

EMPLOYER HEALTH BENEFITS

2006 ANNUAL SURVEY

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Survey  
Design  
and  
Methods

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## SURVEY DESIGN AND METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KAISER/HRET) CONDUCT THIS SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS. FOR MANY YEARS THE INTERNATIONAL CONSULTING AND ACCOUNTING FIRM, KPMG CONSULTING, INC. (NOW BEARING POINT), SUPPORTED THE STUDY. IN 1998, KPMG DIVESTED ITSELF OF ITS COMPENSATION AND BENEFITS PRACTICE, AND PART OF THAT DIVESTITURE INCLUDED DONATING THE ANNUAL SURVEY OF HEALTH BENEFITS TO HRET. HRET, A NONPROFIT RESEARCH ORGANIZATION, IS AN AFFILIATE OF THE AMERICAN HOSPITAL ASSOCIATION. THE KAISER FAMILY FOUNDATION PROVIDES FINANCIAL SUPPORT AND CONDUCTS THIS SURVEY IN PARTNERSHIP WITH HRET. HRET SUBCONTRACTS WITH RESEARCHERS AT THE CENTER FOR STUDYING HEALTH SYSTEM CHANGE, WHO WORK WITH FOUNDATION AND HRET RESEARCHERS IN CONDUCTING THE STUDY. KAISER/HRET RETAINED NATIONAL RESEARCH LLC (NR), A WASHINGTON, D.C.-BASED SURVEY RESEARCH FIRM, TO CONDUCT TELEPHONE INTERVIEWS WITH HUMAN RESOURCE AND BENEFITS MANAGERS. NR CONDUCTED INTERVIEWS FROM JANUARY TO MAY 2006 WITH 3,159 FIRMS. THE KAISER FAMILY FOUNDATION PROVIDES INDEPENDENT RESEARCH AND ANALYSIS ON HEALTH POLICY ISSUES, AND IS NOT AFFILIATED IN ANY WAY WITH THE KAISER PERMANENTE HEALTH PLAN.

### CHANGES TO 2006 SURVEY

As in past years, Kaiser/HRET asked each participating company as many as 400 questions about its largest health maintenance organization (HMO), preferred provider organization (PPO), point-of-service (POS), and high deductible health plan with savings option (HDHP/SO).<sup>1</sup> For the first time this year, Kaiser/HRET asked questions about the highest enrollment HDHP/SO as a separate plan type, equal to the other plan types. In prior years, data on HDHP/SO plans were collected as part of one of the other types of plans. Therefore, the removal of HDHP/SOs from the other plan types may affect the year to year comparisons for the other plan types. Given the decline in conventional health plan enrollment (see Exhibit 5.1) and the addition of HDHP/SO as a plan type option, Kaiser/HRET eliminated nearly all questions pertaining to conventional coverage from the survey instrument.<sup>2</sup> We continue to ask firms whether or not they offer a conventional health plan

and, if so, how much their premium for conventional coverage increased in the last year, but respondents are not asked additional questions about the attributes of the conventional plans they offer. Because we have limited information about conventional health plans, we must make adjustments in calculating all plan averages or distributions. In cases where a firm offers only conventional health plans, no information from that respondent is included in all plan averages. The exception is for the rate of premium growth, for which we have information. If a firm offers a conventional health plan and at least one other plan type, for categorical variables we assign the values from the health plan with the largest enrollment (other than the conventional plan) to the workers in the conventional plan. In the case of continuous variables, covered workers in conventional plans are assigned the weighted average value of the other plan types in the firm.

#### NOTE:

<sup>1</sup> HDHP/SO includes high deductible health plans offered with either a Health Reimbursement Arrangement (HRA) or a Health Savings Account (HSA). Although HRAs can be offered along with a health plan that is not an HDHP, the survey collected information only on HRAs that are offered along with HDHPs. For specific definitions of HDHPs, HRAs, and HSAs, see the introduction to Section 8.

