

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Cost of
Health
Insurance

SECTION

1

COST OF HEALTH INSURANCE

PREMIUMS FOR FAMILY COVERAGE INCREASED 7.7% IN 2006. WHILE PREMIUMS CONTINUE TO RISE, THIS IS THE THIRD CONSECUTIVE YEAR THAT PREMIUM INCREASES WERE LESS THAN THEY WERE IN THE PREVIOUS YEAR.¹

WHILE LOWER THAN IN RECENT YEARS, THE 7.7% INCREASE IN THE COST OF COVERAGE EXCEEDS THE OVERALL RATE OF INFLATION BY ABOUT 4 PERCENTAGE POINTS AND THE INCREASE IN WORKERS' EARNINGS BY ALMOST 4 PERCENTAGE POINTS. SINCE 2000, THE COST OF HEALTH INSURANCE HAS INCREASED BY 87%.

THE AVERAGE COST OF FAMILY COVERAGE IS \$11,480 A YEAR.

PREMIUM INCREASES

- ▶ The cost of health insurance rose 7.7% in 2006, which is lower than the 9.2% increase for 2005 but still much higher than the overall rate of inflation (3.5%) or the increase in workers' earnings (3.8%) (Exhibit 1.1).
- ▶ Small firms (3–199 workers) reported a higher rate of increase (8.8% vs. 7.0%) than large firms (200 or more workers) (Exhibit 1.3).
- ▶ The average premium increase in the Northeast was higher than in the rest of the country (8.8% vs. 7.4%).
- ▶ There is variation in premium increases across workers and firms: 13% of covered workers work in firms that experienced premium increases of greater than 15%, while 42% of covered workers work in firms that experienced premium increases less than or equal to 5% (Exhibit 1.4).
- ▶ Across plan types, premiums for HDHP/SOs increased by 4.8%, which is significantly lower than the premium increases for HMOs (8.6%) and POS plans (8.4%) (Exhibit 1.5). The average premium increase for HDHP/SOs is not statistically different from the average increase for PPOs (7.3%), the most common plan type (Exhibit 1.2).
- ▶ Premium equivalents in self-funded firms rose at a lower rate than premiums in fully insured plans (6.8% vs. 8.7%) (Exhibit 1.6).

PREMIUM COSTS FOR SINGLE AND FAMILY COVERAGE

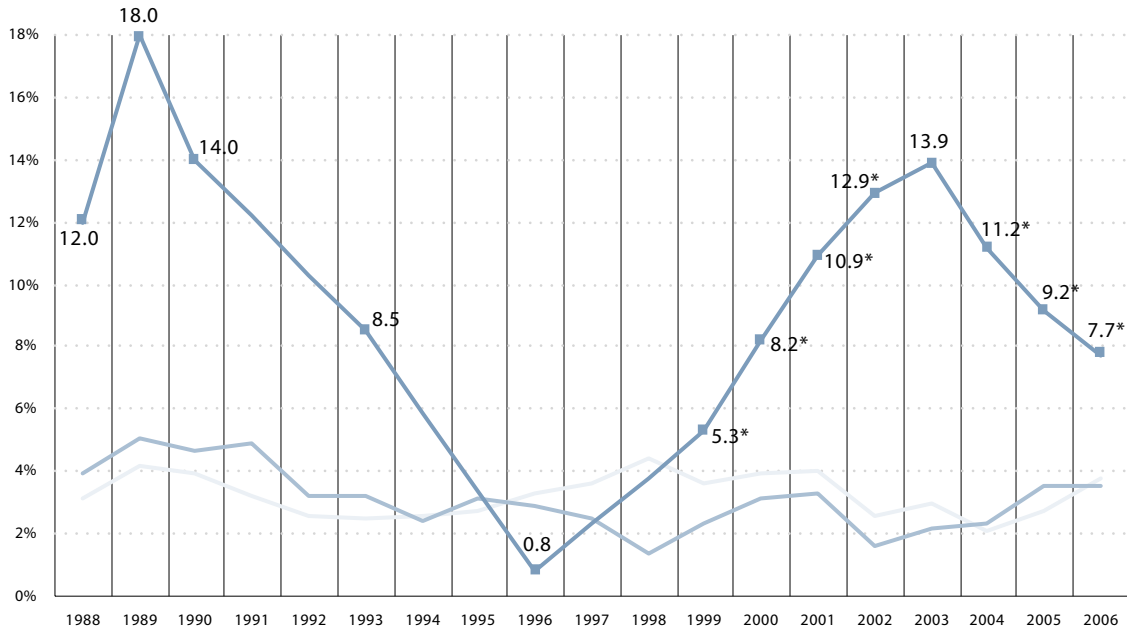
- ▶ The average cost of premiums for single coverage in 2006 is \$354 per month or \$4,242 per year. This figure includes both the worker and employer contribution. The average cost of premiums for family coverage is \$957 per month or \$11,480 per year (Exhibit 1.10).
- ▶ Covered workers in PPO plans, the plan type with the highest enrollment, have higher average premiums for both single and family coverage than covered workers in HMOs, POS plans, and HDHP/SOs. Covered workers in HDHP/SOs have lower average premiums for both single and family coverage than workers in each of the other plan types (Exhibit 1.9).
- ▶ As with premium increases, there is also a great deal of variation in premiums across workers and firms: 10% of covered workers work in firms that have single premiums of \$250 or less per month, while 22% have single premiums greater than \$400 per month (Exhibit 1.13).

