR OWN EMPLOYER FOR SEVERAL REASONS: THEIR EMPLOYER MAY NOT OFFER COVERAGE, THEY MAY BE INELIGIBLE FOR BENEFITS OFFERED BY THEIR FIRM, OR THEY MAY REFUSE AN OFFER OF COVERAGE FROM THEIR FIRM.

- ▶ In firms offering health benefits, 66% of workers are covered by their firms' health plan (EXHIBIT 3.2). The rate of coverage varies by certain characteristics of the firm, such as industry and the percentage of part-time and low wage employees.
 - Coverage rates in firms offering health benefits do not differ significantly by firm size, but they do vary by industry, likely due to differences in eligibility. The coverage rate for workers in the retail industry is 46%, compared to 83% for state and local government workers and 79% for those working in the transportation, communication, and utility industries, and 79% in the manufacturing industry (EXHIBIT 3.2).
 - Among firms offering health benefits, higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—have higher coverage rates than lower wage firms—where 35% or more of workers earn \$20,000 or less annually. Seventy percent of workers in higher wage firms that offer health benefits are covered, compared to 49% of workers in lower wage firms offering benefits.
- ▶ Even in firms that offer coverage, not all employees are eligible for their firm's health benefits. Additionally, not all eligible employees with an offer of health coverage take the offer of coverage. The number of workers covered is a product of both the percentage of workers who are actually eligible for the firm's health insurance and the percentage who choose to “take-up” (i.e., elect to participate in) the benefit.
 - Eligibility for health benefits does not vary by firm size and is unchanged from last year. Overall, 80% of workers in firms offering health benefits are eligible for coverage (EXHIBIT 3.2).
 - Employees who are offered coverage through their employer generally elect to take the offer. Eighty percent of workers in small firms (3-199 workers) and 84% of workers in large firms (200 or more workers) take-up coverage. These numbers are statistically unchanged from 2004 (EXHIBIT 3.2).
 - The likelihood of accepting a firm's offer of coverage varies by firm wage level. Employees in higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—are more likely to take-up coverage (84%) than employees in lower wage firms (74%)—where 35% or more of workers earn \$20,000 or less annually.
- ▶ Most covered workers work in firms that impose a waiting period before coverage is available to new employees. Seventy-five percent of covered workers face a waiting period before coverage is available (EXHIBIT 3.7).
 - The average waiting period among all covered workers is essentially unchanged from last year at 1.7 months (EXHIBIT 3.6).

NOTE :

³ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. *Health Insurance Coverage in America: 2003 Data Update*, November 2004.

EXHIBIT 3.1

Percentage of Workers Covered by Their Employers' Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 2000-2005*

	2000	2001	2002	2003	2004	2005
FIRM SIZE						
3 - 24 Workers	50%	49%	45%	44%	43%	41%
25 - 49 Workers	63	62	57	59	56	55
50 - 199 Workers	62	67	64	61	56	59
200 - 999 Workers	69	71	69	68	69	65
1,000 - 4,999 Workers	68	69	70	69	68	69
5,000 or More Workers	66	69	68	68	67	66
ALL SMALL FIRMS (3 - 199 WORKERS)	57%	58%	54%	53%	50%	50%
ALL LARGE FIRMS (200 OR MORE WORKERS)	67%	69%	69%	68%	68%	66%
ALL FIRMS	63%	65%	63%	62%	61%	60%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

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

Note: The total percentage of covered workers in this figure is calculated from the universe of all workers – including those in firms that do not offer coverage.

EXHIBIT 3.2

Eligibility, Take-up Rates, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2005

	<i>Percentage of Workers Eligible For Health Benefits Offered By Their Employer</i>	<i>Percentage of Workers Who Participate in Their Employers' Plan (Take-up Rate)</i>	<i>Percentage of Workers Covered by Their Employers' Health Benefits</i>
FIRM SIZE			
Small (3 - 24 Workers)	84%	79%	67%
Small (25 - 49 Workers)	84	77*	64
Small (50 - 199 Workers)	78	83	65
ALL SMALL FIRMS (3 - 199 WORKERS)	81%	80%	65%
Midsize (200 - 999 Workers)	78	83	66
Large (1,000 - 4,999 Workers)	81	85*	69
Jumbo (5,000 or More Workers)	78	84	66
ALL LARGE FIRMS (200 OR MORE WORKERS)	79%	84%	67%
REGION			
Northeast	80%	83%	67%
Midwest	80	80	64
South	81	84	68
West	77	84	65
INDUSTRY			
Mining/Construction/Wholesale	80%	81%	64%
Manufacturing	91*	86	79*
Transportation/Communications/Utility	88*	90*	79*
Retail	61*	77*	46*
Finance	87*	83	73*
Service	77	80*	62*
State/Local Government	89*	93*	83*
Health Care	77	84	65
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	80%	83%	66%

