

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Employee
Cost Sharing

SECTION

7

EMPLOYEE COST SHARING

WORKERS FACE MANY DIFFERENT FORMS OF COST SHARING. AS REPORTED IN SECTION 6, MORE THAN THREE-IN-FOUR WORKERS (79%) WITH SINGLE COVERAGE AND MORE THAN NINE-IN-TEN WORKERS (91%) WITH FAMILY COVERAGE CONTRIBUTE TO THEIR MONTHLY HEALTH INSURANCE PREMIUM. IN ADDITION, MANY COVERED WORKERS FACE COST SHARING SUCH AS DEDUCTIBLES AND COPAYMENTS AND/OR COINSURANCE FOR PHYSICIAN OFFICE VISITS, HOSPITAL CARE, AND PRESCRIPTION DRUGS. RESEARCH HAS DEMONSTRATED THAT HIGHER COST SHARING REDUCES SPENDING ON HEALTH CARE, BUT MAY ALSO DISCOURAGE USE OF NEEDED SERVICES, PARTICULARLY AMONG LOWER INCOME INDIVIDUALS.⁵

AS IN PREVIOUS YEARS, COVERED WORKERS IN SMALL FIRMS (3-199 WORKERS) FACE HIGHER AVERAGE ANNUAL DEDUCTIBLES FOR SINGLE COVERAGE THAN WORKERS IN LARGE FIRMS (200 OR MORE WORKERS) ACROSS ALL PLAN TYPES. COPAYMENTS REMAIN MORE COMMON THAN COINSURANCE FOR PHYSICIAN OFFICE VISITS, AND MOST COVERED WORKERS (52%) FACE SEPARATE COST SHARING WHEN ADMITTED TO A HOSPITAL.

PLAN DEDUCTIBLES

- ▶ Average annual deductibles across all plan types have not increased significantly over the past year.
 - Seventy-one percent of covered workers in PPO plans, the plan type with the highest enrollment, face an annual deductible for both single and family coverage (EXHIBIT 7.6). The average annual deductible (including those with a zero deductible) is \$323 for single coverage for in-network services and \$679 for family coverage for in-network services. If covered workers without deductibles were excluded from the average, the PPO deductibles for in-network services would average \$455 for single coverage and \$952 for family coverage (EXHIBITS 7.2, 7.3).
 - Forty-four percent of covered workers in POS plans face a deductible for single coverage and 46% face a deductible for family coverage (EXHIBIT 7.7). The average annual deductible (including those with a zero deductible) for in-network services is \$220 for single coverage and \$494 for family coverage. If covered workers without deductibles were excluded from the average, the POS deductibles for in-network services would average \$495 for single coverage and \$1,065 for family coverage (EXHIBITS 7.2, 7.3).
 - Only a small percentage (13%) of covered workers in HMO plans face an annual deductible for both single and family coverage. The average deductible (including those with a zero deductible) for workers in HMO plans is \$71 for single coverage and \$141 for family coverage. If covered workers without deductibles were excluded from the average, the HMO deductibles for in-network services would average \$568 for single coverage and \$1,105 for family coverage (EXHIBITS 7.2, 7.3).
- ▶ Average annual deductibles are higher for covered workers with single coverage in small firms (3-199 workers) compared to large firms (200 or more workers), across all types of plans. For single coverage in PPO plans, average deductibles for preferred providers are \$469 in small firms and \$254 in large firms (EXHIBIT 7.4).

NOTE :

⁵ Newhouse, Joseph, et al., *Free for All? Lessons From the RAND Health Insurance Experiment*. Harvard University Press, Cambridge, Massachusetts, 1993.

- ▶ Among covered workers in health plans with a deductible, 63% are in plans where the worker is reimbursed for preventive services without being required to meet the deductible.

COST SHARING FOR PHYSICIAN OFFICE VISITS

- ▶ The vast majority of covered workers (83%) face a fixed dollar copayment rather than a percentage coinsurance (10%) when they visit a physician. (EXHIBIT 7.11).
- ▶ Among covered workers with copayments, around 20% pay a copayment for in-network services of \$5 or \$10 per visit, 61% pay \$15 or \$20 per visit, and 17% pay \$25 or \$30 per visit (EXHIBIT 7.8).

HOSPITAL COST SHARING

- ▶ When admitted to a hospital, the majority of covered workers across all plans (52%) face separate cost sharing in various forms, such as a deductible, copayment, coinsurance, or a per diem charge (EXHIBIT 7.12). The most