NOTE:

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

EXHIBIT 1.1

Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 1988–2006



1988	1989	1990	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006	
12.0	18.0	14.0	8.5	0.8	5.3*	8.2*	10.9*	12.9*	13.9	11.2*	9.2*	7.7*	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	3.5	OVERALL INFLATION
3.1	4.2	3.9	2.5	3.3	3.6	3.9	4.0	2.6	3.0	2.1	2.7	3.8	WORKERS' EARNINGS†

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006; 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), 1988–2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988–2006.

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

† Data on percentage increase in workers' earnings are seasonally adjusted data from the Current Employment Statistics survey (April to April). For additional information about this data, see the Survey Design and Methods section.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For additional information about the increase in workers' earnings estimate, see the Survey Design and Methods section.

EXHIBIT 1.2

Percentage Increase in Health Insurance Premiums, by Plan Type, 1988–2006

	1988	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006
Conventional	12.4%	9.1%	1.9%	6.0%	9.5%*	11.3%	13.8%*	14.3%	11.1%	5.0%*	8.4%
HMO	8.4	7.7	-0.2	5.6	7.6*	10.4	13.5*	15.2	12.0*	9.4*	8.6
PPO	20.3	7.2	1.0	5.4	8.5*	11.6	12.7*	13.7	10.9*	9.4*	7.3*
POS	^	5.2	1.1	4.6	7.8*	9.9	12.2*	13.2	11.3	9.1	8.4
HDHP/SO	^	^	^	^	^	^	^	^	^	^	4.8
ALL PLANS	12.0%	8.5%	0.8%	5.3%*	8.2%*	10.9%*	12.9%*	13.9%	11.2%*	9.2%*	7.7%*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

