

THE KAISER FAMILY FOUNDATION
- AND -
HEALTH RESEARCH AND
EDUCATIONAL TRUST

Employer
Health
Benefits

2003
ANNUAL SURVEY



-AND-



Overview

The Kaiser Family Foundation/Health Research and Educational Trust 2003 Annual Employer Health Benefits Survey (Kaiser/HRET) reports findings from a survey of 2,808 randomly selected public and private employers, including 1,856 who responded to the full survey and 952 who indicated whether or not they provide health coverage. Firms range in size from small enterprises with as few as 3 workers to corporations with more than 300,000 employees. The Kaiser/HRET Employer Benefits Survey is based on previous surveys sponsored by the Health Insurance Association of America from 1987–1991 and KPMG from 1991–1998. Researchers at the Kaiser Family Foundation and the Health Research and Educational Trust designed and analyzed the survey and National Research LLC conducted the field work between January and May 2003. The overall response rate for the survey was 50%. All statistical tests are performed at the 0.05 levels except where otherwise noted. A select set of data were tested at the 0.10 level to explore the possibility of emerging changes in premium increases, the health care offer rate, employee share of premium, premium growth among small firms, and coverage rates.

This year, several methodological changes were made to the survey, including standardizing survey weights to U.S. Census data. Therefore, historical data in the exhibits may differ slightly from previously published estimates.

These charts present a summary of findings from the 2003 Kaiser/HRET Employer Health Benefits Survey. Individual copies of the full report of survey findings (#3369) are available on the Kaiser Family Foundation's website at www.kff.org. Multiple copies may be obtained from HRET by calling 1-800-242-2626 (order #097510).

The Kaiser Family Foundation is an independent, national health philanthropy dedicated to providing information and analysis on health issues to policymakers, the media, and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.

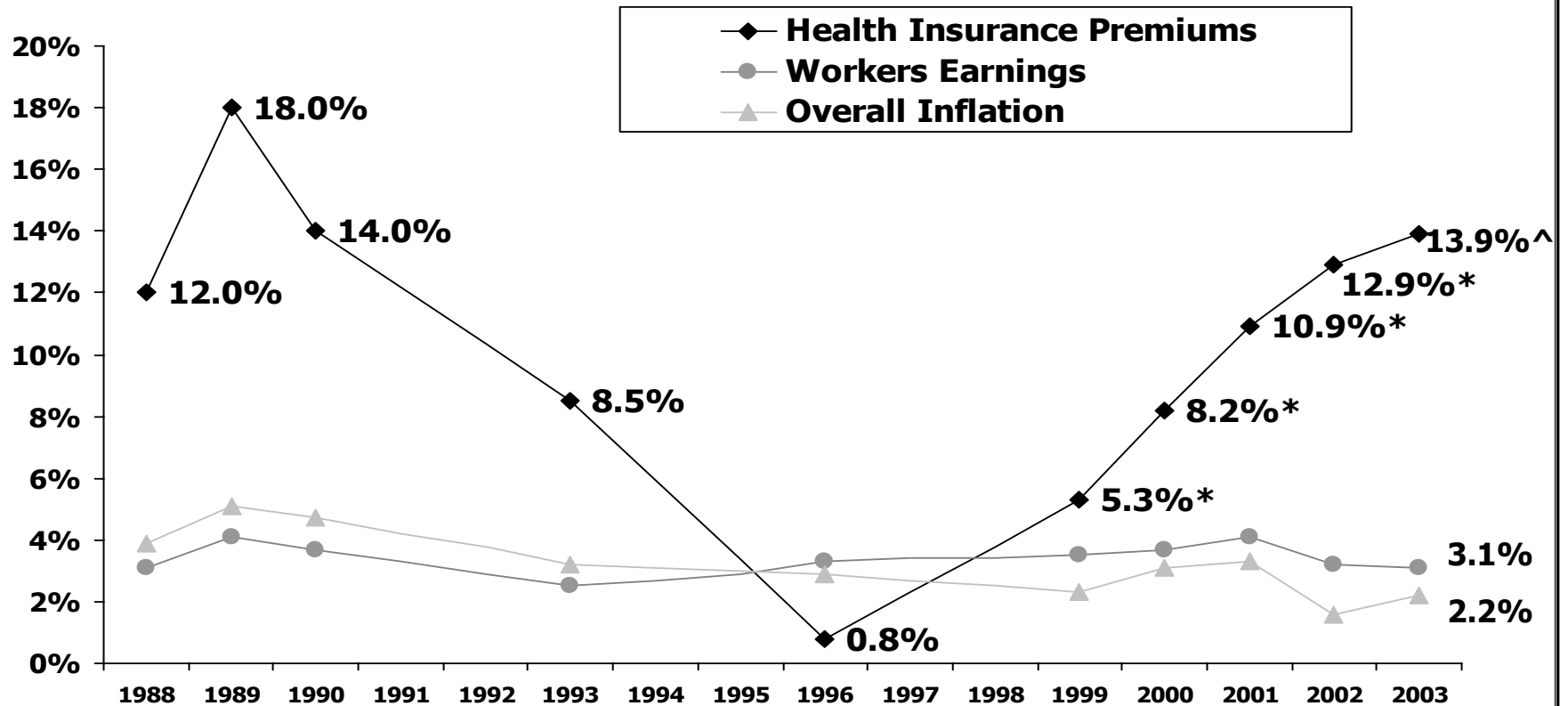
Health Research and Educational Trust is a private, not-for-profit organization involved in research, education, and demonstration programs addressing health management and policy issues. Founded in 1944, HRET collaborates with health care, government, academic, business, and community organizations across the United States to conduct research and disseminate findings that help shape the future of health care.

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Cost and Enrollment Trends

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2003



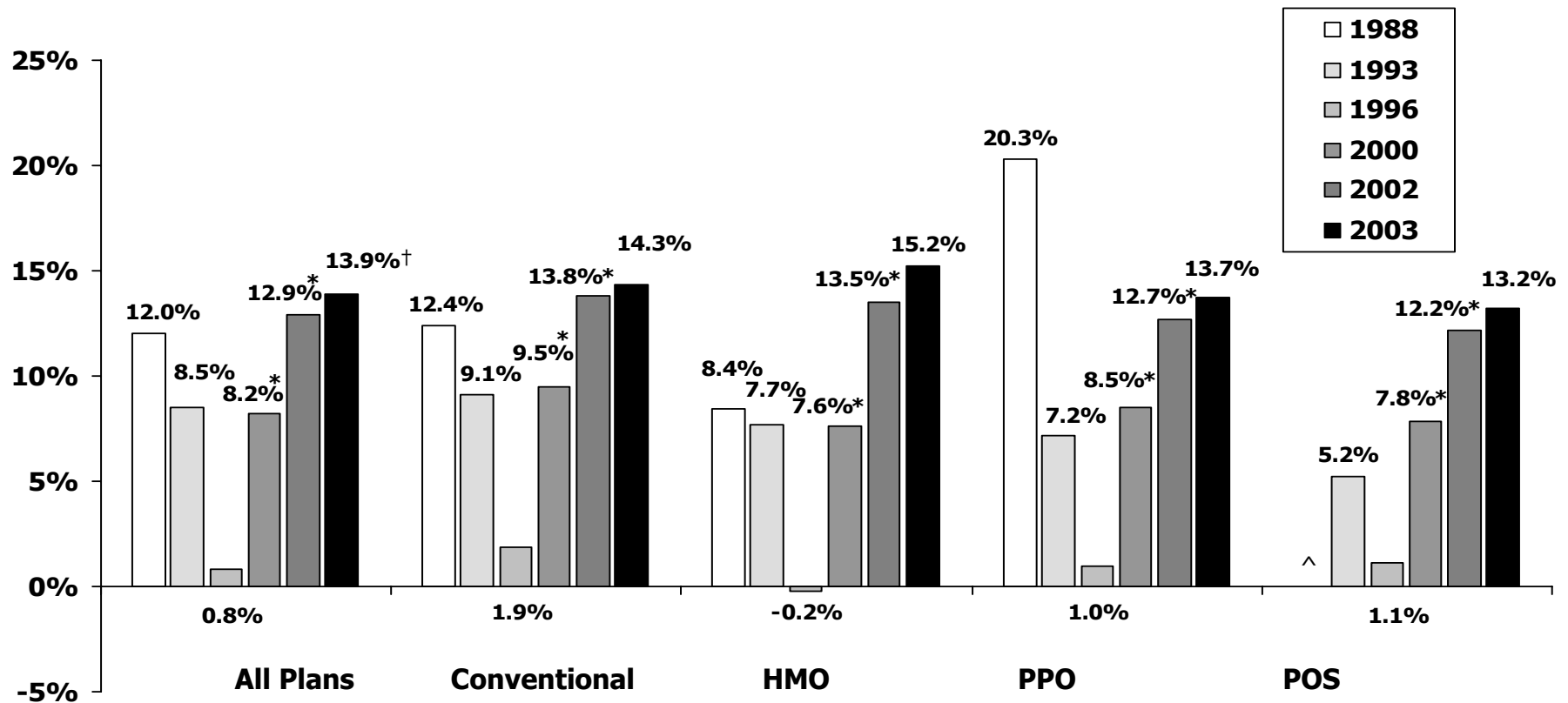
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2003; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2003.

*Estimate is statistically different from the previous year shown at $p < 0.05$: 1996-1999, 1999-2000, 2000-2001, 2001-2002.

^ Estimate is statistically different from the previous year shown at $p < 0.1$: 2002-2003.

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

Percentage Change in Health Insurance Premiums from Previous Year, by Plan Type, 1988-2003



* Estimate is statistically different from the previous year shown at p<0.05: 1996-2000, 2000-2002.

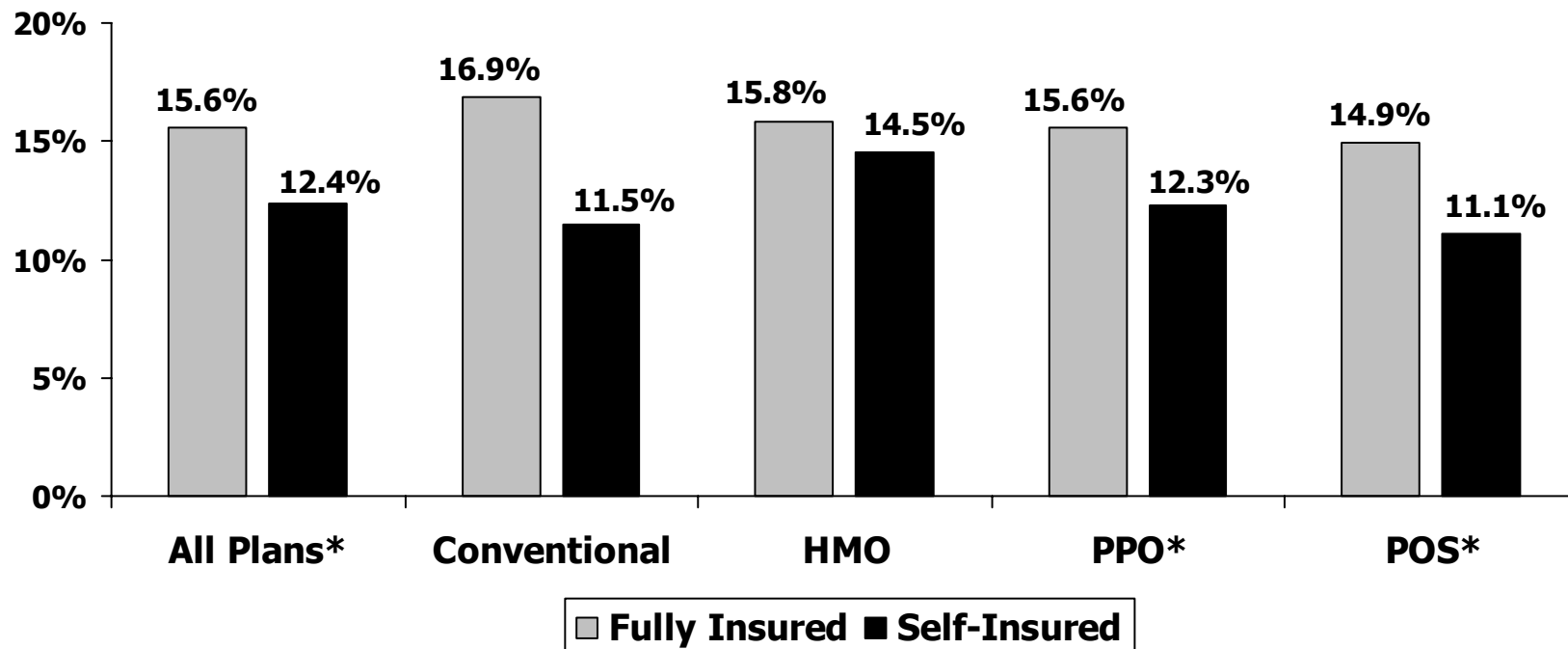
† Estimate is statistically different from the previous year shown at p<0.1: 2002-2003

^ Information was not obtained for POS plans in 1988.

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

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

Premium Increases, by Plan Type and Funding Arrangement, 2003



* Estimate is statistically different between Fully Insured and Self-Insured within a plan type.