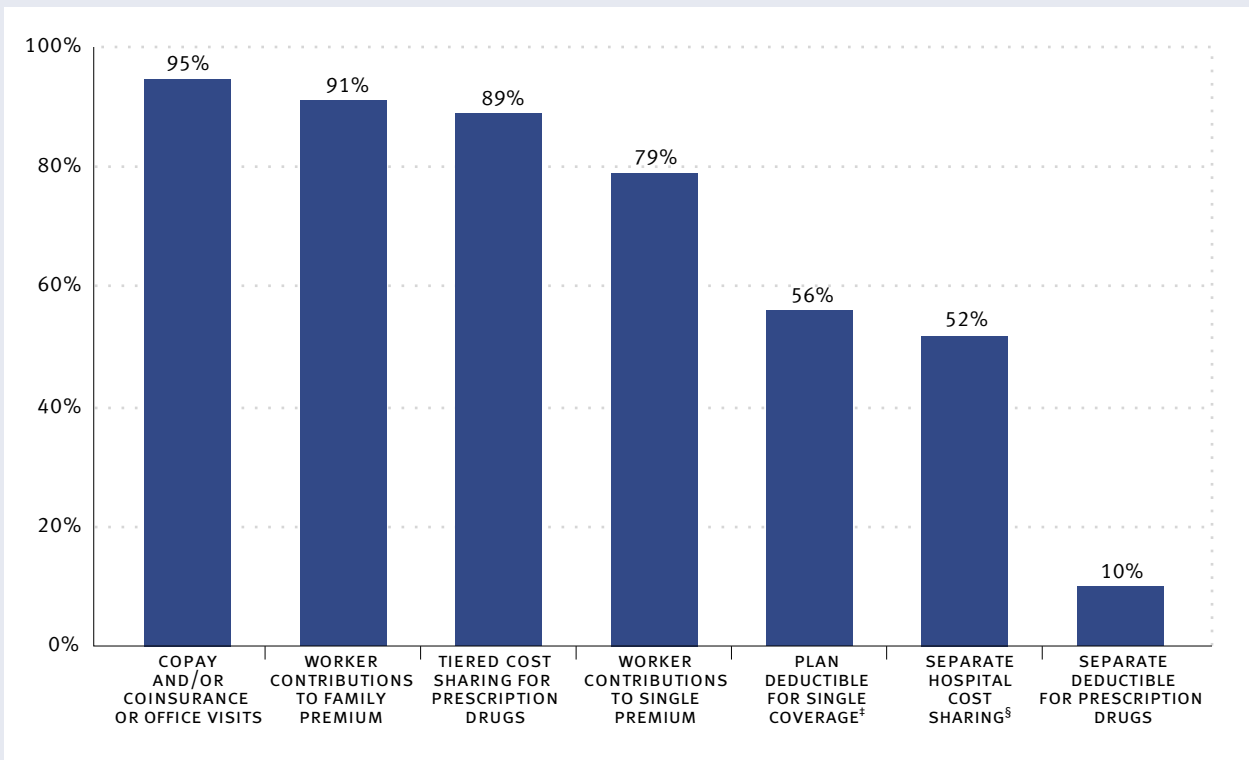
common form of cost sharing for a hospital visit is a per admission copayment or deductible. On average across all plans, covered workers with deductibles or copayments for inpatient hospital admissions pay \$241 per hospital admission (EXHIBIT 7.14). Covered workers facing coinsurance pay an average coinsurance rate of 16% (EXHIBIT 7.14). Two percent of covered workers face a per diem (charge per day) when admitted to a hospital (EXHIBIT 7.12).

TIERED COST SHARING ARRANGEMENTS

- ▶ Tiered cost-sharing arrangements, where the health plan varies enrollee cost sharing for network hospitals or physicians based on their costs and quality, remain relatively uncommon. Eleven percent of workers enrolled in HMO plans have a tiered provider arrangement, 13% of covered workers in a PPO plan have such an arrangement, and 13% of workers enrolled in a POS plan have a tiered provider network arrangement (EXHIBIT 7.15).

EXHIBIT 7.1

Percentage of Covered Workers With the Following Types of Cost Sharing for Health Benefits, 2005



SOURCE :

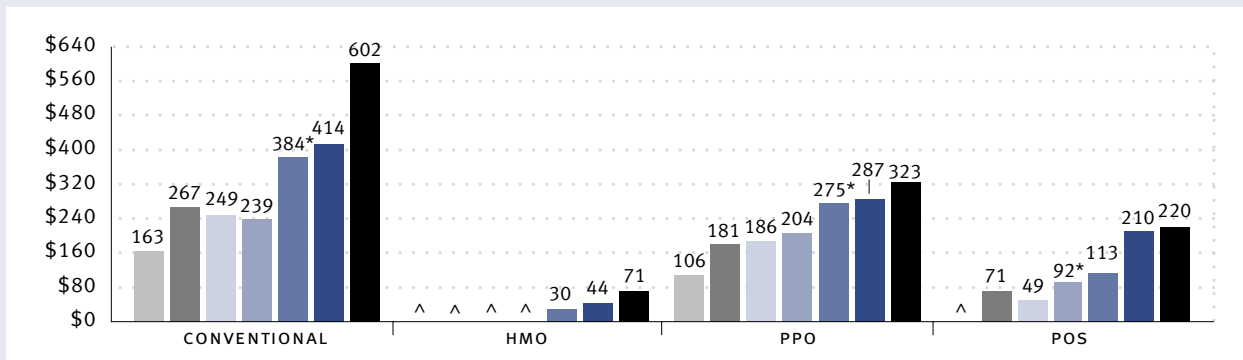
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

[‡] The percentage of covered workers with a plan deductible is calculated for workers with single coverage. For PPO and POS plans, deductibles are for in-network services.