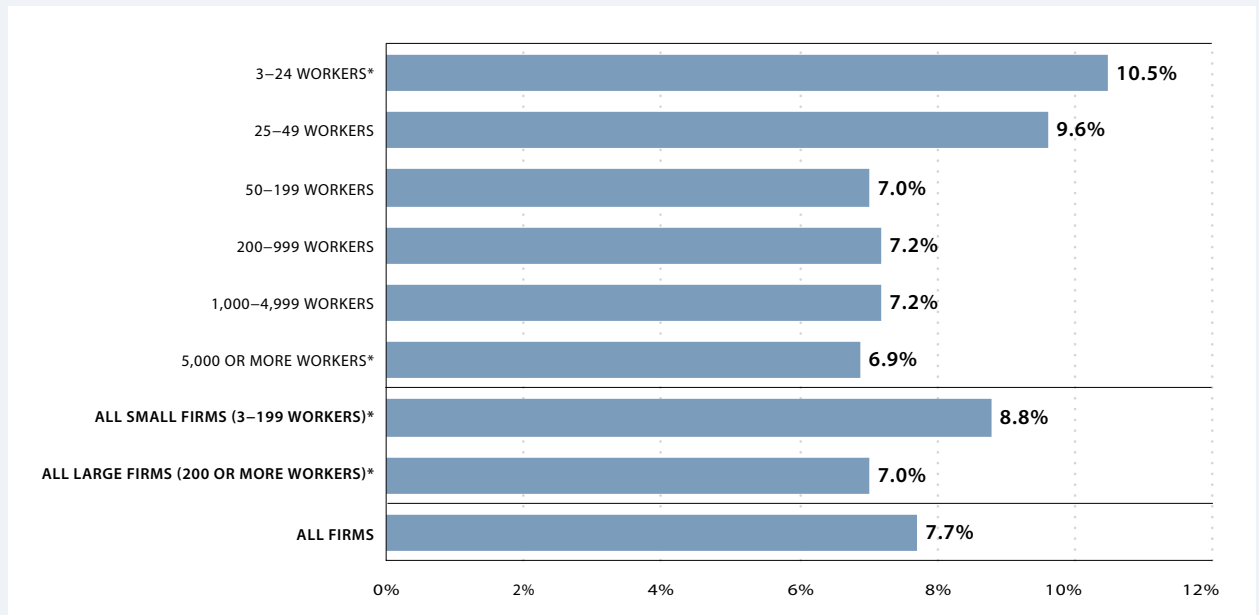
* Estimate is statistically different by plan type from estimate for the previous year shown at $p < .05$. No statistical tests are conducted for years prior to 1999.

^ Information was not obtained for POS plans in 1988, or for HDHP/SO plans prior to 2006.

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

EXHIBIT 1.3

Percentage Increase in Health Insurance Premiums, by Firm Size, 2006



SOURCE:

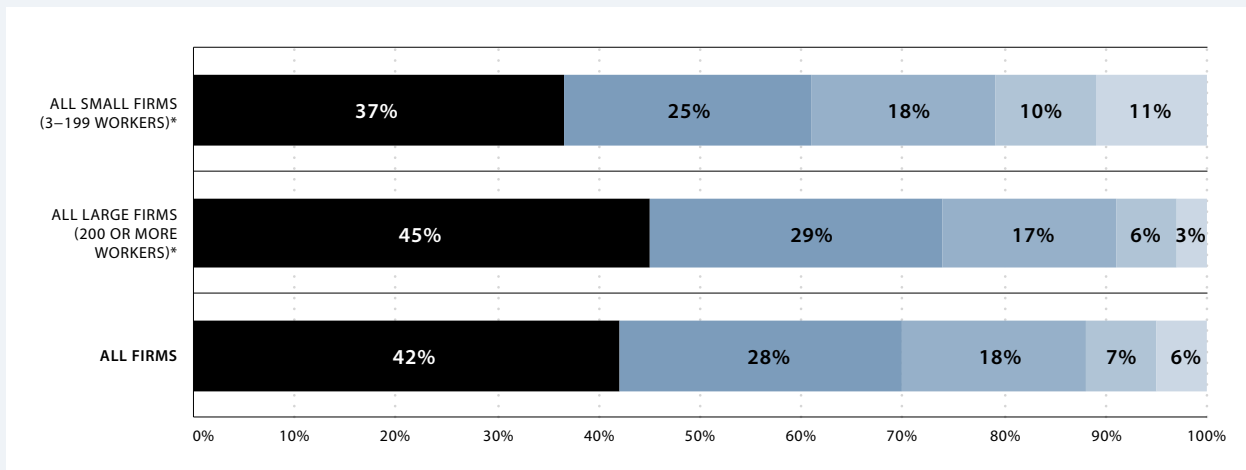
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all firms not in the indicated size category 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 Percentage Increase in Health Insurance Premiums, by Firm Size, 2006



SOURCE:

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

* Distributions for All Small Firms and All Large firms are statistically different 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

Percentage Increase in Health Insurance Premiums, by Firm Size and Plan Type, 2006