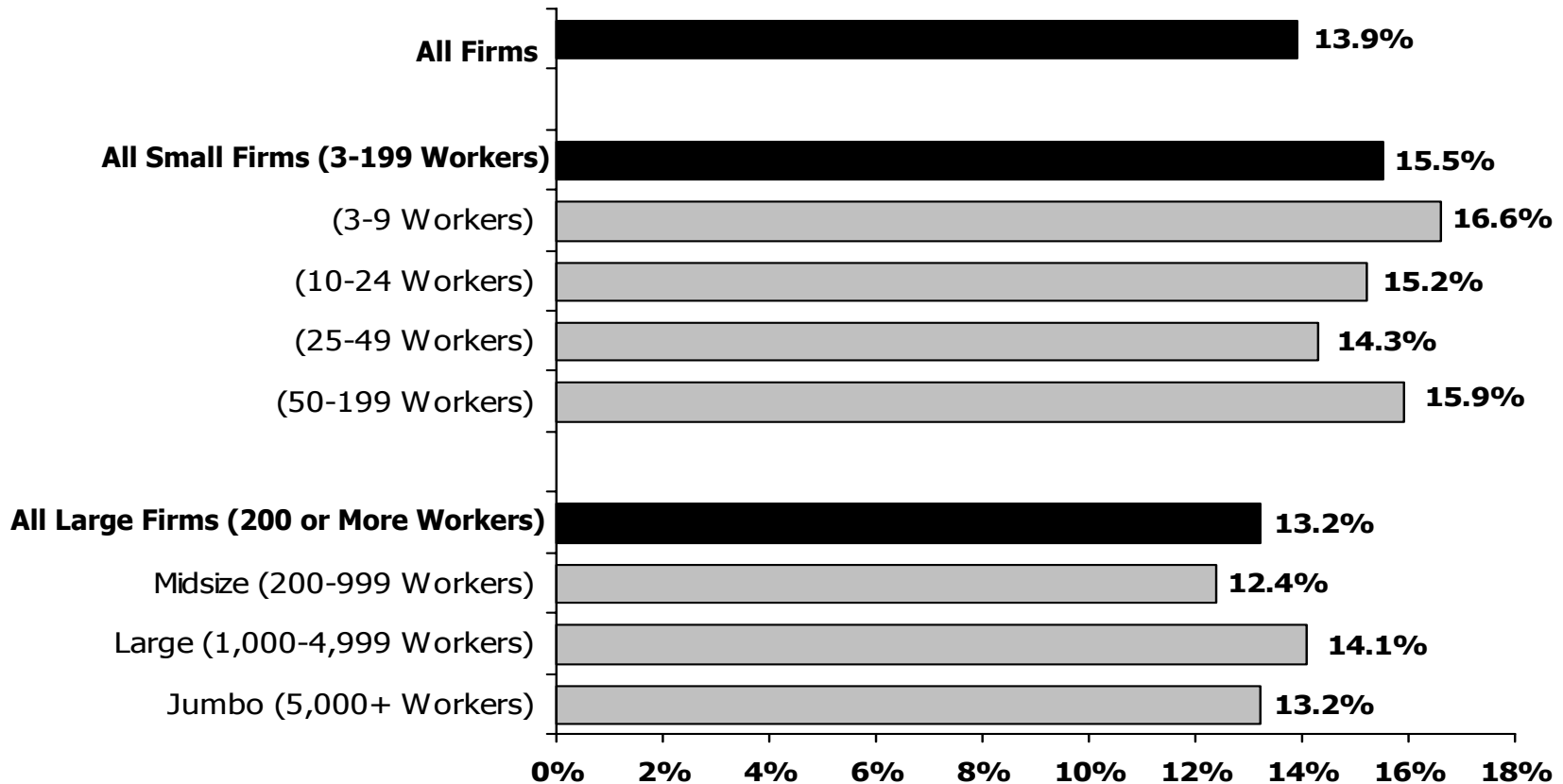
Fully insured plans: A plan where the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

Self-insured plan: A plan where the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-insured plans typically contract with a third-party administrator or insurer to provide administrative services for self-insured plans.

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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage Change in Premiums for Covered Workers[^], by Firm Size, 2003*



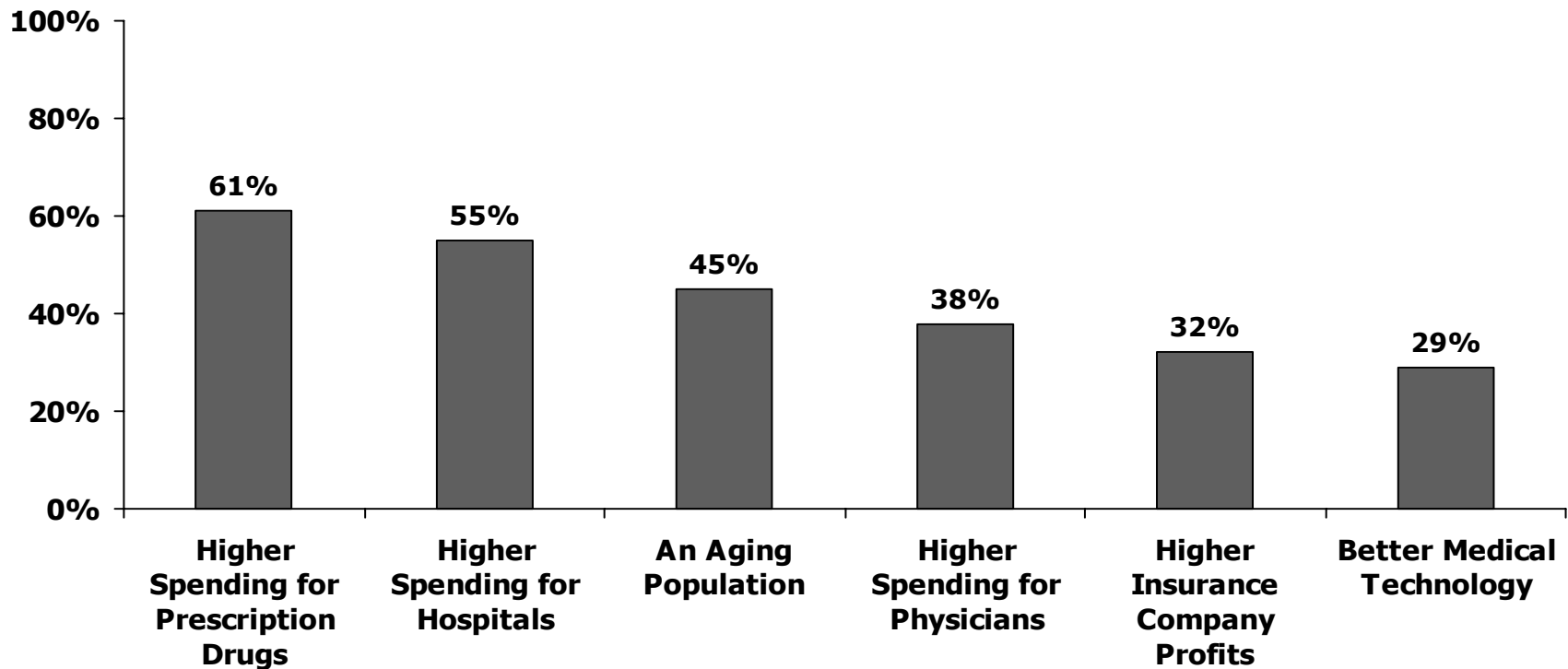
*Tests found no statistically different estimates from All Firms.

[^]Applies to employer and employee share of premiums.

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

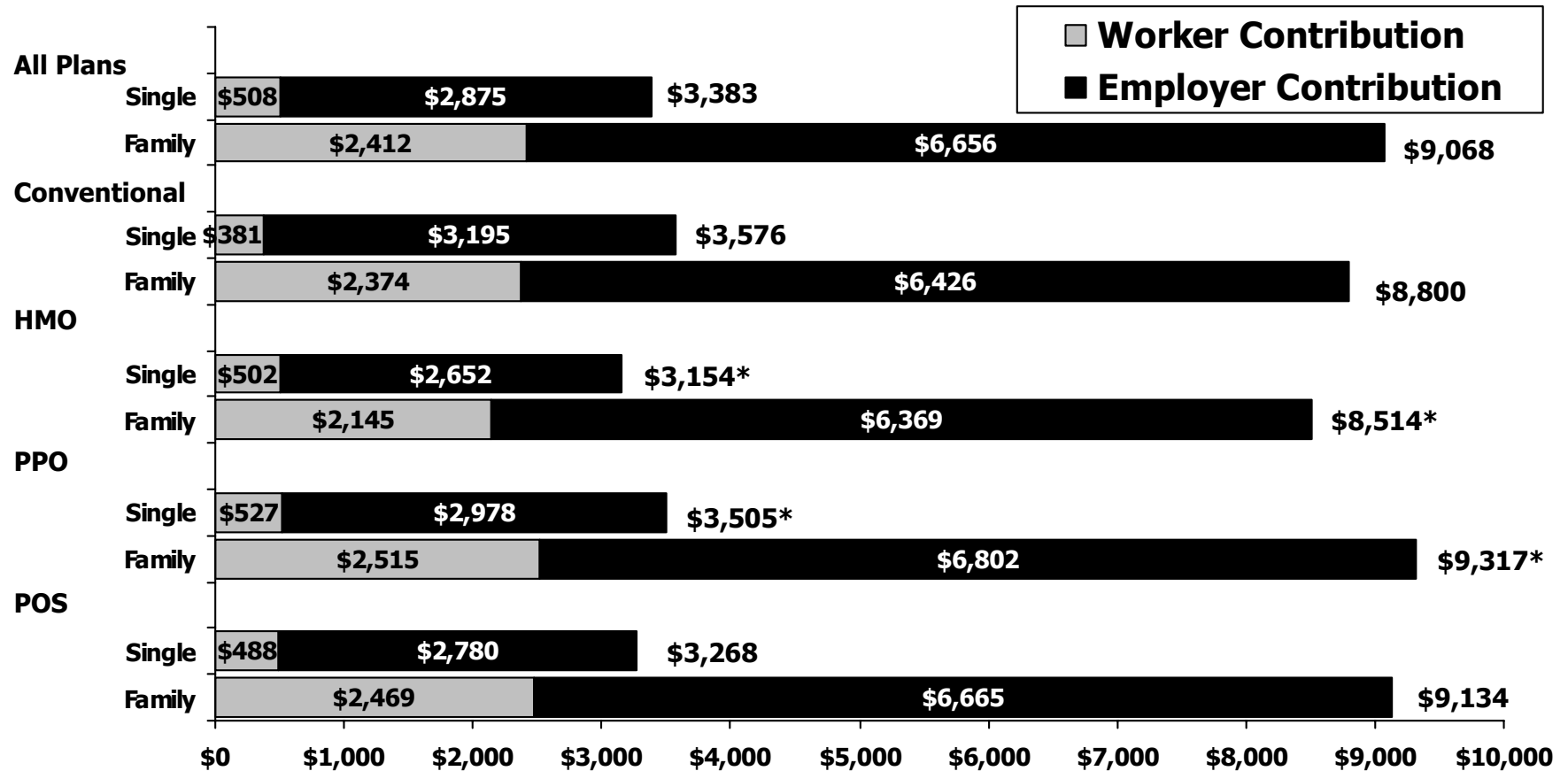
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of All Firms That Report the Following Factors Contribute 'A Lot' to Increases in Health Insurance Premiums, 2003



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Average Annual Premium Costs for Covered Workers, by Plan Type, 2003

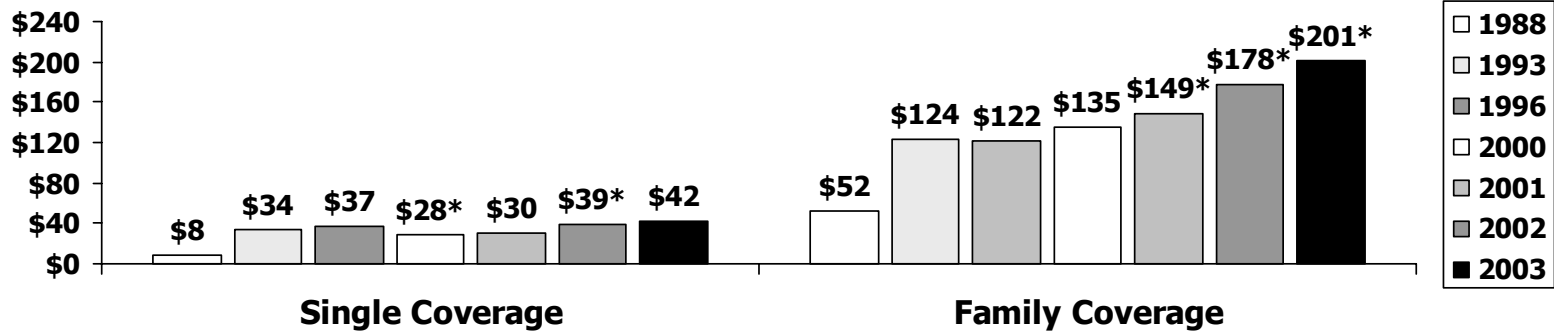


* Estimate of total premium is statistically different from All Plans by coverage type.

Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

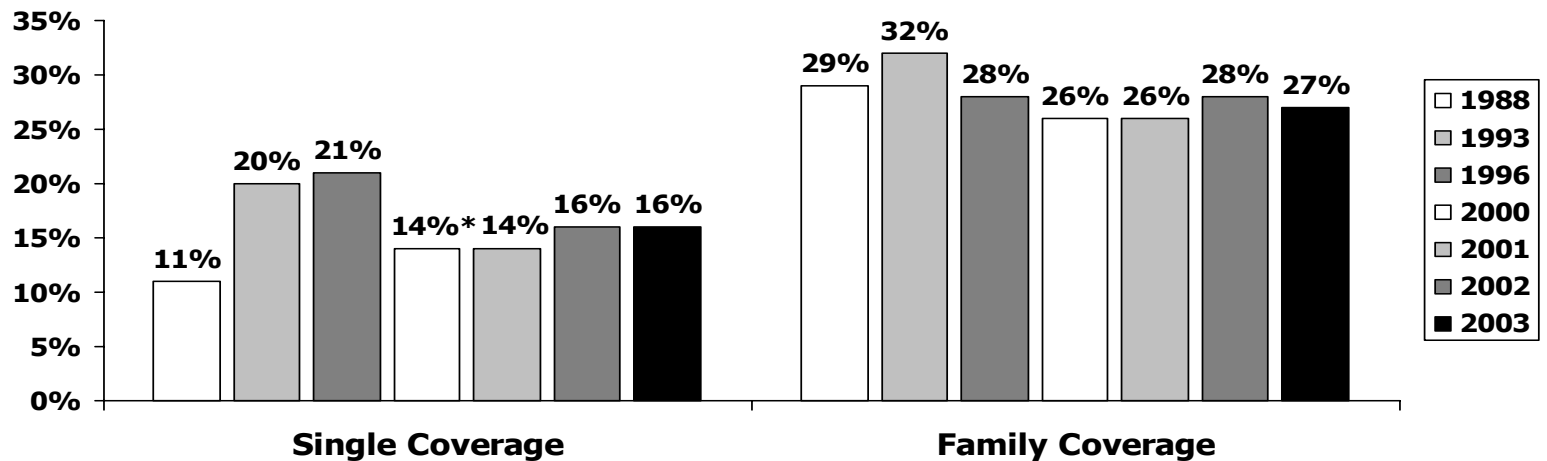
Average Monthly Worker Contribution, 1988-2003



* Estimate is statistically different from the previous year shown: 1996-2000, 2000-2001, 2001-2002, 2002-2003.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996

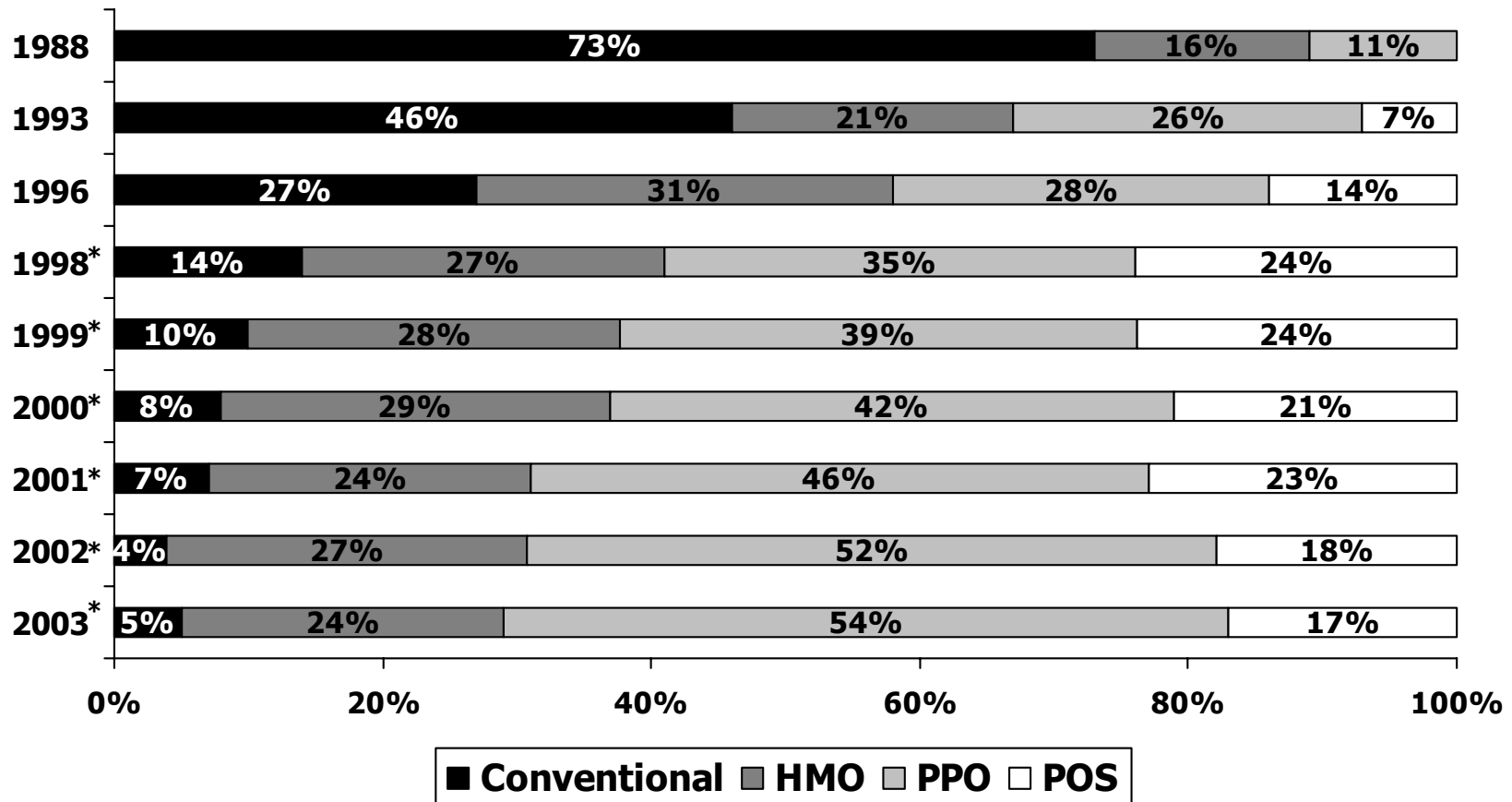
Percentage of Premium Paid by Covered Workers, 1988-2003



* Estimate is statistically different from the previous year shown: 1996-2000, 2000-2001, 2001-2002, 2002-2003.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

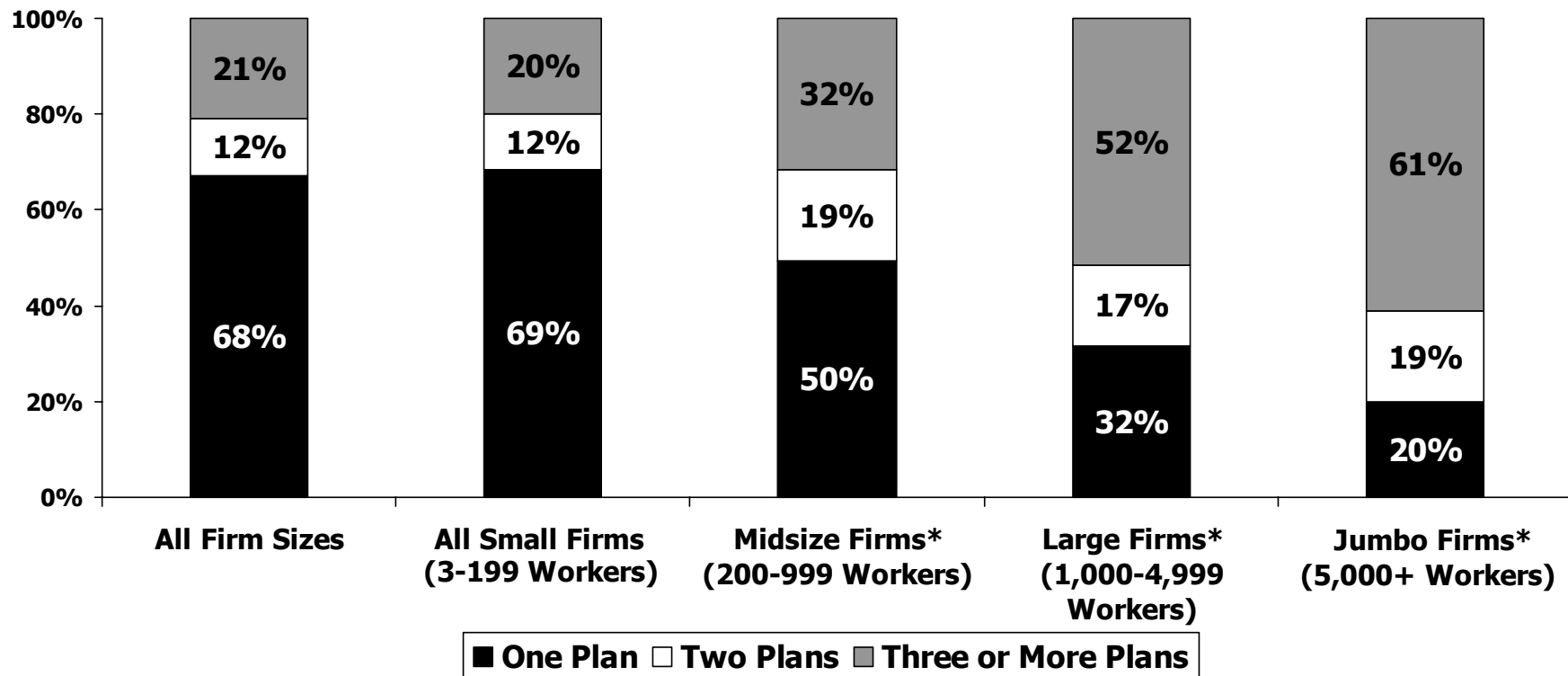
Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2003



* Distribution is statistically different from the previous year shown: 1996-1998, 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

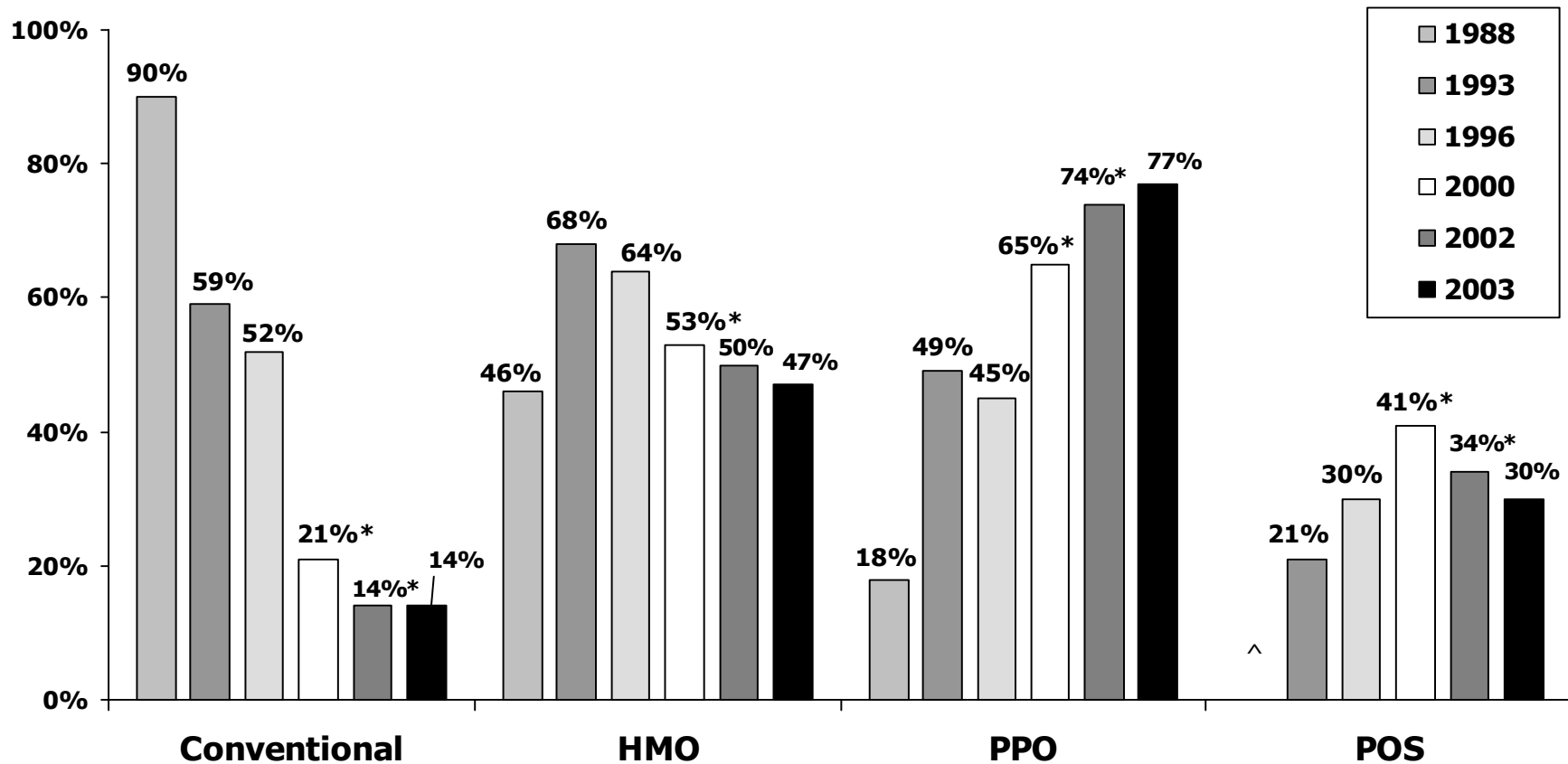
Percentage of Employers Providing a Choice of Health Plans, by Firm Size, 2003



* Distribution is statistically different from All Firms.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Covered Workers With a Choice of Conventional, HMO, PPO, or POS Plans, 1988-2003