[§] Covered workers with separate hospital cost sharing includes those with a hospital deductible or copay, coinsurance, both a coinsurance and a deductible or copay, a charge per day, or an annual deductible.

EXHIBIT 7.2

Average Annual Deductibles for Covered Workers With Single Coverage, by Plan Type, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

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

^ Information was not obtained for HMO single coverage prior to 2003, or for POS plans in 1988.

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible. If covered workers who do not face a deductible are excluded from the analysis, the average deductibles are higher. The average deductibles for single coverage among covered workers who face a deductible are as follows: conventional - \$671, HMO - \$568, PPO - \$455, POS - \$495.

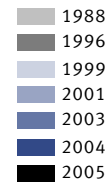
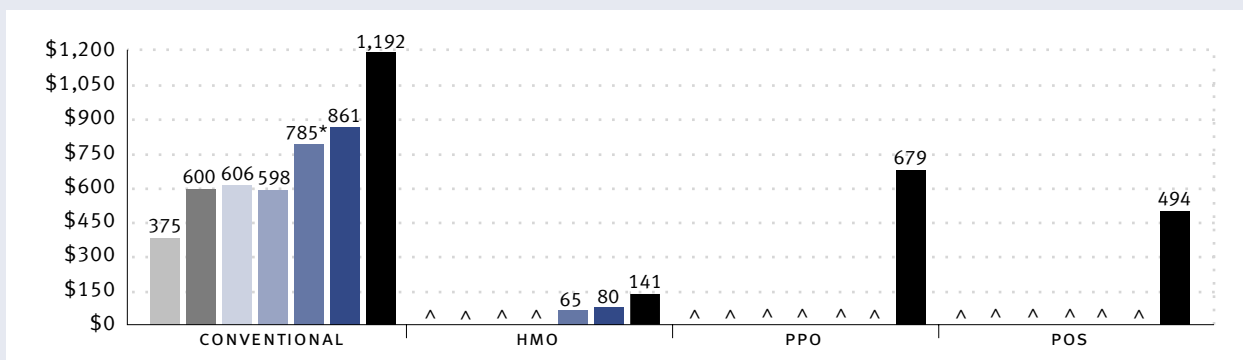


EXHIBIT 7.3

Average Annual Deductibles for Covered Workers With Family Coverage, by Plan Type, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

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

^ Information was not obtained for HMO family coverage prior to 2003, or for PPO and POS family coverage prior to 2005.

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible. If covered workers who do not face a deductible are excluded from the analysis, the average deductibles are higher. The average deductibles for family coverage among covered workers who face a deductible are as follows: conventional - \$1,405, HMO - \$1,105, PPO - \$952, POS - \$1,065.

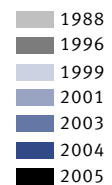


EXHIBIT 7.4

Average Annual Deductibles for Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$997	\$1,737
Midsize (200 - 999 Workers)	219*	554*
Large (1,000 - 4,999 Workers)	188*	421*
Jumbo (5,000 or More Workers)	434	1,022
ALL LARGE FIRMS (200 OR MORE WORKERS)	351	834
ALL FIRM SIZES	\$602	\$1,192
HMO PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$187*	\$360*
Midsize (200 - 999 Workers)	66	135
Large (1,000 - 4,999 Workers)	44	103
Jumbo (5,000 or More Workers)	8*	18*
ALL LARGE FIRMS (200 OR MORE WORKERS)	27*	58*
ALL FIRM SIZES	\$71	\$141
PPO PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$469*	\$893*
Midsize (200 - 999 Workers)	343	770
Large (1,000 - 4,999 Workers)	238*	544*
Jumbo (5,000 or More Workers)	223*	517*
ALL LARGE FIRMS (200 OR MORE WORKERS)	254*	581*
ALL FIRM SIZES	\$323	\$679
POS PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$287	\$664
Midsize (200 - 999 Workers)	149	332
Large (1,000 - 4,999 Workers)	230	431
Jumbo (5,000 or More Workers)	144	324*
ALL LARGE FIRMS (200 OR MORE WORKERS)	159	344*
ALL FIRM SIZES	\$220	\$494

SOURCE :

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

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

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible.

EXHIBIT 7.5

Average Annual Deductibles for Covered Workers for Single and Family Coverage, by Plan Type and Region, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Northeast	\$630	\$1,061
Midwest	460	861
South	652	1,318
West	641	1,542
ALL REGIONS	\$602	\$1,192
HMO PLANS		
Northeast	\$42	\$97
Midwest	78	154
South	64	124
West	95	178
ALL REGIONS	\$71	\$141
PPO PLANS		
Northeast	\$191*	\$405*
Midwest	316	659
South	358	805
West	395	727
ALL REGIONS	\$323	\$679
POS PLANS		
Northeast	\$104*	\$272*
Midwest	335	638
South	246	609
West	230	462
ALL REGIONS	\$220	\$494

SOURCE :