	Conventional	HMO	PPO	POS	HDHP/SO	All Plans
FIRM SIZE						
All Small Firms (3-199 Workers)	8.0%	8.6%	8.6%*	9.9%*	7.7%	8.8%*
All Large Firms (200 or More Workers)	8.6	8.6	6.7*	6.8*	2.5	7.0*
ALL FIRM SIZES	8.4%	8.6%	7.3%	8.4%	4.8%	7.7%

SOURCE:

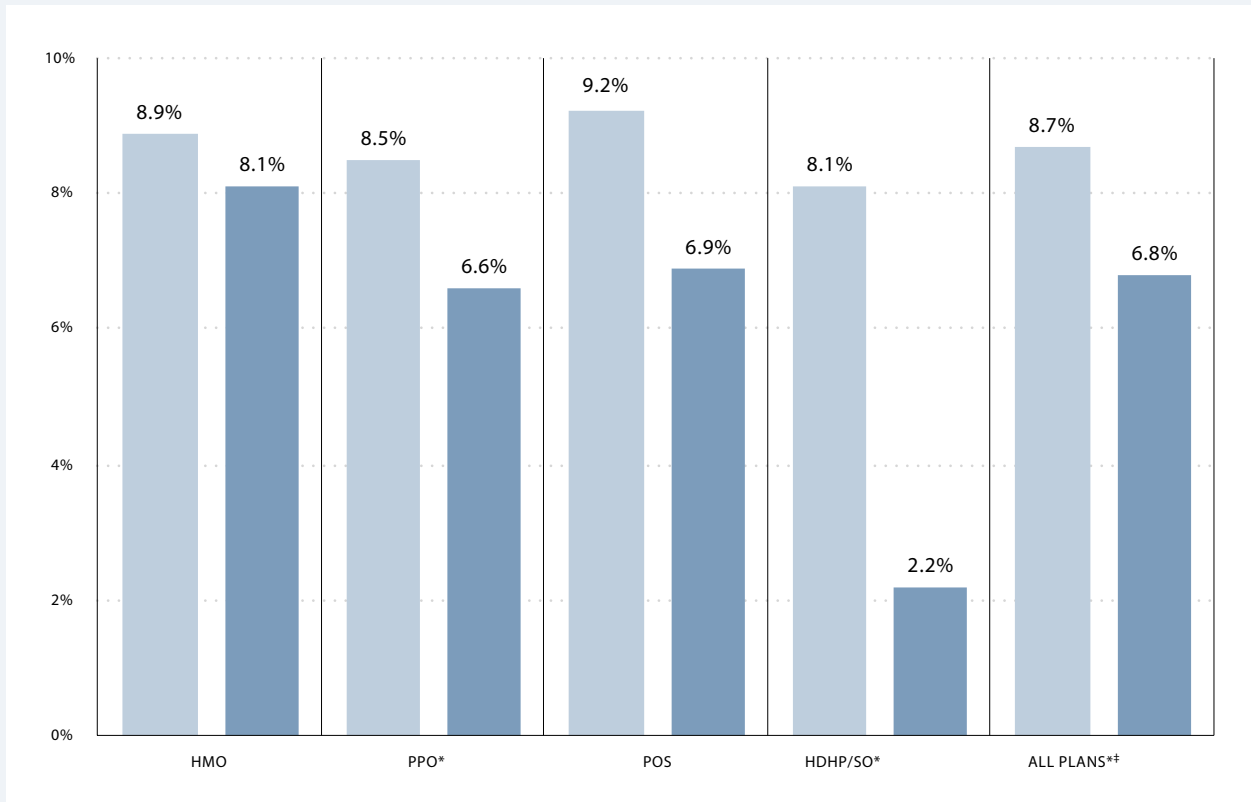
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at p<.05.