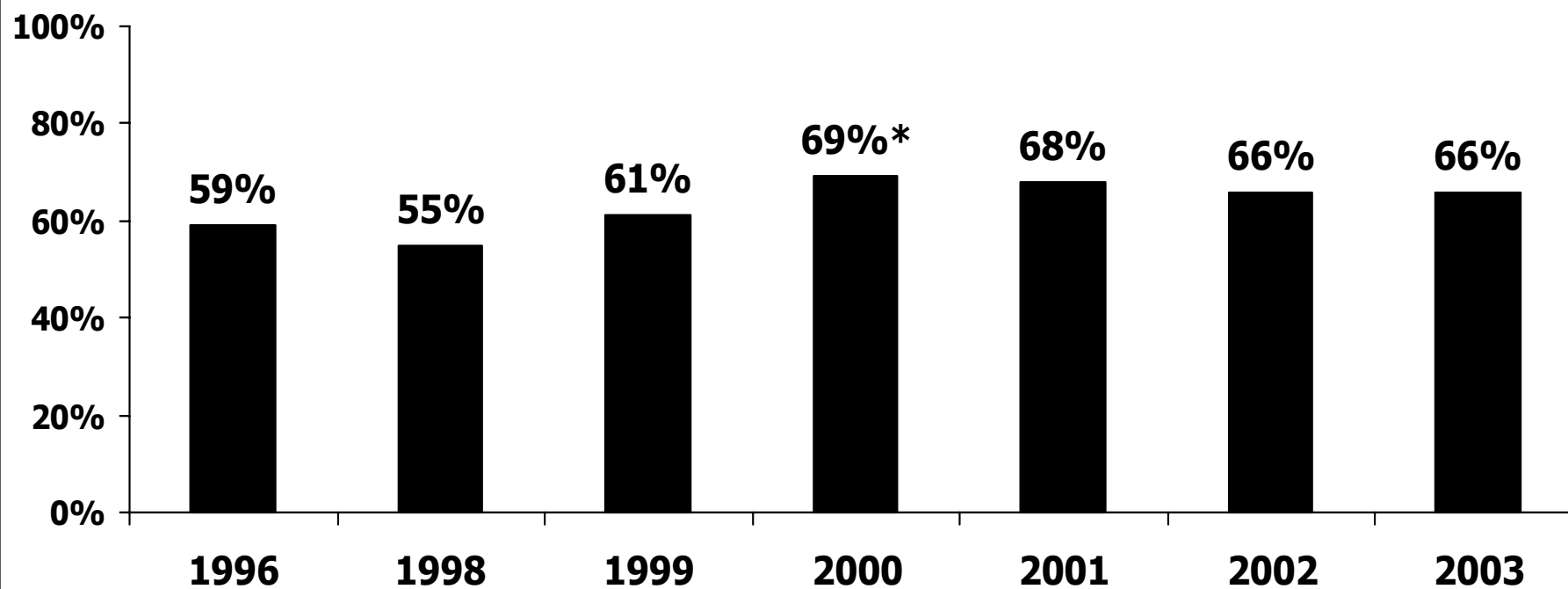
* Estimate is statistically different from the previous year shown: 1996-2000, 2000-2002, 2002-2003.

^ Information was not obtained for POS plans in 1988.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

Coverage and Benefit Trends

Percentage of All Firms Offering Health Benefits, 1996-2003

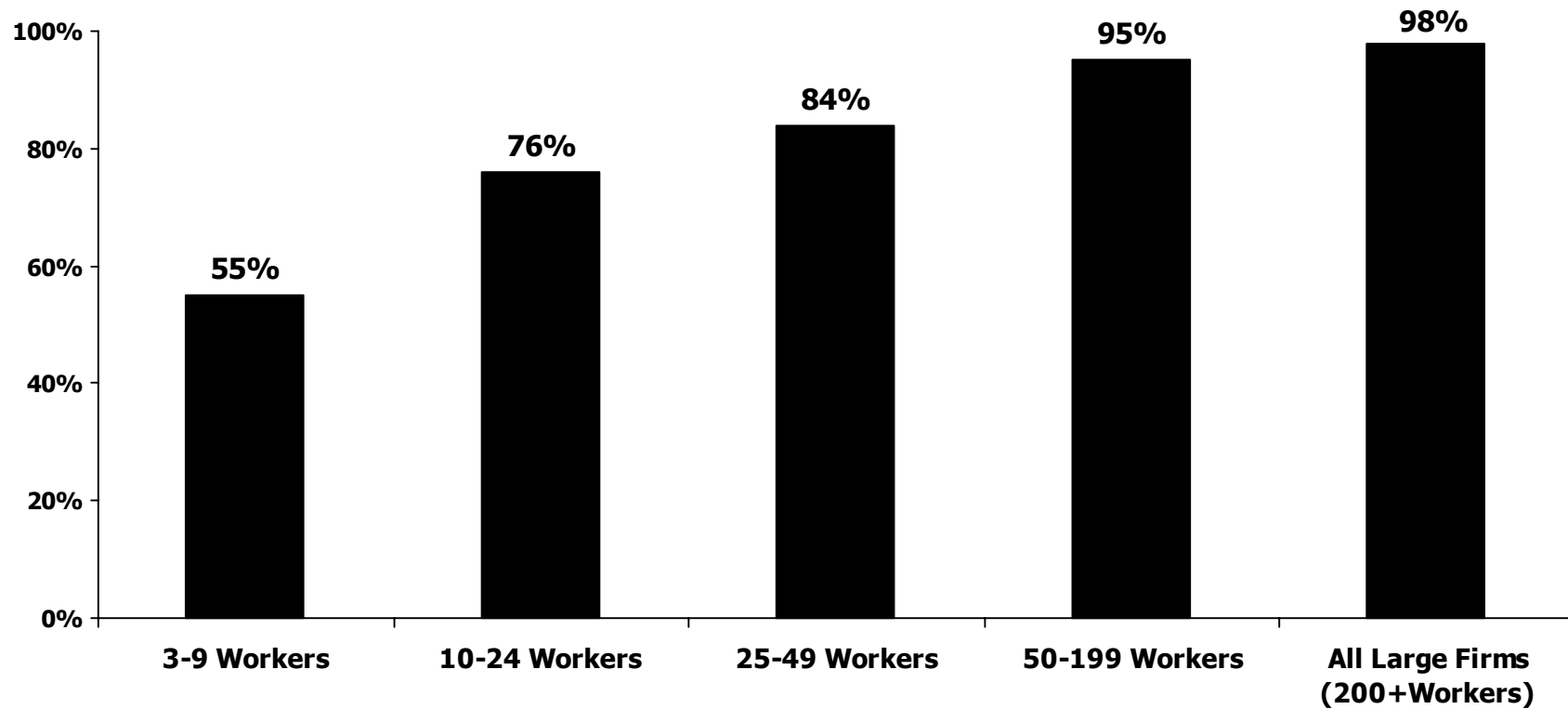


*Estimate is statistically different from the previous year shown: 1996-1998, 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003.

Note: This year the sample design was revised by weighting the sample to reflect the distribution of firms reported by the U.S. Census. Data from the U.S. Census indicated that the Dun & Bradstreet sample frame used in years past had overestimated the influence of small employers (who have a relatively low offer rate) on the total results.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

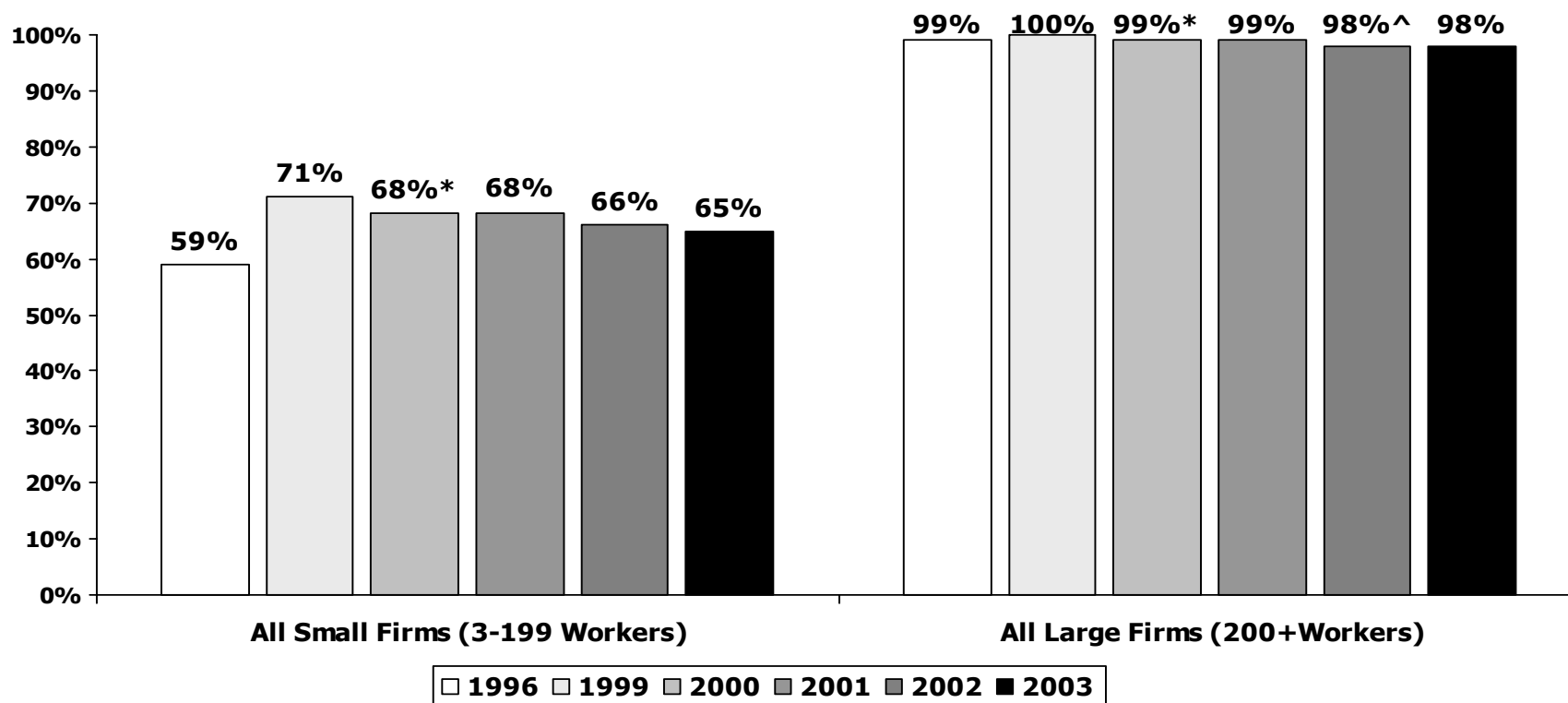
Percentage of Firms Offering Health Benefits, by Firm Size, 2003



Note: Nationwide, there are about 3,175,810 firms with 3-199 workers and 80,261 with 200 or more workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2003



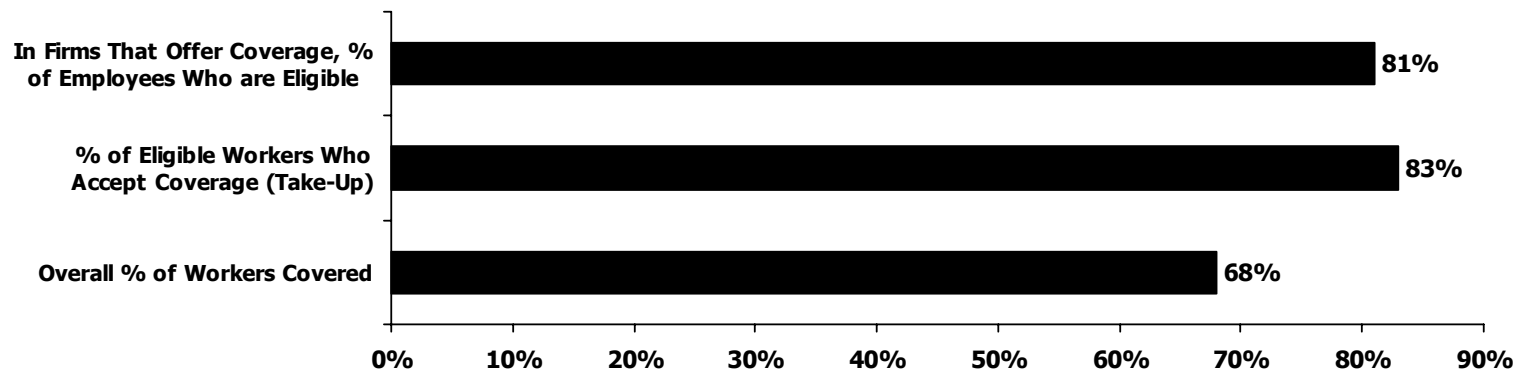
* Estimate is statistically different from the previous year shown at $p < 0.05$: 1996-1998, 1998-2000, 2000-2001, 2001-2002, 2002-2003.

^ Estimate is statistically different from the previous year shown at $p < 0.1$: 1996-1998, 1998-2000, 2000-2001, 2001-2002, 2002-2003.

Note: Nationwide, there are about 6,290,655 firms with 3-199 workers and 85,448 with 200 or more workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1996.

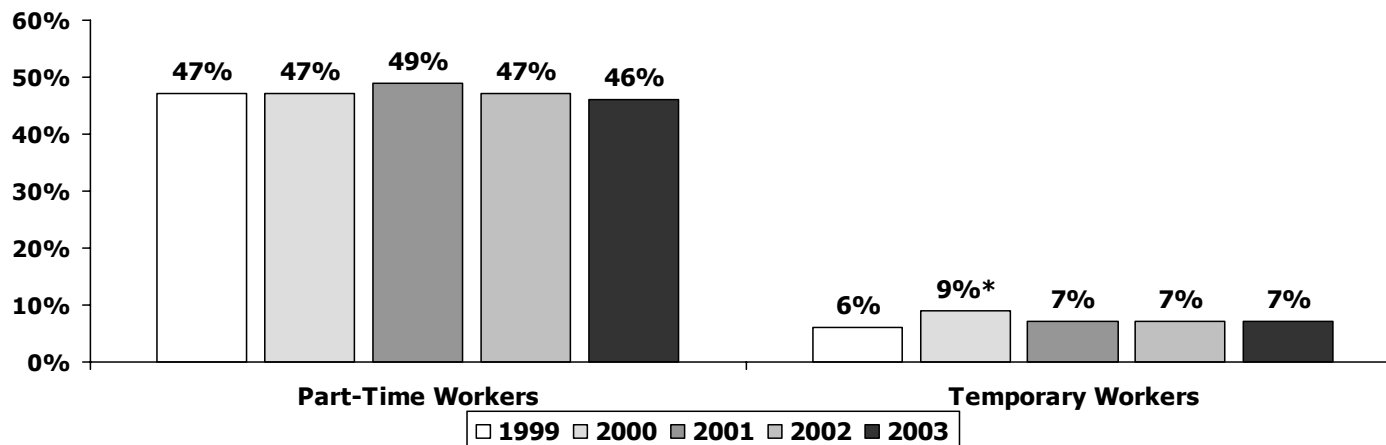
Eligibility, Take-Up Rates, and Coverage in Firms Offering Health Benefits, 2003



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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Workers Employed in Firms That Offer Part-Time and Temporary Workers Health Coverage, 1999-2003



* Estimate is statistically different from the previous year shown: 1999-2000, 2000-2001, 2001-2002, 2002-2003.