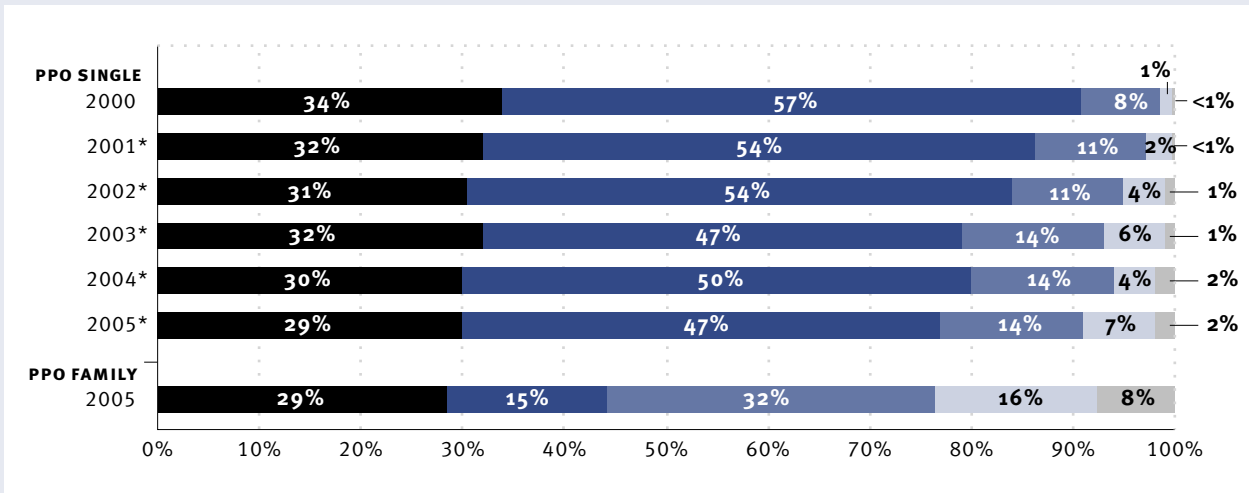
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

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

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible.

EXHIBIT 7.6

Distribution of Covered Workers With the Following Annual Deductibles for PPO Plans, Single and Family Coverage, 2000-2005



SOURCE :

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

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

Note: Deductibles for PPO plans are for in-network services. We did not ask about deductibles for family coverage prior to 2005.

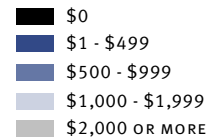
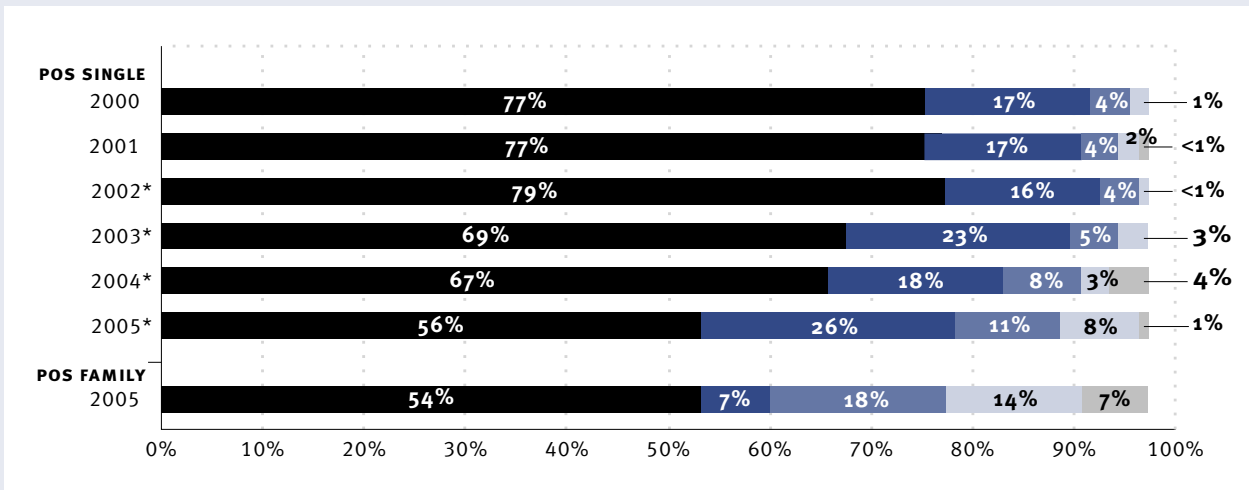


EXHIBIT 7.7

Distribution of Covered Workers With the Following Annual Deductibles for POS Plans, Single and Family Coverage, 2000-2005



SOURCE :

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

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

Note: Deductibles for POS plans are for in-network services. We did not ask about deductibles for family coverage prior to 2005.