SOURCE :

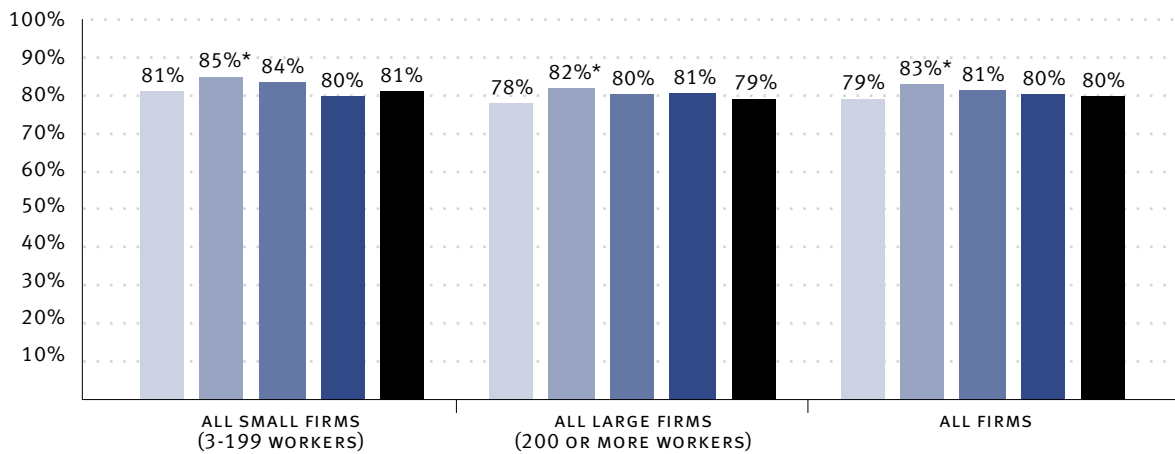
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

Take-up rate: The percentage of eligible workers who choose to participate in health benefits offered by their employer.

EXHIBIT 3.3

Percentage of Workers Eligible For Health Benefits Offered By Their Employer, by Firm Size, 1999-2005



SOURCE :

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

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

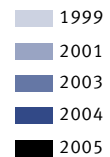
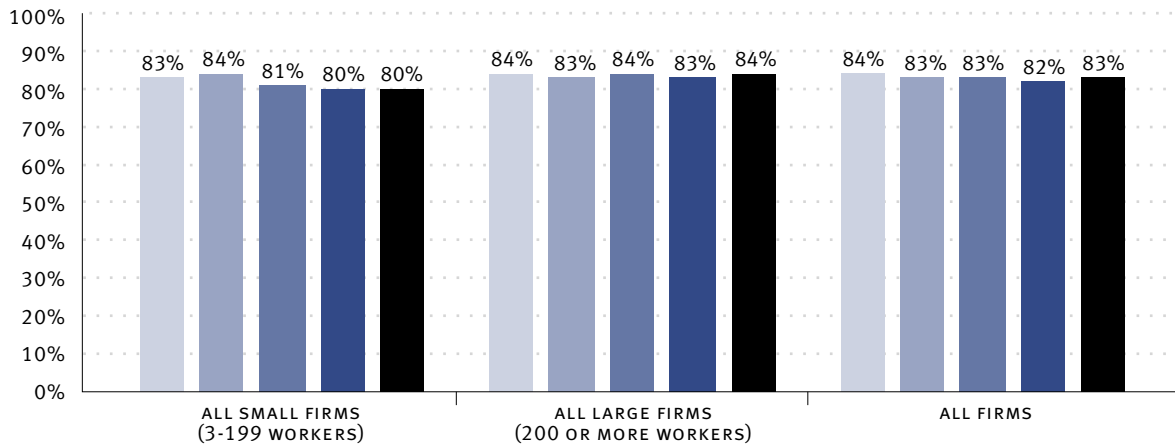


EXHIBIT 3.4

Percentage of Workers in Firms Offering Health Benefits Who Participate in (Take-up) Their Employers' Health Plan, by Firm Size, 1999-2005*



SOURCE :

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

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

Take-up rate: The percentage of eligible workers who choose to participate in health benefits offered by their employer.