<sup>2</sup> Using the 2005 dataset, Kaiser/HRET compared firm level aggregates of premiums, worker contributions, and cost sharing with data on conventional plans included and excluded from the aggregation. In all cases, firm level aggregates did not produce significantly different results when conventional plan data was excluded from the calculations.

This year Kaiser/HRET began asking employers if they had a health plan that was an exclusive provider organization (EPO). We treat EPOs and HMOs together as one plan type and report the information under the banner of “HMO”; if an employer sponsors both an HMO and an EPO, they are asked about the attributes of the plan with the larger enrollment.

As in past years, this year’s survey included questions on the cost of health insurance, offer rates, coverage, eligibility, health plan choice, enrollment patterns, premiums,<sup>3</sup> employee cost sharing, covered benefits, prescription drug benefits, retiree health benefits, health management programs, and employer opinions. However, this year, information about plan deductibles and out-of-pocket maximum amounts has been expanded. Throughout this report, we use the term “in-network” to refer to services received from a preferred provider and “out-of-network” to refer to services received from a non-preferred provider. Family coverage is defined as health coverage for a family of four. Changes related to industry classification, weight trimming, and statistical testing are discussed below.

#### RESPONSE RATE

Kaiser/HRET drew its sample from a Dun & Bradstreet list of the nation’s private and public employers with three or more workers. To increase precision, Kaiser/HRET stratified the sample by industry and the number of workers in the firm. Kaiser/HRET attempted to repeat interviews with prior years’ survey respondents (with at least ten employees) who also participated in either 2004 or 2005. As a result, 1,426 firms in this year’s total sample of 2,122 firms participated in either the 2004 and 2005 surveys.<sup>4</sup> The overall response rate is 48%.

The vast majority of questions are asked only of firms that offer health benefits. A total of 1,923 responding firms indicated that they offered health benefits. The overall response rate of firms that offer health benefits is 50%.

From previous years’ experience, we have learned that firms that decline to participate in the study are less likely to offer health benefits. Therefore, we asked

one question to all firms in the study with which we made phone contact where the firm declined to participate. The question was, “Does your company offer or contribute to a health insurance program as a benefit to your employees?” A total of 3,159 firms responded to this question (including 2,122 who responded to the full survey and 1,037 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health benefits.<sup>5</sup> The response rate for this question is 72%.

#### FIRM SIZE AND INDUSTRY DEFINITIONS, ROUNDING, AND IMPUTATION

Throughout the report, exhibits categorize data by size of firm, region, and industry. Firm size definitions are as follows: All Small, 3 to 199 workers; and All Large, 200 or more workers. Occasionally, firm size categories will be broken into smaller groups. The All Small group may be categorized by: 3 to 24 workers and 25 to 199 workers; or 3 to 9 workers, 10 to 24 workers, 25 to 49 workers, and 50 to 199 workers. The All Large group may be categorized by: 200 to 999 workers, 1,000 to 4,999 workers, and 5,000 or more workers. Exhibit M.1 shows detailed characteristics of the survey sample.

Exhibit M.2 displays the distribution of the nation’s firms, workers, and covered workers (employees receiving coverage from their employer). Among the over three million firms nationally, approximately 60% are firms employing 3 to 9 workers. In contrast, firms with 5,000 or more workers employ and cover about 35% of employees. Therefore, the smallest firms dominate any national statistics about what employers in general are doing. In contrast, firms with 5,000 or more workers are the most important employer group in calculating statistics regarding covered workers, since they employ the largest percentage of the nation’s workforce.

The industry categories used to report some of the results from the survey are based on Standard Industrial Classifications (SIC). Several of the SIC categories are grouped together to present the data. These categories are based on historical precedence

#### NOTE:

<sup>3</sup> HDHP/SO premium estimates do not include contributions made by the employer to Health Savings Accounts or Health Reimbursement Arrangements.