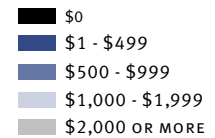
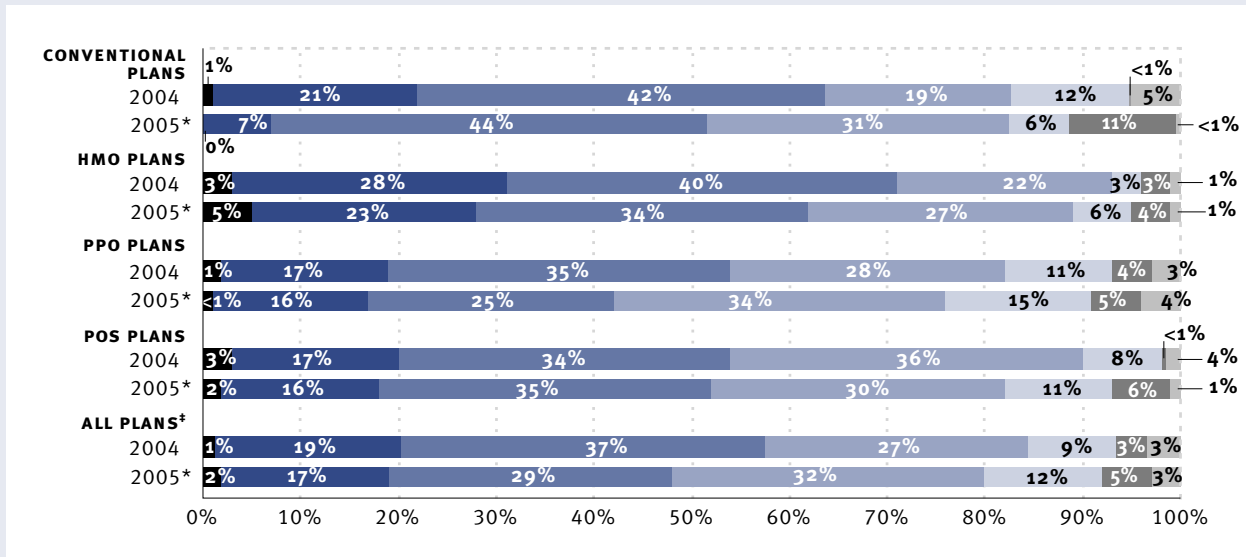


EXHIBIT 7.8

Among Covered Workers Facing Copayments for Physician Office Visits, Distribution of Copayments by Plan Type, 2004-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004-2005.

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

† In calculating the distribution of copayments across all plan types, the copayments applicable to in-network services were used for PPO and POS plans.

Note: The distribution of copayments for physician office visits does not include covered workers who do not have a copayment.

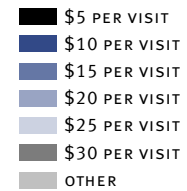
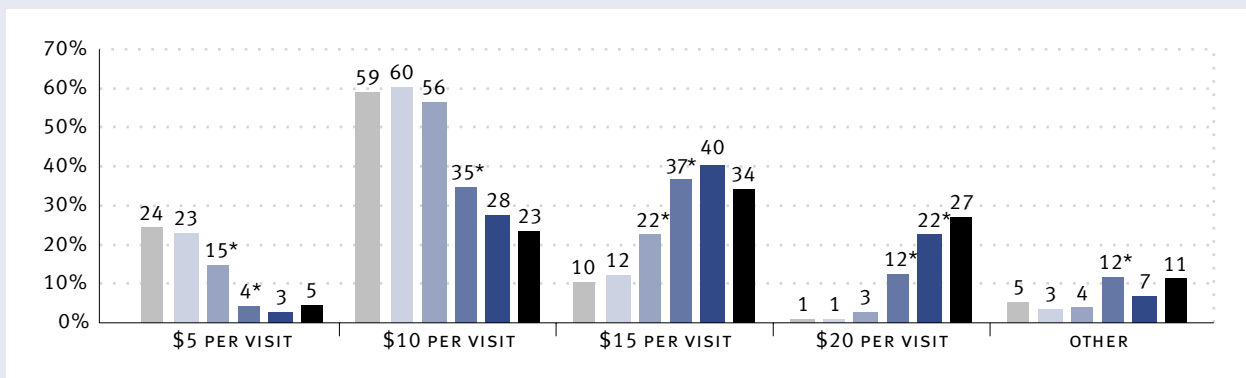


EXHIBIT 7.9

Among Covered Workers in HMOs Facing Copayments for Physician Office Visits, Percentage with Various Copayments, 1996-2005



SOURCE :

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

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



EXHIBIT 7.10

Among Covered Workers Facing Coinsurance for Physician Office Visits, Average Coinsurance Rates, by Plan Type, 2005

	10% or 15%	20% or 25%	30%	40%	Other
COINSURANCE RATES					
Conventional Plans	5	94	0	0	1
PPO In-network Provider	32	62	3	0	3
PPO Out-of-network Provider	3	29	27	25	15
POS In-network Provider	28	32	0	0	40
POS Out-of-network Provider	3	32	33	16	16

SOURCE :

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

Note: HMO coinsurance rates are not included because less than 1% of covered workers in HMOs face coinsurance for office visits. The distribution of coinsurance rates for physician office visits does not include covered workers who do not have a coinsurance.