Sources: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003.

Percentage of All Large Firms Offering Retiree Health Benefits[^], 1988-2003*



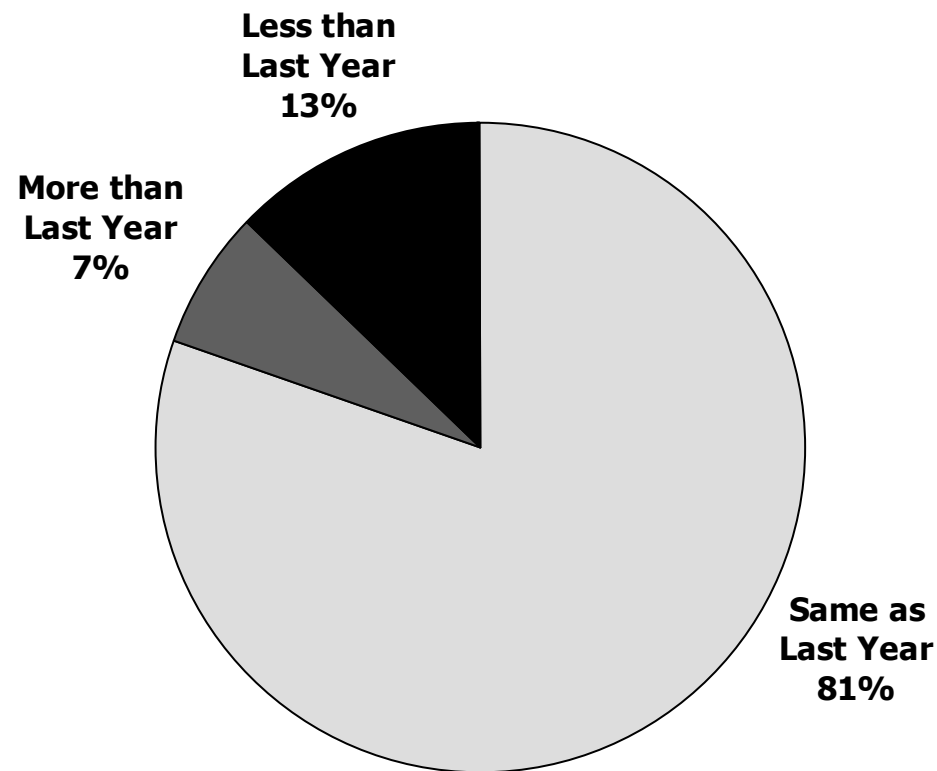
* Tests found no statistically different estimates from the previous year shown: 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003.

[^] Of firms that offer health benefits to active workers.

Note: This year the sample was stratified to the firm size and industry distribution reported by the U.S. Census. This had the effect of increasing the reported prevalence of retiree benefits offered by large firms (200 or more workers) for this year and prior years. The differences are not statistically significant.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1991, 1993, 1995, 1998.

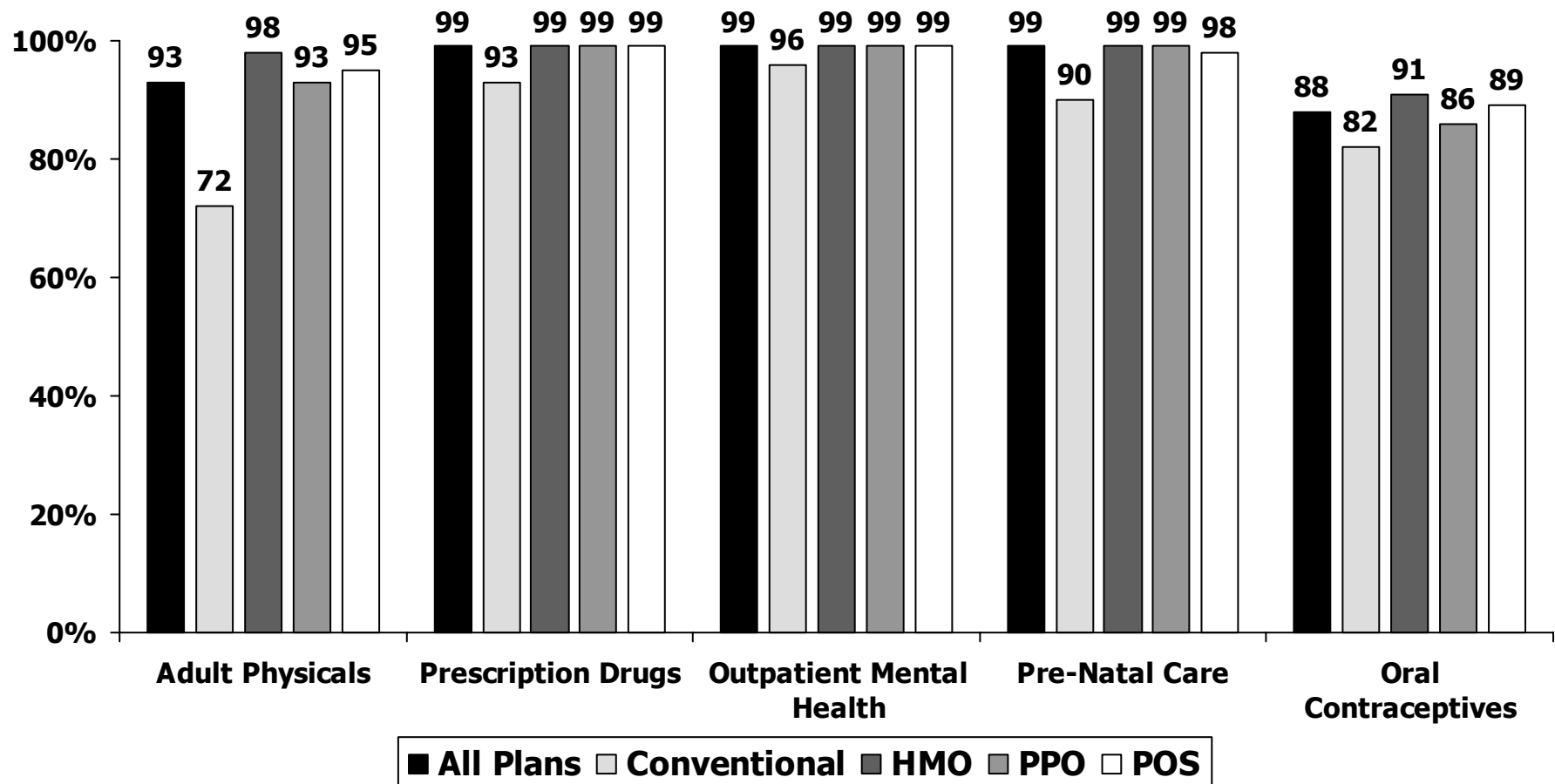
Levels of Benefits for Covered Workers Compared to Last Year, All Plans, 2003



Note: In 2003 this question was amended slightly to add a qualifier that the survey is asking about changes to benefits "other than cost sharing."

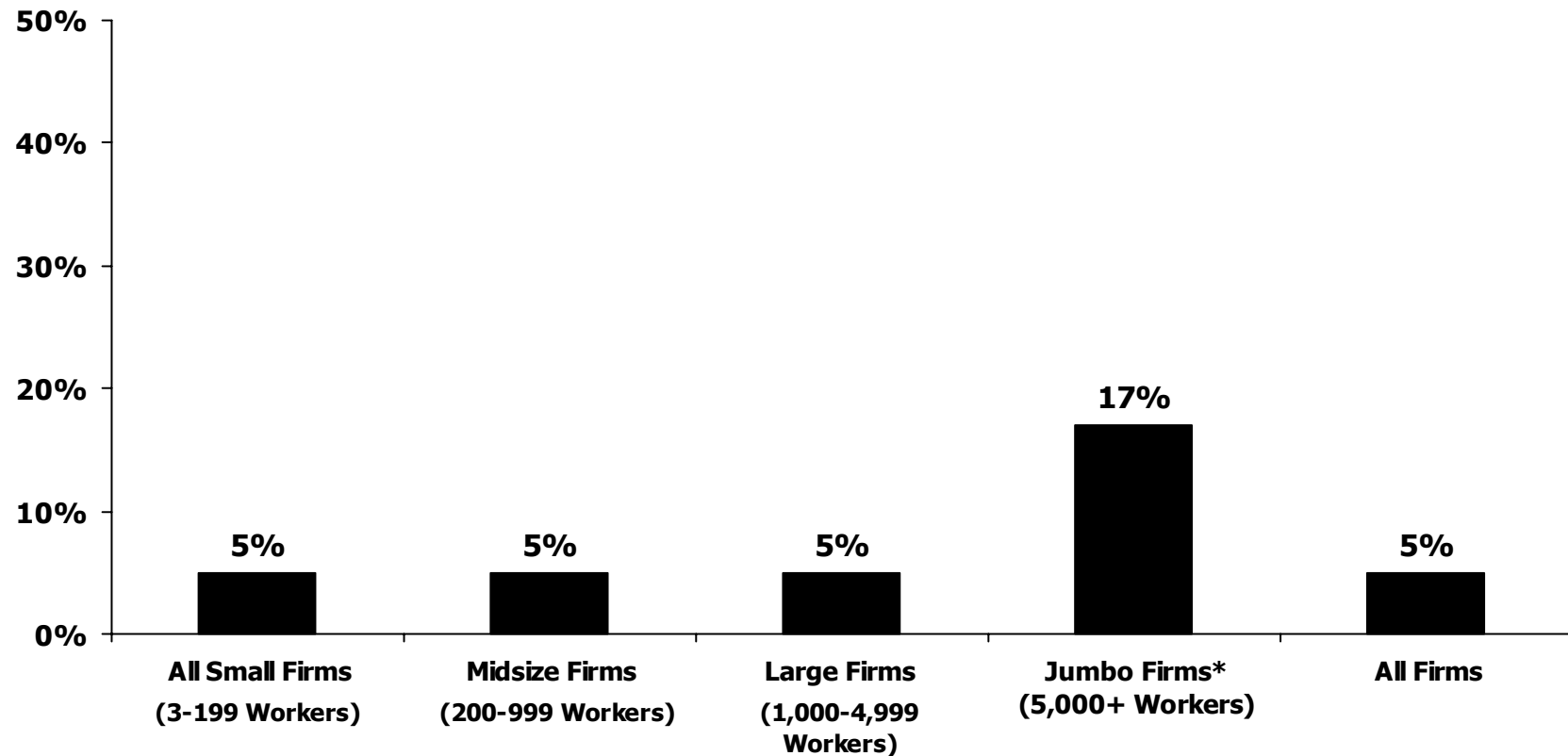
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Workers Covered for Selected Benefits, by Plan Type, 2003



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Firms That Offer Employees a High-Deductible Health Plan, by Firm Size, 2003



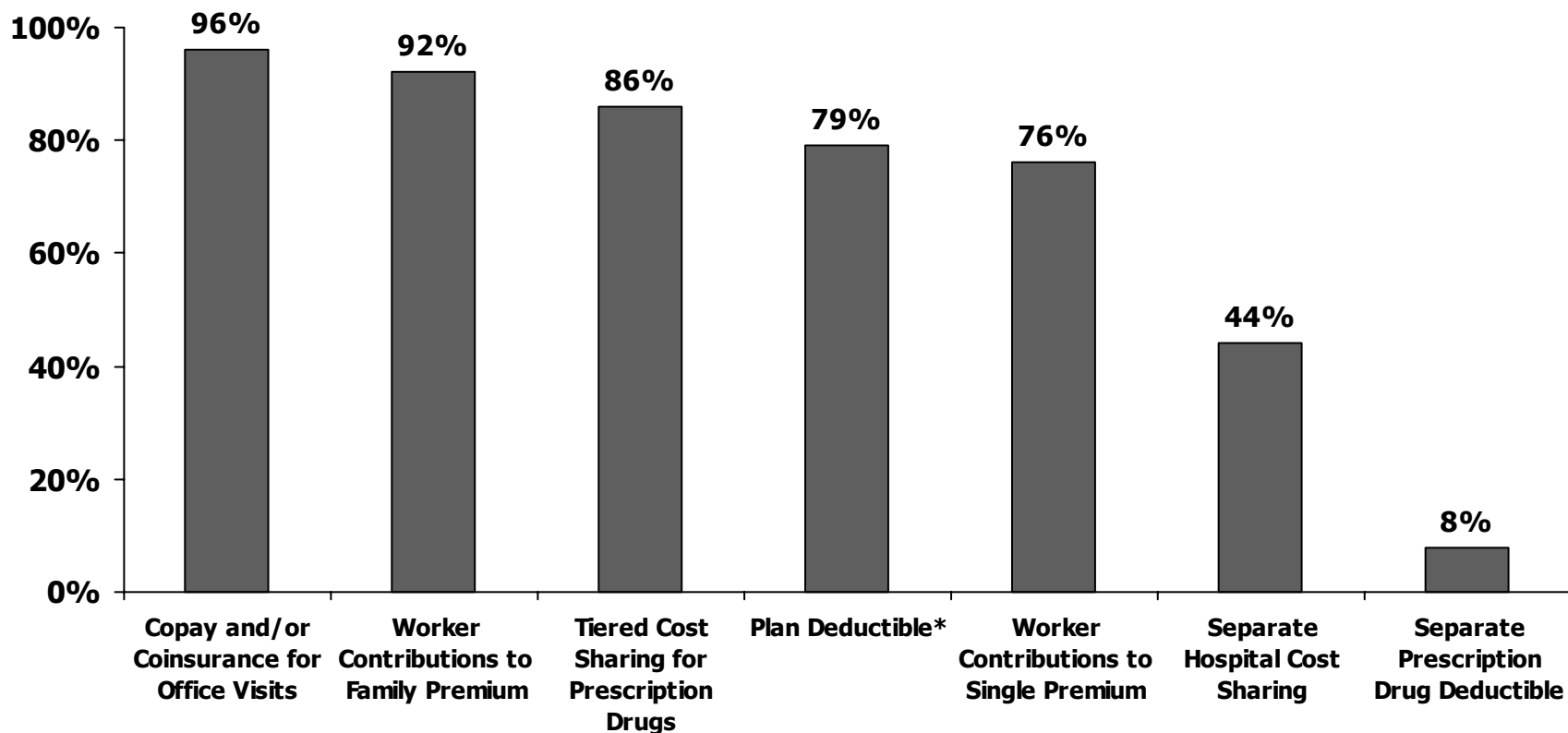
*Estimate is statistically different from All Firms.