<sup>4</sup> In total, 201 firms participated in 2004 and 2006, 331 firms participated in 2005 and 2006, and 894 firms participated in 2004, 2005, and 2006.

<sup>5</sup> Estimates for Exhibits 2.1 and 2.2 are based on the sample of 3,159 firms.

and have been the same for several years. This year Kaiser/HRET made a slight change to one of the industry groups: we removed Wholesale from the group that also included Agriculture, Mining and Construction. The nine industry categories now reported are: Agriculture/Mining/Construction, Manufacturing, Transportation/Communications/Utilities, Wholesale, Retail, Finance, Service, State/Local Government, and Health Care.

The Kaiser/HRET survey compares premium increases to changes in workers' hourly wages and overall inflation, both obtained from the Bureau of Labor Statistics (BLS). Workers' hourly wage change is calculated from the Current Employment Statistics survey (CES)<sup>6</sup> using seasonally adjusted data for private workers. Overall inflation is calculated using the Consumer Price Index for all urban consumers (CPI-U).<sup>7</sup> We report annual increases in these data from April of the prior year to April of the current year because this is typically the field time of the survey. We note, however, that both fluctuate depending on the months used. Therefore, these estimates would have been slightly higher or lower than the amounts reported (3.5% for overall inflation, 3.8% for workers' earnings) if different months had been used. For example, the May to May estimates are 4.2% for overall inflation and 3.7% for workers' earnings.

Some exhibits in the report do not sum up to totals due to rounding effects. In a few cases, numbers from distribution exhibits referenced in the text may not add due to rounding effects. Throughout the report, while overall totals as well as totals for size and industry are statistically valid, some breakdowns may not be available due to limited sample sizes. In instances where the sample size is less than 30, exhibits include the notation NSD (Not Sufficient Data).

To control for item nonresponse bias, Kaiser/HRET imputes values that are missing for most variables in the survey. On average, less than five percent of these observations are imputed for any given variable. The imputed values are determined based on the distribution of the reported values within stratum defined by firm size and region. There are a few variables that Kaiser/HRET has decided should not

be imputed; these are typically variables where "don't know" is considered a valid response option (for example, firms' opinions about effectiveness of various strategies to control health insurance costs).

#### WEIGHTING AND STATISTICAL SIGNIFICANCE

Because Kaiser/HRET selects firms randomly, it is possible through the use of statistical weights to extrapolate the results to national (as well as firm size, regional, and industry) averages. These weights allow Kaiser/HRET to present findings based on the number of workers covered by health plans, the number of total workers, and the number of firms. In general, findings in dollar amounts (such as premiums, worker contributions, and cost sharing) are weighted by covered workers. Other estimates, such as the offer rate, are weighted by firms. Specific weights were created to analyze the HDHP/SO plans that are offered with an HRA or that are HSA qualified. These weights represent the proportion of employees enrolled in each of these arrangements.

Calculation of the weights follows a common approach. First, the basic weight is determined, followed by a nonresponse adjustment. As part of this nonresponse adjustment, Kaiser/HRET again conducted a small follow-up survey of those firms with 3 to 49 workers that refused to participate in the full survey. We applied an additional nonresponse adjustment to the weight to reflect the findings of this survey.

Next, we trimmed the weights in order to reduce the influence of weight outliers. We simplified our method for trimming this year. First, we identified common groups of observations. Within each group, we identified the median and the interquartile range of the weights and calculated the trimming cut point as the median plus six times the interquartile range ( $M + [6 * IQR]$ ). Weight values larger than this cut point are trimmed to the cut point. In all instances, less than one percent of the weight values were trimmed.

Finally, we applied a post-stratification adjustment. We used the U.S. Census Bureau's 2003 Statistics of U.S. Businesses as the basis for the stratification and the post-

#### NOTE:

<sup>6</sup> U.S. Department of Labor, Bureau of Labor Statistics (2006). Current Employment Statistics. <http://www.bls.gov/ces/home.htm>.