EXHIBIT 7.11

Percentage of Covered Workers With the Following Types of Cost Sharing for Physician Office Visits, 2005

	Copay Only	Coinsurance Only	Both Copay and Coinsurance [‡]	Neither
OFFICE VISITS				
Conventional Plans	43%	32%	1%	24%
HMO Plans*	96	<1	1	3
PPO In-network Provider	78	13	2	7
POS In-network Provider	93	1	3	3
ALL PLANS	83%	10%	2%	5%

SOURCE :

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

* Distribution is significantly different from All Plans at $p < .05$.

[‡] This category includes less than 0.5% of covered workers who face either a copayment or a coinsurance – whichever is greater.

EXHIBIT 7.12

Distribution of Covered Workers With the Following Types of Cost Sharing for a Hospital Admission, 2005*

	<i>Deductible or Copay Only</i>	<i>Coinsurance Only</i>	<i>Both Copay and Coinsurance</i>	<i>Charge Per Day</i>	<i>Annual Deductible</i>	<i>None</i>
HOSPITAL ADMISSIONS						
Conventional Plans	25%	14%	1%	0%	6%	54%
HMO Plans	55	3	1	4	0	37
PPO Plans	26	13	3	1	1	55
POS Plans	46	6	4	4	0	40
ALL PLANS	36%	10%	3%	2%	1%	48%

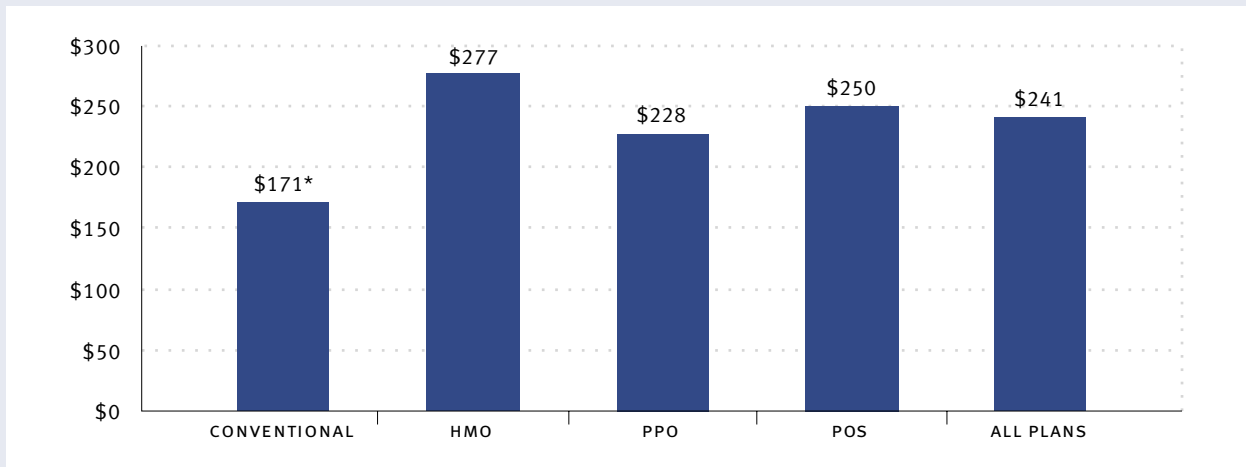
SOURCE :

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

* Tests found no statistically different distributions from All Plans at $p < .05$.

EXHIBIT 7.13

Among Covered Workers with a Separate Hospital Deductible or Copay, the Average Cost Sharing Per Admission, 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: Averages do not include covered workers who do not have a separate hospital deductible or copay.

EXHIBIT 7.14

Among Covered Workers with Separate Hospital Cost Sharing, Average Cost Sharing, 2005*

	<i>Average Hospital Deductible/Copay</i>	<i>Average Hospital Coinsurance</i>	<i>Average Hospital Per Diem</i>
ALL SMALL FIRMS (3 - 199 Workers)	\$284	17%	NSD
ALL LARGE FIRMS (200 or More Workers)	224	16	140
ALL FIRMS	\$241	16%	\$163

SOURCE :

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

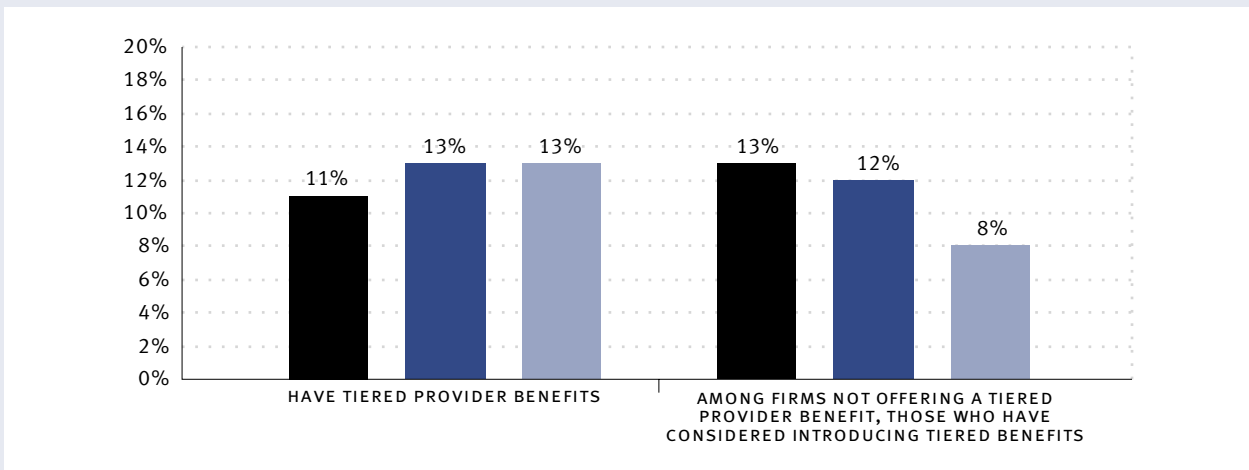
* Tests found no statistically different estimates from All Firms at $p < .05$.