High-deductible health plan: A plan with an annual deductible or more than \$1,000 for single coverage. High-deductible plans can be offered with or without a health savings account.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Cost Sharing

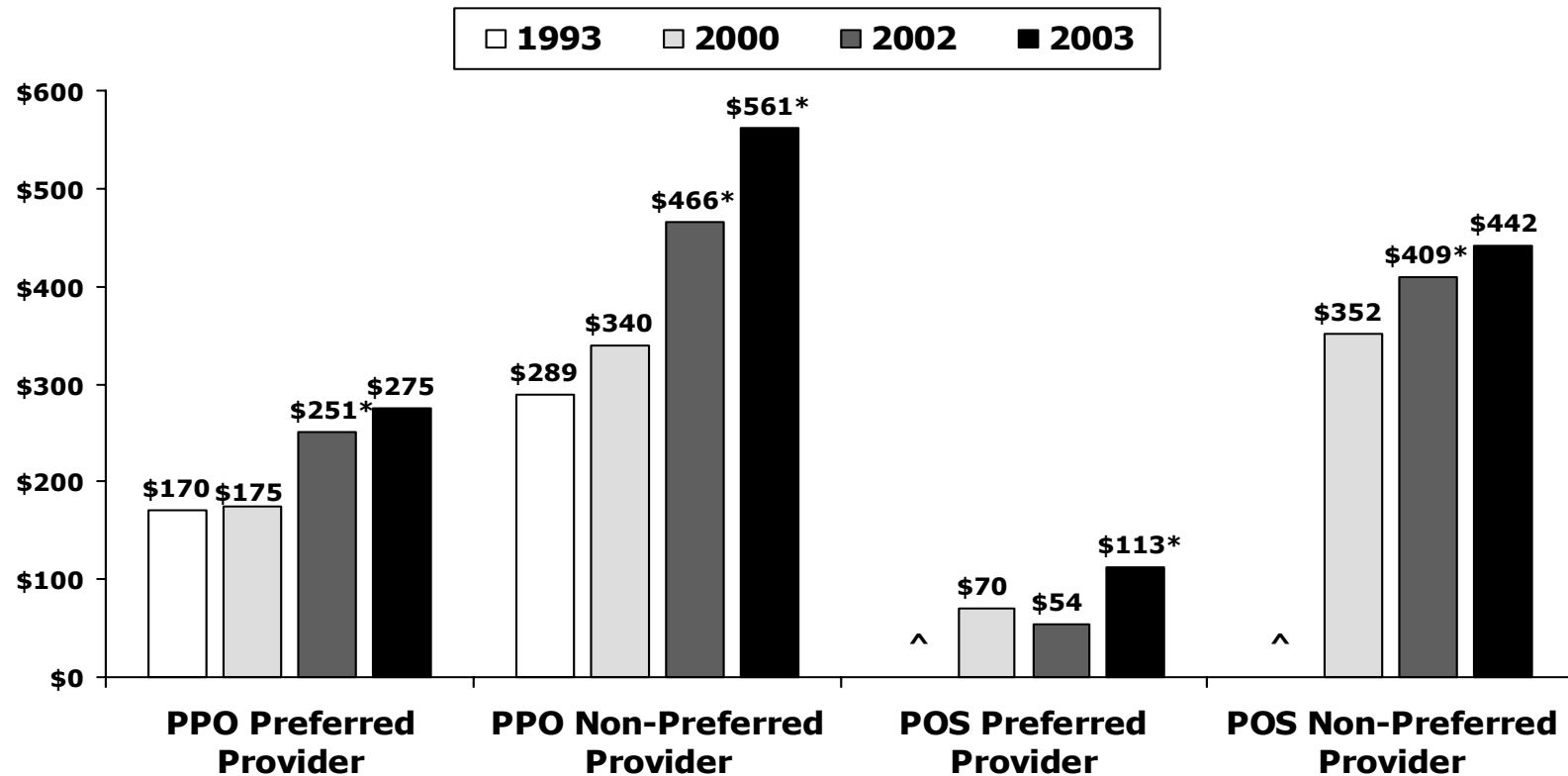
Percentage of Covered Workers With the Following Types of Cost Sharing for Health Benefits, 2003



* The percentage of covered workers with a plan deductible is calculated for workers with single coverage. For PPO and POS plans, the deductible for services received from preferred providers is used in the calculation.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Average Annual Deductibles for Single Coverage in PPO and POS Plans, 1993 - 2003



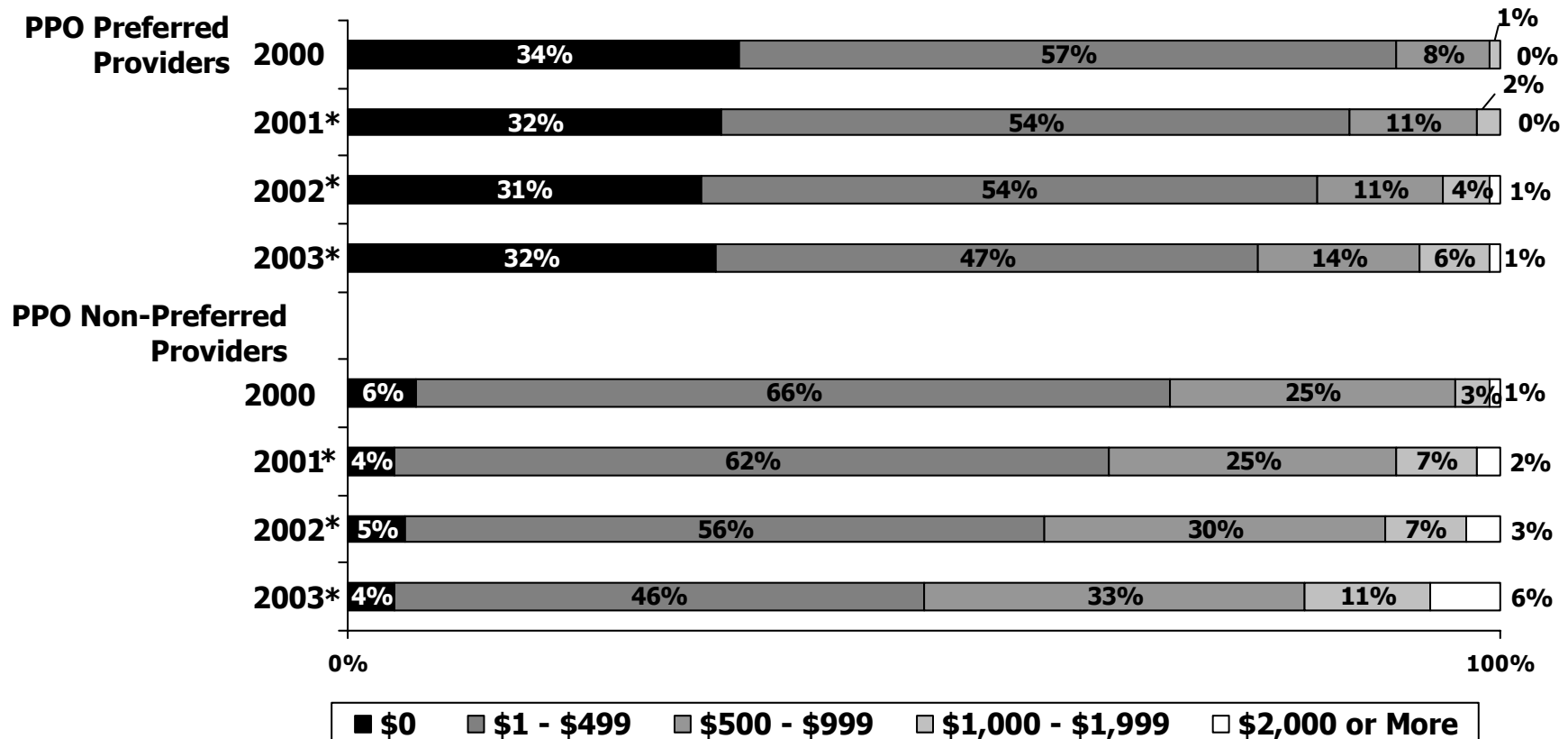
* Estimate is statistically different from the previous year shown: 2000-2002, 2002-2003.

^ Information was not obtained for POS plans in 1993.

Note: Average deductibles include covered workers who do not have a deductible or report a \$0 deductible. For example, 32% of covered workers in PPO plans do not have a deductible for preferred providers. Among single workers enrolled in a PPO who do have a deductible, the average preferred provider deductible is \$384.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2002, 2003; KPMG Survey of Employer Sponsored Health Benefits: 1993.

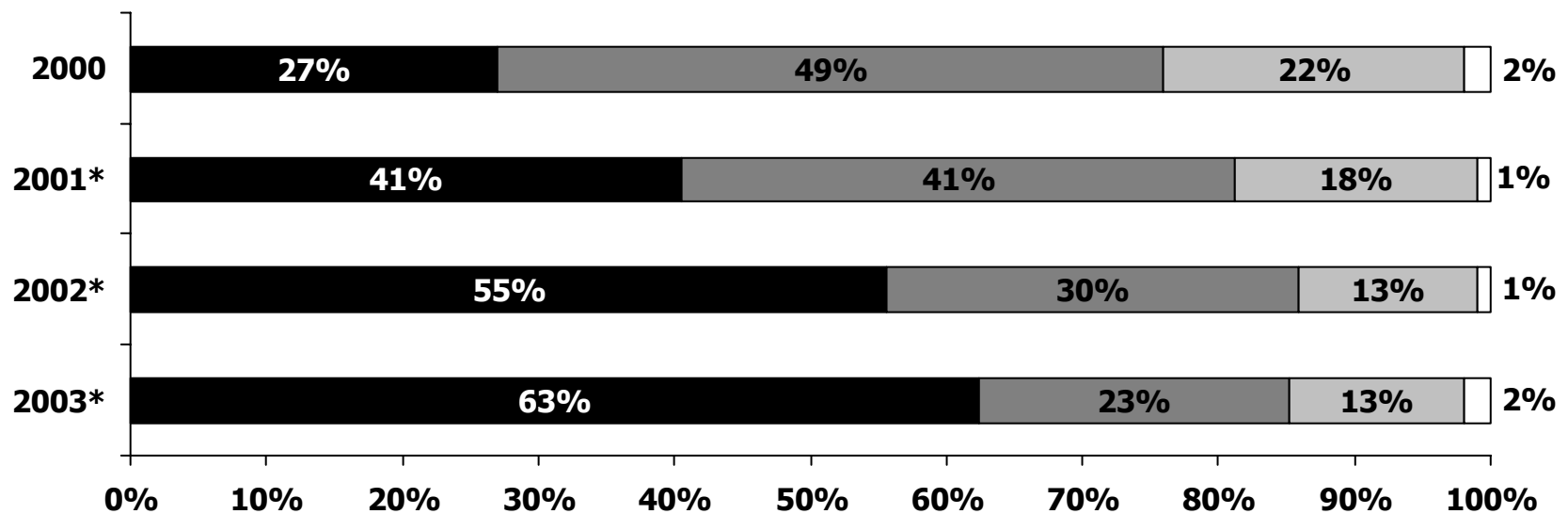
Percentage of Covered Workers in Firms That Have the Following Deductibles for PPO Plans, 2000-2003



* Distribution is statistically different from the previous year shown: 2000-2001, 2001-2002, 2002-2003.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003.