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

EXHIBIT 1.6

Percentage Increase in Health Insurance Premiums, by Plan Type and Funding Arrangement, 2006



SOURCE:

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

■ FULLY INSURED
■ SELF-FUNDED

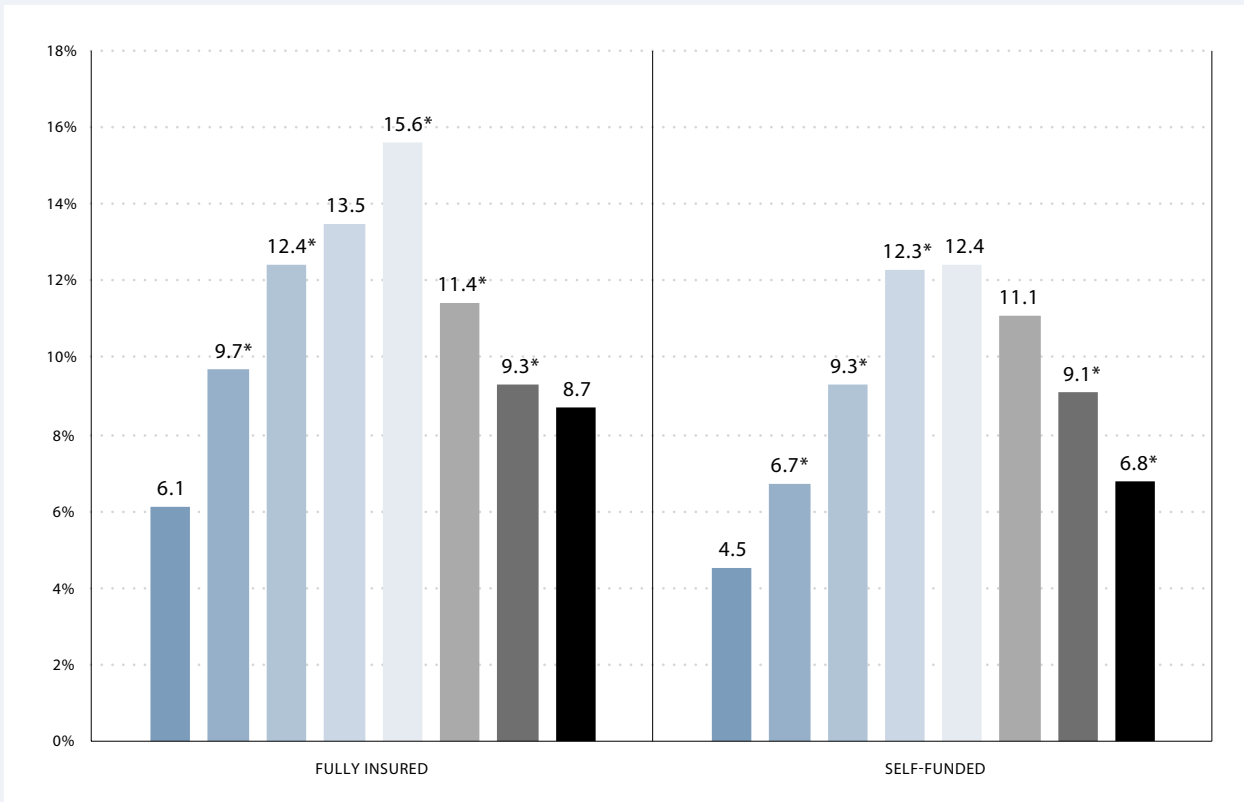
* Estimates are statistically different within plan type between Fully Insured and Self-Funded plans at $p < .05$.

† The survey did not ask detailed questions about conventional plans other than premium increase. Conventional plan premium increase data is included in the All Plans estimate of premium increase by funding arrangement unless the firm reported having only a conventional plan. In cases where the firm's only plan is a conventional plan, the premium increase data is omitted from the All Plans estimate. For additional information, see the Survey Design and Methods section.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.

EXHIBIT 1.7

Percentage Increase in Health Insurance Premiums, by Funding Arrangement, 1999–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.