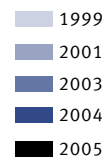
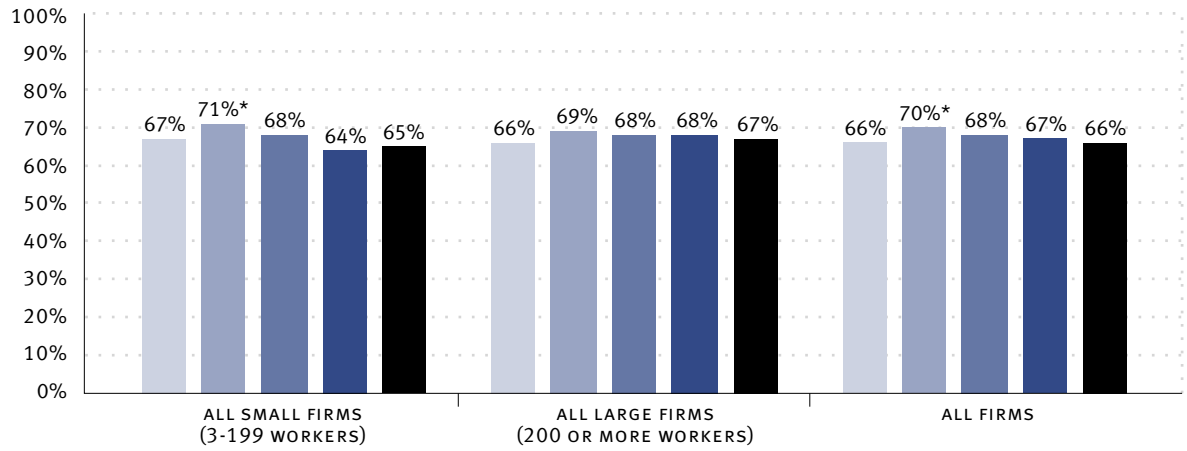


EXHIBIT 3.5

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employers' Health Plan, by Firm Size, 1999-2005



SOURCE :

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

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

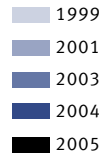
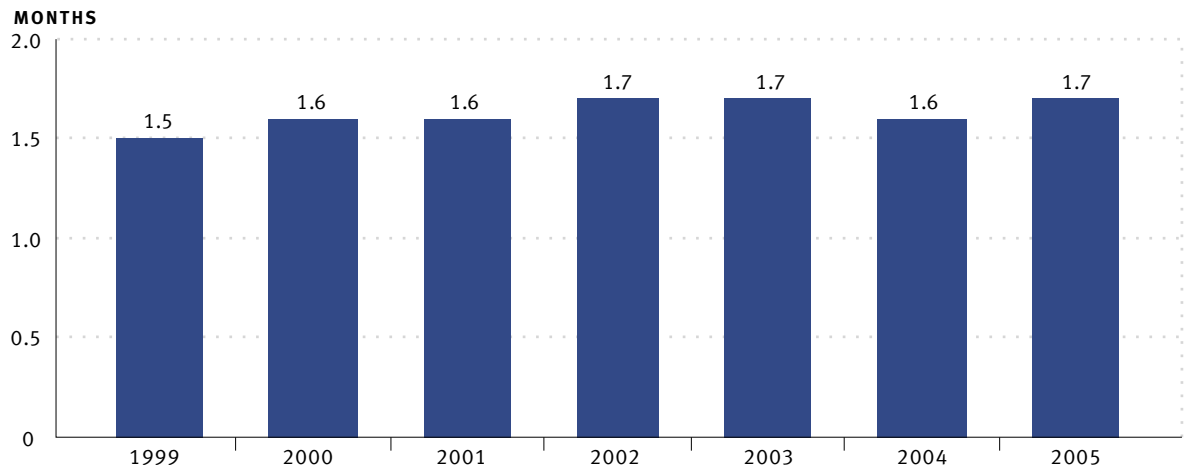


EXHIBIT 3.6

Average Waiting Period for New Employees to be Eligible for Health Coverage, 1999-2005*



SOURCE :

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

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

Note: Average waiting period includes those who have no waiting period to be eligible for health coverage.

EXHIBIT 3.7

Percentage of Covered Workers in Firms with a Waiting Period for New Employees to Be Covered, by Firm Size, Region, and Industry, 2005

	<i>Percentage of Covered Workers in Firms With Waiting Period</i>
FIRM SIZE	
All Small Firms (3 - 199 Workers)	80%
All Large Firms (200 or More Workers)	72%
REGION	
Northeast	73%
Midwest	74
South	74
West	78
INDUSTRY	
Mining/Construction/Wholesale	84%*
Manufacturing	75
Transportation/Communications/Utility	64
Retail	92*
Finance	71
Service	71
State/Local Government	66
Health Care	81
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	75%

SOURCE:

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

* Estimates are statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

EXHIBIT 3.8

Average Waiting Period For New Employees to be Eligible for Health Coverage, by Firm Size, Region, and Industry, 2005

	<i>Average Wait for Health Coverage (Months)</i>
FIRM SIZE	
ALL SMALL FIRMS (3 -199 WORKERS)	2.0*
Midsize (200 - 999 Workers)	1.7
Large (1,000 - 4,999 Workers)	1.6
Jumbo (5,000 or More Workers)	1.4
ALL LARGE FIRMS (200 OR MORE WORKERS)	1.5
REGION	
Northeast	1.6
Midwest	1.4*
South	1.7
West	2.0
INDUSTRY	
Mining/Construction/Wholesale	2.1*
Manufacturing	1.4
Transportation/Communications/Utility	1.4
Retail	3.0*
Finance	1.4
Service	1.6
State/Local Government	1.2*
Health Care	1.6
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	1.7 MONTHS

SOURCE :

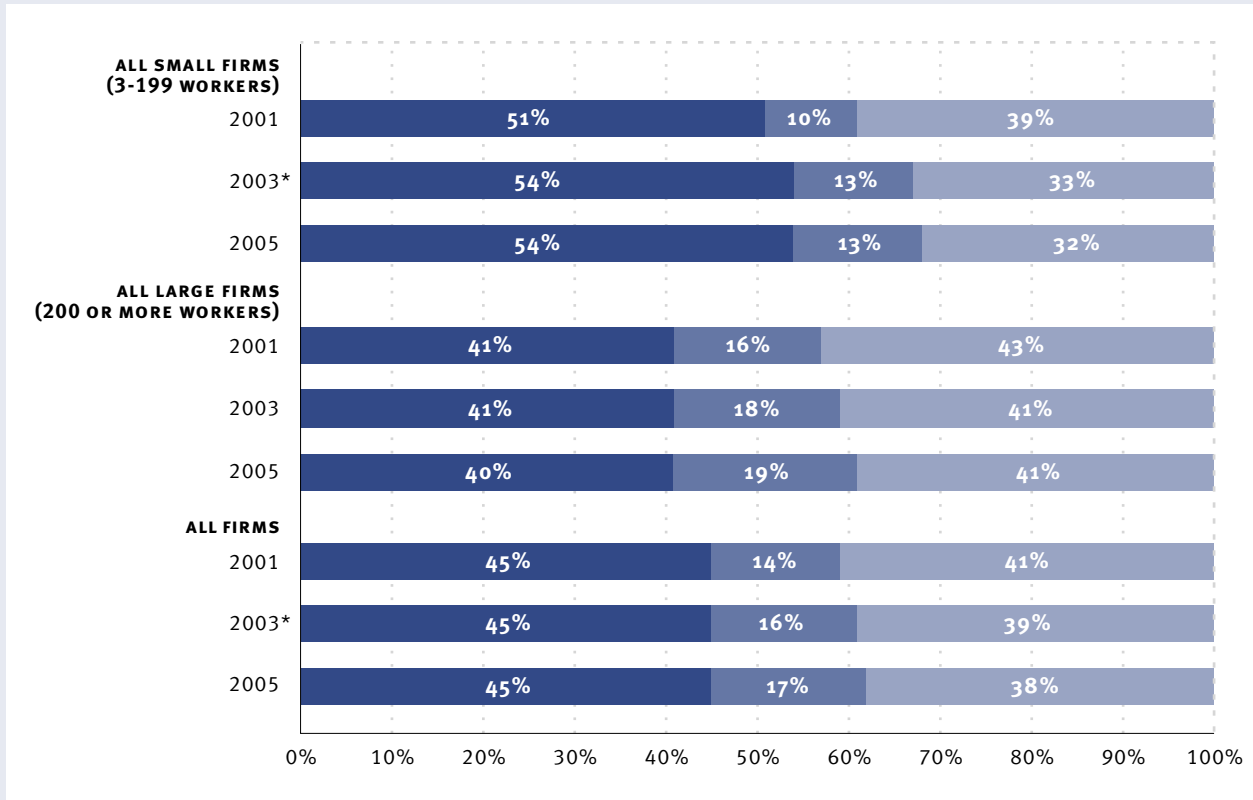
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimates are statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

Note: Average waiting period includes covered workers who have no waiting period to be eligible for health coverage.

EXHIBIT 3.9

Distribution of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001-2005



SOURCE :

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

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

Note: Single Plus One coverage includes either an employee plus a spouse or an employee with a child.

■ SINGLE COVERAGE
 ■ SINGLE PLUS ONE COVERAGE
 ■ FAMILY COVERAGE