Percentage of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drug Benefits, 2000-2003

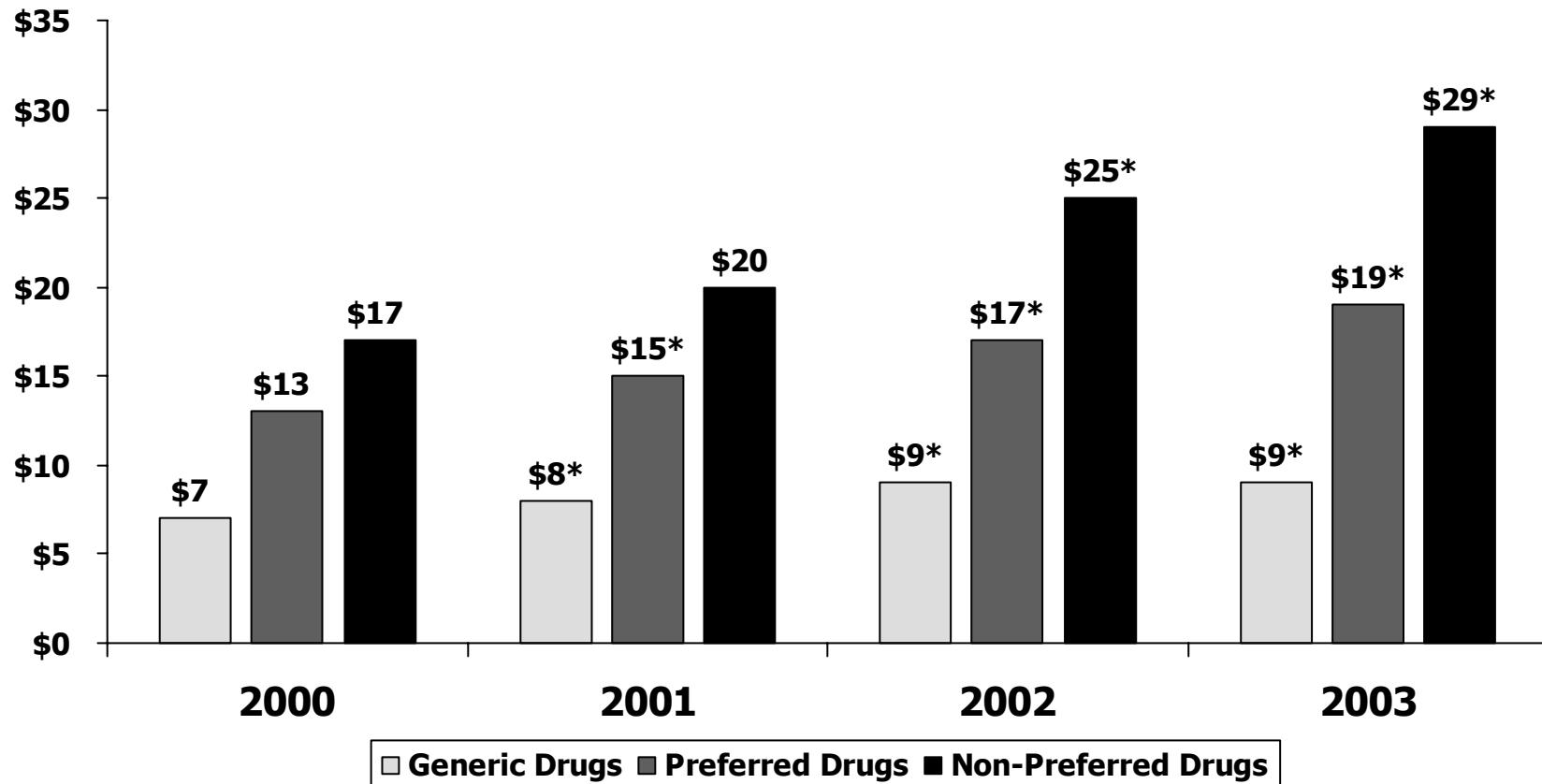


- Three Tier = One payment for generic drugs, another for preferred drugs, and a third for non-preferred drugs
- Two Tier = One payment for generic drugs and one for all name brand drugs
- Payment is the same regardless of type of drug
- Other/Don't know

* Distribution is statistically different from the previous year shown: 2000-2001, 2001-2002, 2002-2003.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003.

Average Copays for Generic Drugs, Preferred Drugs, and Non-Preferred Drugs, 2000-2003

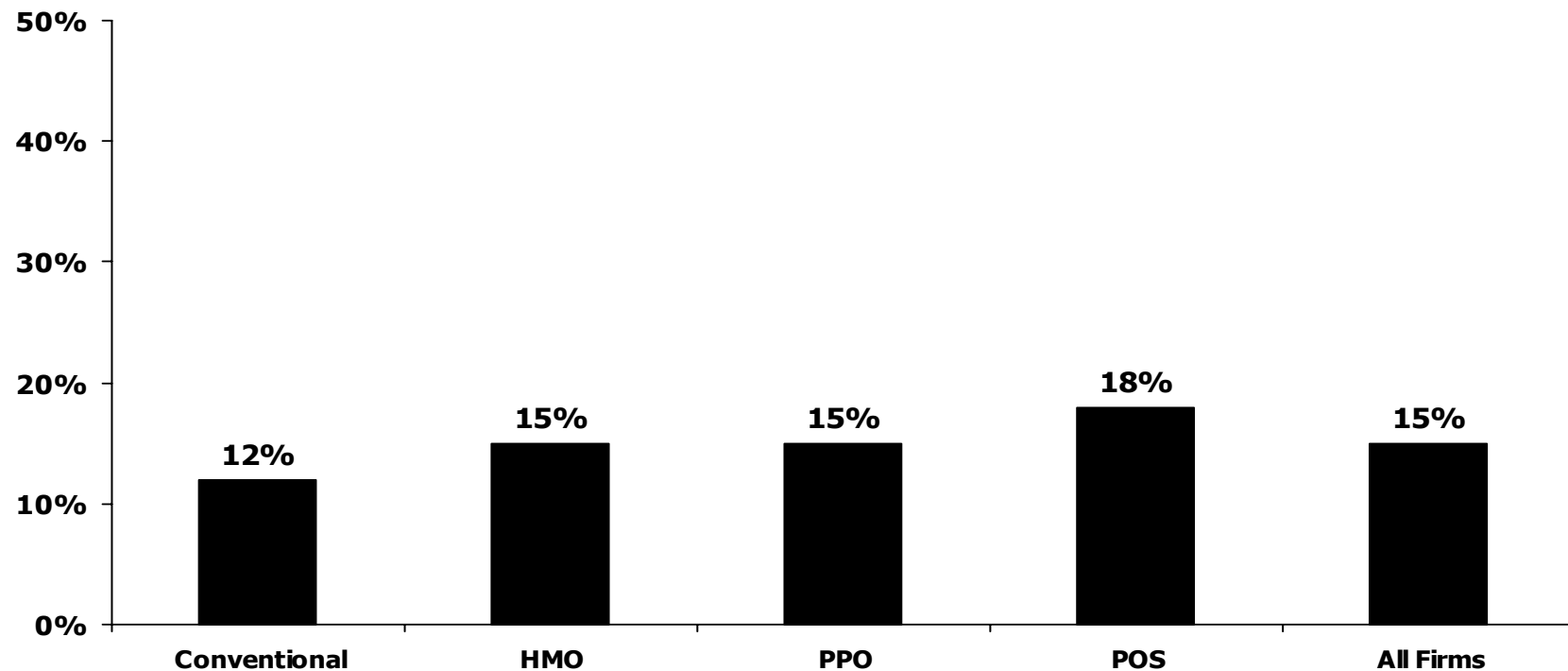


* Estimate is statistically different from the previous year shown by drug tier: 2000-2001, 2001-2002, 2002-2003.

Note: On average, generic drugs cost \$7.42 in 2000, \$8.05 in 2001, \$8.74 in 2002, and \$9.47 in 2003.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003.

Percentage of Covered Workers in Firms That Report Reducing the Items and Services That Count Toward Employees' Out-of-Pocket Limit in the Last Year, by Plan Type, 2003*



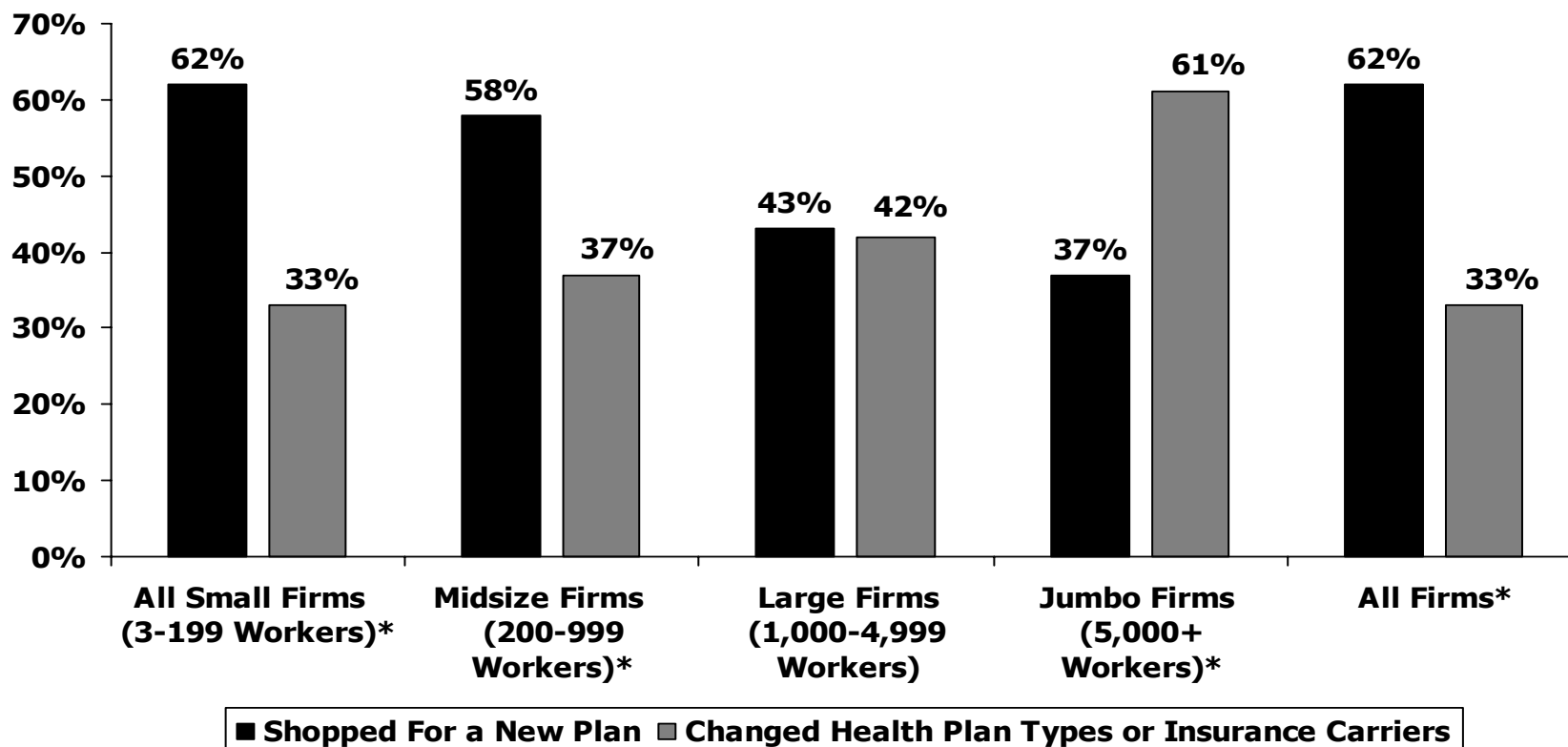
*Tests found no statistically different estimates from All Firms.

Note: The question specifically asks firms if they increased employees' out-of-pocket maximum by excluding items that formerly counted towards the limit, such as deductibles and copays for particular prescription drugs.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Employer Attitudes and Behavior

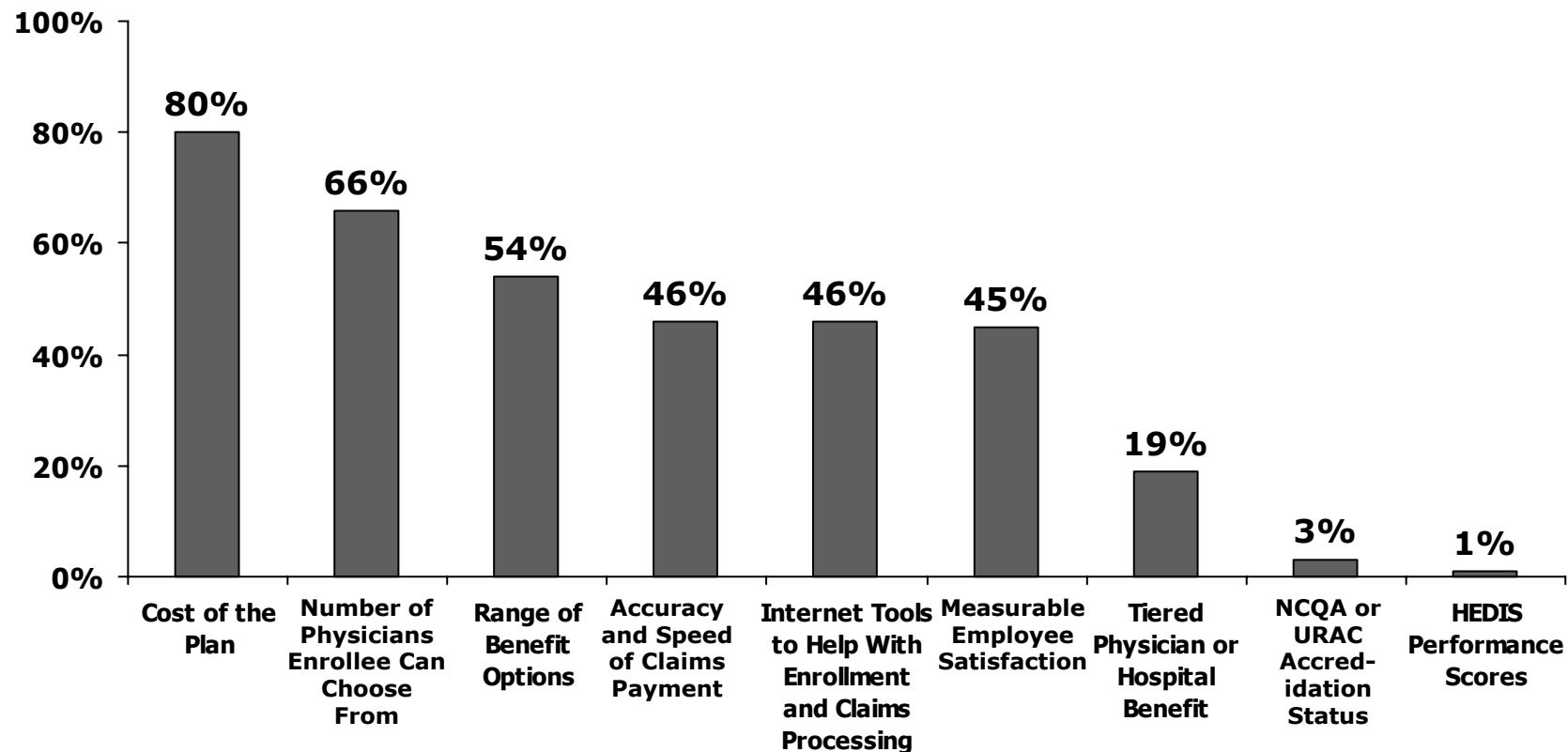
Percentage of Firms That Shopped for a New Plan, and the Percentage of These Firms Reporting That They Changed Health Plan Types or Insurance Carriers in the Last Year, by Firm Size, 2003



* Estimate is statistically different within firm size.