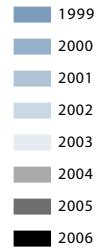


EXHIBIT 1.8

Percentage Increase in Health Insurance Premiums, by Firm Size, Region, and Industry, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
FIRM SIZE								
3–199 Workers	6.1%	10.0%*	12.8%*	13.5%	15.5%	11.5%*	9.8%	8.8%
200–999 Workers	5.0	8.1*	10.3*	12.4*	12.4	10.3	8.8	7.2
1,000–4,999 Workers	4.7	6.9*	9.1*	12.5*	14.1	10.7*	9.1	7.2*
5,000 or More Workers	5.0	7.1*	10.0*	12.7*	13.2	11.6	8.9*	6.9*
REGION								
Northeast	5.1%	8.8%*	10.9%*	12.8%*	13.7%	11.3%*	9.3%*	8.8%
Midwest	5.1	9.2*	11.8*	13.5	13.8	12.5	9.1*	7.1*
South	5.1	7.6*	10.5*	12.4*	12.9	9.9*	10.1	7.7*
West	6.4	7.3	10.4*	13.1*	16.3*	12.1*	7.9*	7.2
INDUSTRY								
Agriculture/Mining/Construction	2.9%	10.8%*	11.6%	11.8%	15.1%	14.1%	9.5%*	8.1%
Manufacturing	5.2	8.7*	10.6	12.0	14.9*	12.2*	12.4	6.9*
Transportation/Communications/Utilities	5.0	7.3	9.3	12.4	13.7	12.0	8.7*	6.7
Wholesale	5.0	7.6	11.0	12.5	17.0	7.9*	10.3	8.5
Retail	6.6	8.8	10.3	13.5	13.0	12.4	8.7	6.4
Finance	7.8	7.9	11.0*	11.9	12.9	11.5	9.0	9.2
Service	6.0	7.7*	11.9*	14.0*	13.7	10.7*	8.5*	8.4
State/Local Government	4.2	7.9*	9.6	13.2*	12.8	10.9	8.7*	7.6
Health Care	6.1	9.2*	11.1	11.6	14.3	10.6*	7.1*	6.2

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

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

EXHIBIT 1.9

Average Monthly Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2006

	HMO	PPO	POS	HDHP/SO	ALL PLANS
Single Coverage	\$337*	\$365*	\$347	\$284*	\$354
Family Coverage	\$940	\$980	\$926	\$790*	\$957

SOURCE:

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

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

EXHIBIT 1.10

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Firm Size, 2006*

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
All Small Firms (3–199 Workers)	\$325	\$928	\$3,899	\$11,137
All Large Firms (200 or More Workers)	343	945	4,114	11,339
ALL FIRM SIZES	\$337	\$940	\$4,049	\$11,278
PPO				
All Small Firms (3–199 Workers)	\$375	\$983	\$4,505	\$11,793
All Large Firms (200 or More Workers)	361	979	4,326	11,752
ALL FIRM SIZES	\$365	\$980	\$4,385	\$11,765
POS				
All Small Firms (3–199 Workers)	\$342	\$892	\$4,109	\$10,706
All Large Firms (200 or More Workers)	353	964	4,238	11,573
ALL FIRM SIZES	\$347	\$926	\$4,168	\$11,107
HDHP/SO				
All Small Firms (3–199 Workers)	\$267	\$741	\$3,206	\$8,896
All Large Firms (200 or More Workers)	299	834	3,589	10,013
ALL FIRM SIZES	\$284	\$790	\$3,405	\$9,484
ALL PLANS				
All Small Firms (3–199 Workers)	\$354	\$942	\$4,248	\$11,306
All Large Firms (200 or More Workers)	353	965	4,239	11,575
ALL FIRM SIZES	\$354	\$957	\$4,242	\$11,480

SOURCE:

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

* Tests found no statistical difference within plan type between estimates for All Small Firms and All Large Firms at $p < .05$.

EXHIBIT 1.11

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Region, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Northeast	\$349	\$960	\$4,190	\$11,522
Midwest	355	947	4,258	11,366
South	341	948	4,091	11,372
West	315*	913	3,777*	10,958
ALL REGIONS	\$337	\$940	\$4,049	\$11,278
PPO				
Northeast	\$379	\$1,039*	\$4,552	\$12,471*
Midwest	359	988	4,306	11,855
South	355	924*	4,260	11,094*
West	379	1,006	4,543	12,073
ALL REGIONS	\$365	\$980	\$4,385	\$11,765
POS				
Northeast	\$375*	\$971	\$4,497*	\$11,656
Midwest	324*	913	3,888*	10,951
South	338	860*	4,056	10,318*
West	354	992	4,249	11,903
ALL REGIONS	\$347	\$926	\$4,168	\$11,107
HDHP/SO				
Northeast	\$295	\$824	\$3,535	\$9,886
Midwest	291	814	3,492	9,763
South	266	731*	3,198	8,775*
West	NSD	NSD	NSD	NSD
ALL REGIONS	\$284	\$790	\$3,405	\$9,484
ALL PLANS				
Northeast	\$369*	\$1,005*	\$4,430*	\$12,062*
Midwest	351	963	4,206	11,561
South	346	911*	4,149	10,936*
West	354	972	4,242	11,659
ALL REGIONS	\$354	\$957	\$4,242	\$11,480