<sup>7</sup> U.S. Department of Labor, Bureau of Labor Statistics (2006). Consumer Price Indexes. <http://www.bls.gov/cpi/home.htm>.

stratification adjustment for firms in the private sector, and we used the 2002 Census of Governments as the basis for post-stratification for public sector firms.

The data are analyzed with SUDAAN,<sup>8</sup> which computes appropriate standard error estimates by controlling for the complex design of the survey. All statistical tests are performed at the .05 level unless otherwise noted. For figures with multiple years, statistical tests are conducted for each year against the previous year shown, unless otherwise noted. No statistical tests are conducted for years prior to 1999.

This year we have made an important change to the way we test the subgroups of data WITHIN a year. Statistical tests for a given subgroup (firms with 25-49 workers, for instance) are tested against all other firm sizes not included in that subgroup (all firm sizes NOT including firms with 25-49 workers in this example). Tests are done similarly for region and industry: Northeast is compared to all firms NOT in the Northeast (an aggregate of firms in the Midwest, South, and West). Statistical tests for estimates compared across plan types (for example, average premiums in PPOs) are tested against the “All Plans” estimate. In some cases, we also test plan specific estimates against similar estimates for other plan types (for example, single and family premiums for HDHP/SOs against single and family premiums in HMO, PPO, and POS plans). Those are noted specifically in the text. This year, we also changed the type of Chi-square test from the Chi-square test for goodness-of-fit

to the Pearson Chi-square test. Therefore, in 2006, the two types of statistical tests performed are the t-test and the Pearson Chi-square test.

#### HISTORICAL DATA

Data in this report focus primarily on findings from surveys jointly authored by the Kaiser Family Foundation and the Health Research and Educational Trust, which have been conducted since 1999. Prior to 1999, the survey was conducted by the Health Insurance Association of America (HIAA) and KPMG using a similar survey instrument, but data is not available for all the intervening years. Following the survey’s introduction in 1988, the HIAA conducted the survey through 1990, but some data are not available for analysis. KPMG conducted the survey from 1991-1998. However, in 1991, 1992, 1994, and 1997, only larger firms were sampled. In 1993, 1995, 1996, and 1998, KPMG interviewed both large and small firms.

This report uses data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits and the 1999–2006 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use the 1988 survey of the nation’s employers conducted by the HIAA, on which the KPMG and Kaiser/HRET surveys are based. Many questions in the HIAA, the KPMG, and Kaiser/HRET surveys are identical. The survey designs among the three surveys are also similar.

#### NOTE:

<sup>8</sup> Research Triangle Institute (2005). SUDAAN Software for the Statistical Analysis of Correlated Data, Release 9.0.1, Research Triangle Park, NC: Research Triangle Institute.