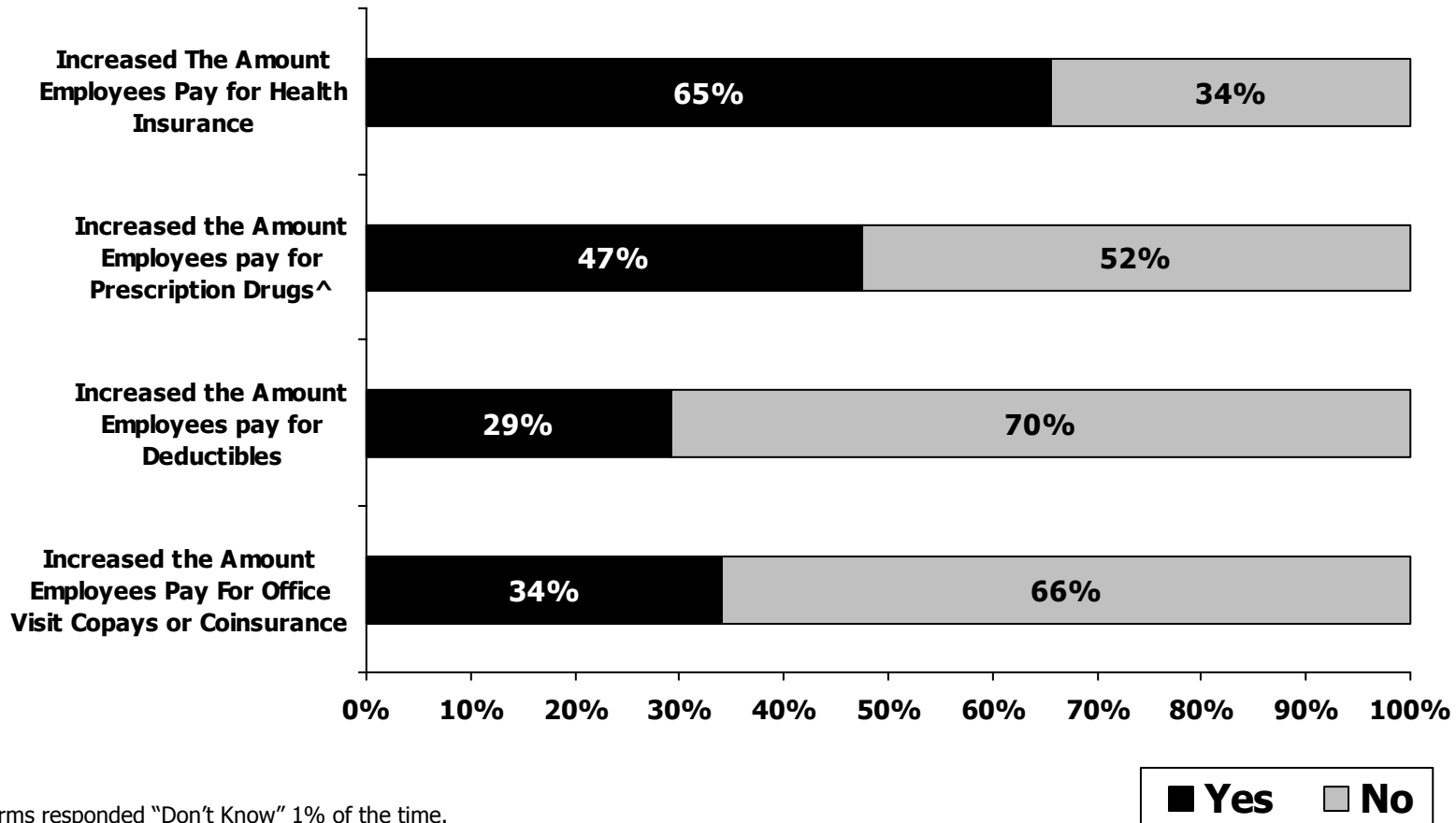
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of All Firms That Say the Following Features are 'Very Important' When Choosing a Health Plan, 2003



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

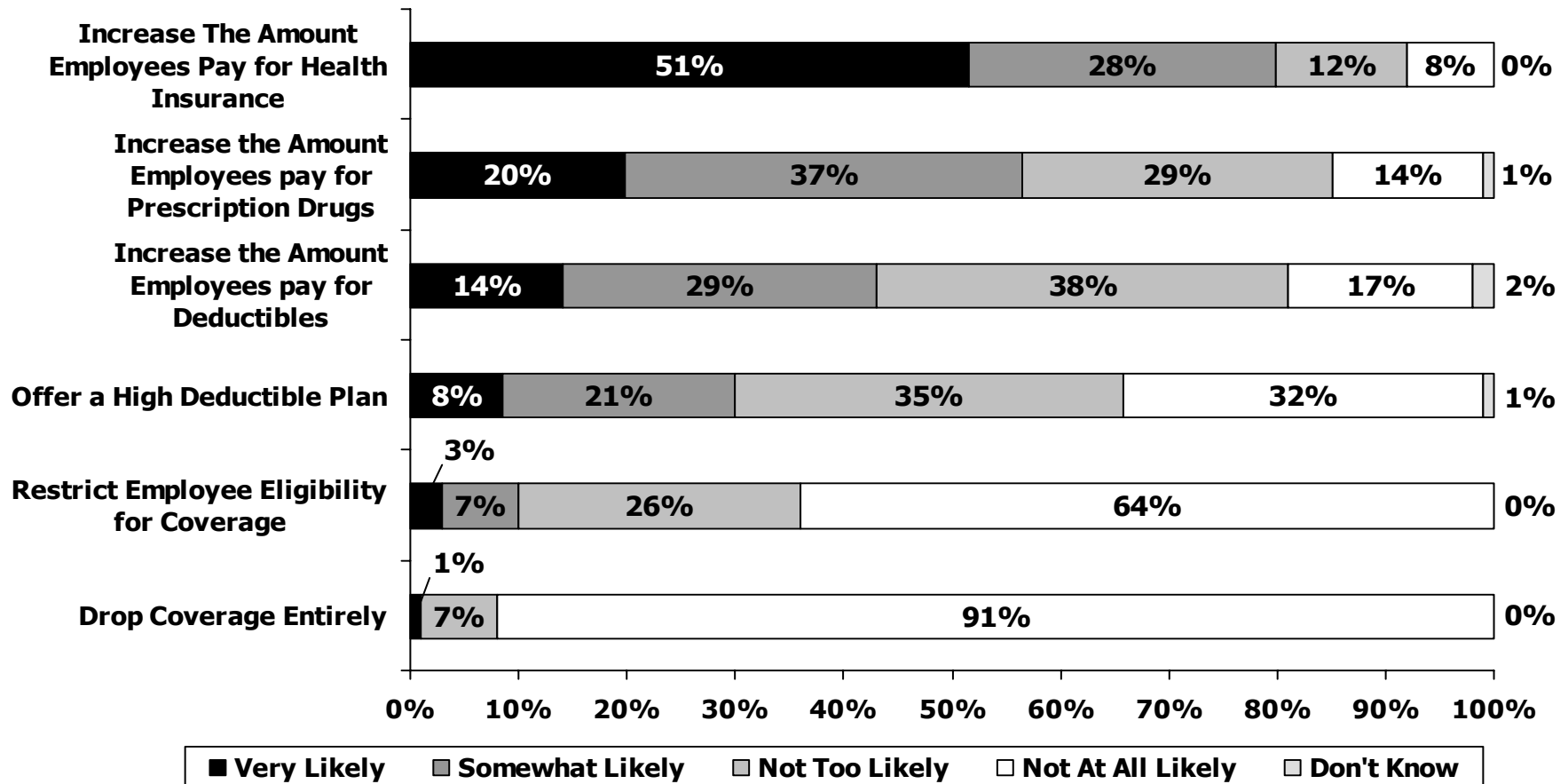
Percentage of Large Firms (200 or more workers) That Report They Have Made the Following Changes to Any of Their Health Plans in the Last Year, 2003



^ Firms responded "Don't Know" 1% of the time.

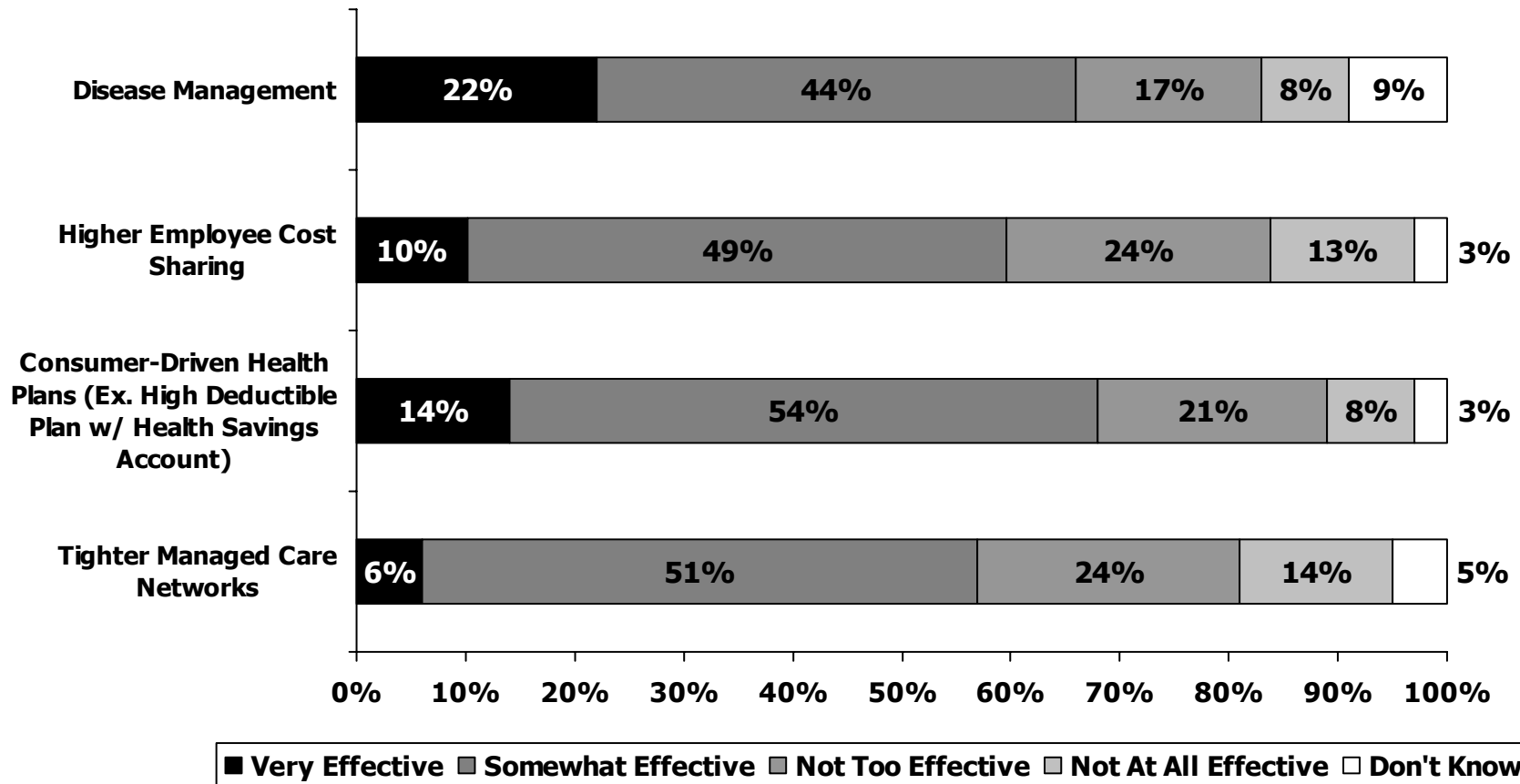
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Large Firms (200 or More Workers) That Report They Are Likely to Make the Following Changes in the Next Year, 2003



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

Percentage of Firms That Report Their Opinions on the Effectiveness of the Following Cost Containment Strategies, 2003



HSA: Health Savings Account. A pre-tax account funded by an employer that permits employees to make their own choices about how much they spend on more routine health expenses.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.



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