SOURCE:

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

* Estimate is statistically different within plan type from estimate for all firms not in the indicated region at $p < .05$.

NSD: Not Sufficient Data.

EXHIBIT 1.12

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$336	\$922	\$4,027	\$11,066
Transportation/Communications/ Utilities	357	950	4,287	11,402
Wholesale	303	846	3,638	10,150
Retail	327	1,055	3,924	12,663
Finance	314	886	3,767	10,633
Service	333	936	3,990	11,231
State/Local Government	361*	958	4,329*	11,491
Health Care	345	937	4,140	11,247
ALL INDUSTRIES	\$337	\$940	\$4,049	\$11,278
PPO				
Agriculture/Mining/Construction	\$339*	\$946	\$4,065*	\$11,354
Manufacturing	339*	949	4,072*	11,390
Transportation/Communications/ Utilities	376	1,010	4,508	12,116
Wholesale	361	1,012	4,334	12,144
Retail	325*	899*	3,904*	10,785*
Finance	369	1,032	4,430	12,385
Service	365	954	4,375	11,443
State/Local Government	407*	994	4,879*	11,933
Health Care	419*	1,099*	5,032*	13,188*
ALL INDUSTRIES	\$365	\$980	\$4,385	\$11,765
POS				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$341	\$920	\$4,096	\$11,045
Transportation/Communications/ Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	348	957	4,181	11,489
State/Local Government	396*	994	4,750*	11,931
Health Care	350	888	4,198	10,659
ALL INDUSTRIES	\$347	\$926	\$4,168	\$11,107

Continued on page 28

EXHIBIT 1.12 Continued from page 27

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HDHP/SO				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$277	\$777	\$3,328	\$9,322
Transportation/Communications/ Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	265	782	3,175	9,389
State/Local Government	NSD	NSD	NSD	NSD
Health Care	NSD	NSD	NSD	NSD
ALL INDUSTRIES	\$284	\$790	\$3,405	\$9,484
ALL PLANS				
Agriculture/Mining/Construction	\$322*	\$891*	\$3,859*	\$10,691*
Manufacturing	333*	927*	3,995*	11,122*
Transportation/Communications/ Utilities	367	982	4,407	11,784
Wholesale	342	945	4,101	11,345
Retail	327*	930	3,929*	11,156
Finance	355	989	4,258	11,871
Service	352	946	4,227	11,347
State/Local Government	382*	977	4,582*	11,721
Health Care	393*	1,031*	4,714*	12,373*
ALL INDUSTRIES	\$354	\$957	\$4,242	\$11,480

SOURCE:

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

* Estimate is statistically different within plan type from estimate for all firms not in the indicated industry at $p < .05$.

NSD: Not Sufficient Data.

EXHIBIT 1.13

Distribution of Single and Family Monthly Premiums for Covered Workers, 2001–2006

	2001	2002*	2003*	2004*	2005*	2006*
Single Premiums (\$)						
\$0 to \$200	36%	19%	10%	6%	5%	3%
201 to 250	41	36	22	16	8	7
251 to 300	14	27	38	29	21	18
301 to 350	4	11	19	29	30	28
351 to 400	2	3	7	12	21	22
More than \$400	2	5	5	8	15	22
Family Premiums (\$)						
	2001	2002*	2003*	2004*	2005*	2006*
\$0 to \$550	38%	19%	10%	5%	5%	3%
551 to 650	38	29	13	9	4	4
651 to 750	15	27	25	17	10	8
751 to 850	4	14	29	25	21	15
851 to 950	2	6	13	24	22	20
More than \$950	2	4	10	20	38	50

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2006.

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