## EXHIBIT M.1

## Selected Characteristics of Firms in the Survey Sample, 2006

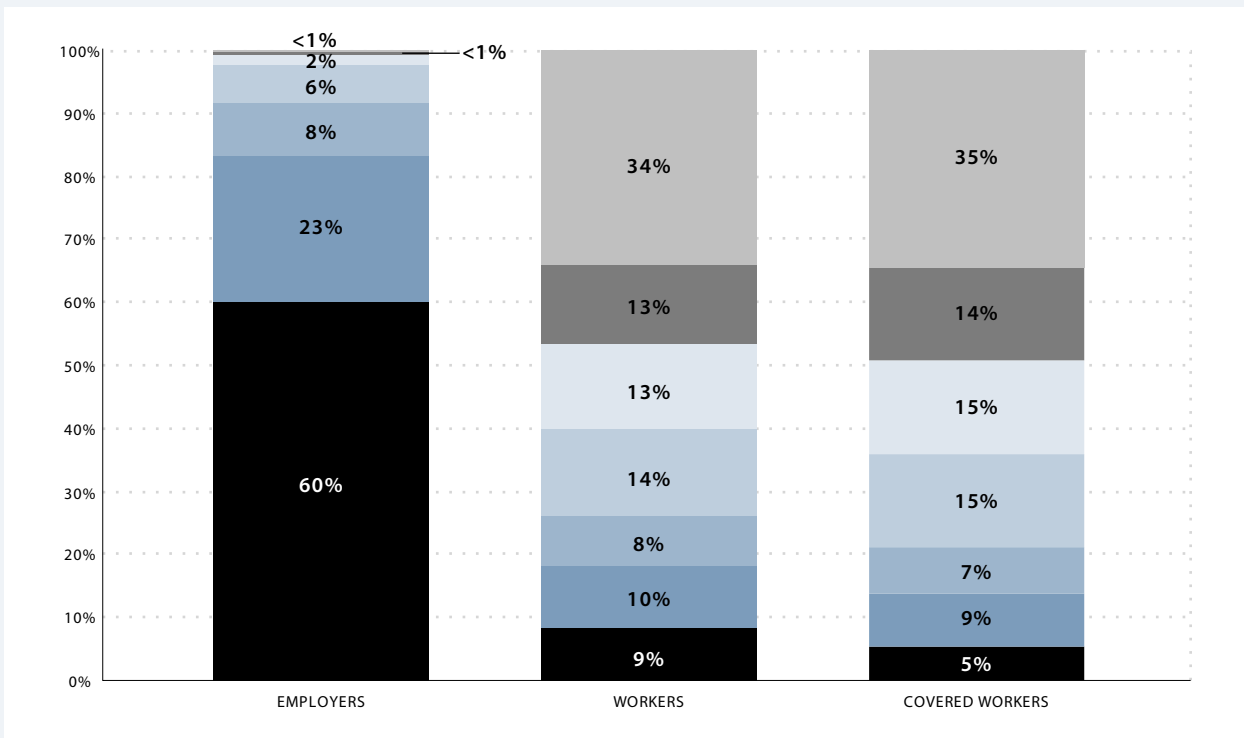
	Sample Size	Sample Distribution After Weighting	Percentage of Total for Weighted Sample
<b>FIRM SIZE</b>			
3–9 Workers	188	1,981,677	59.9%
10–24 Workers	256	767,163	23.2
25–49 Workers	172	273,959	8.3
50–199 Workers	275	203,707	6.2
200–999 Workers	467	58,358	1.8
1,000–4,999 Workers	440	16,652	0.5
5,000 or More Workers	324	8,211	0.2
<b>ALL FIRM SIZES</b>	<b>2,122</b>	<b>3,309,727</b>	<b>100.0%</b>
<b>REGION</b>			
Northeast	413	659,327	19.9%
Midwest	610	782,088	23.6
South	708	1,117,379	33.8
West	391	750,933	22.7
<b>ALL REGIONS</b>	<b>2,122</b>	<b>3,309,727</b>	<b>100.0%</b>
<b>INDUSTRY</b>			
Agriculture/Mining/Construction	108	393,372	11.9%
Manufacturing	223	217,356	6.6
Transportation/Communications/Utilities	101	127,721	3.9
Wholesale	137	202,156	6.1
Retail	158	440,251	13.3
Finance	145	225,694	6.8
Service	798	1,433,946	43.3
State/Local Government	227	48,495	1.5
Health Care	225	220,737	6.7
<b>ALL INDUSTRIES</b>	<b>2,122</b>	<b>3,309,727</b>	<b>100.0%</b>

## SOURCE:

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

**EXHIBIT M.2**

**Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2006**



**SOURCE:**

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: Data are based on a special data request to the U.S. Census Bureau for their most recent (2003) Statistics of U.S. Businesses for data on private sector firms. State and local government data are from the Census Bureau's 2002 Census of Governments.

- 3-9 WORKERS
- 10-24 WORKERS
- 25-49 WORKERS
- 50-199 WORKERS
- 200-999 WORKERS
- 1,000-4,999 WORKERS
- 5,000 OR MORE WORKERS