NSD: Not sufficient data.

Note: Averages do not include covered workers who do not have separate hospital cost sharing.

EXHIBIT 7.15

Percentage of Covered Workers in HMO, PPO, and POS Plans Whose Plan Has a Tiered Cost Sharing Arrangement or Has Considered Introducing a Tiered Cost Sharing Arrangement for Physician or Hospital Visits, 2005[‡]



SOURCE :

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

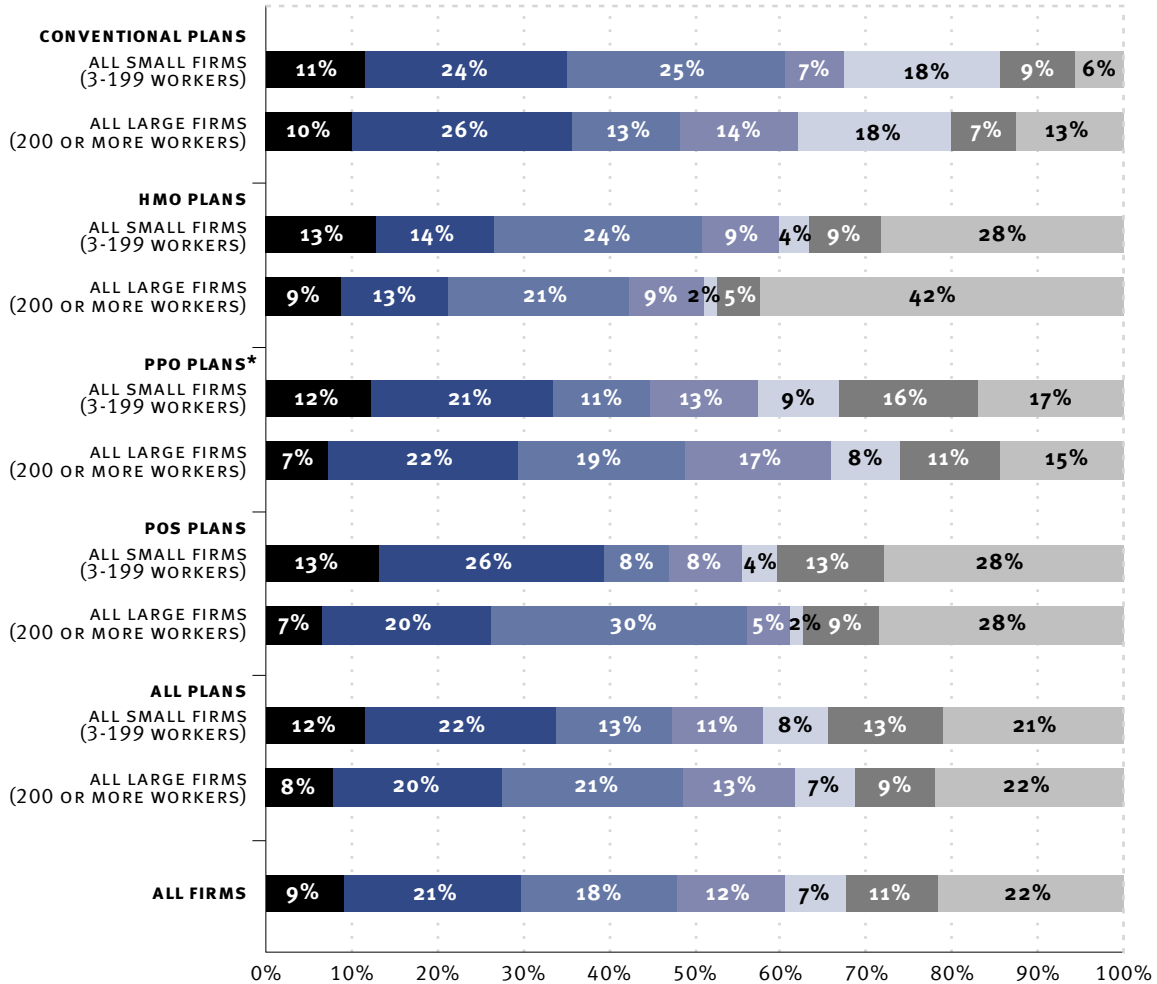
[‡] Firms were not asked about tiered cost sharing for conventional plans.

Tiered cost-sharing arrangement: Health plan varies enrollee cost sharing for network hospitals or physicians based on their costs and quality.

HMO
 PPO
 POS

EXHIBIT 7.16

Distribution of Covered Workers With the Following Maximum Annual Out-of-Pocket Payment, Single Coverage, by Plan Type and Firm Size, 2005



SOURCE :

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

* Distribution is statistically significant between All Small and All Large firms within a plan type at $p < .05$.

† A substantial percentage of covered workers in plans with 'No Limit' on out-of-pocket maximum cost sharing are in plans with no deductibles and may not face large out of pocket cost sharing in their plan designs.

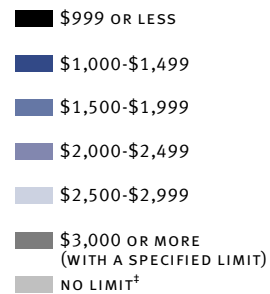
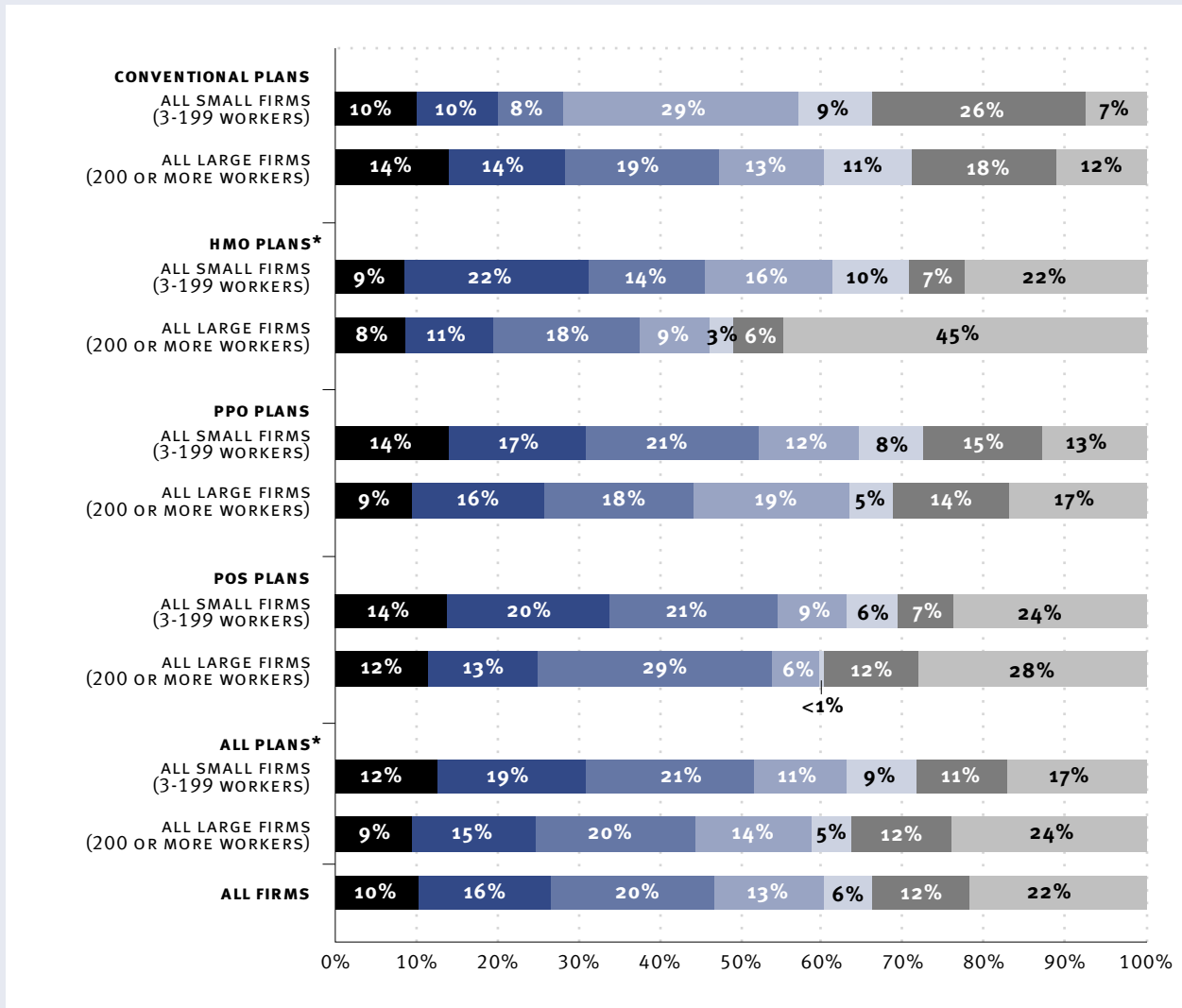


EXHIBIT 7.17

Distribution of Covered Workers With the Following Maximum Annual Out-of-Pocket Payment, Family Coverage, by Plan Type and Firm Size, 2005



SOURCE :

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

* Distribution is significantly different between All Small and All Large firms within a plan type at $p < .05$.

† A substantial percentage of covered workers in plans with 'No Limit' on out-of-pocket maximum cost sharing are in plans with no deductibles and may not face large out of pocket cost sharing in their plan designs.

