

EMPLOYER HEALTH BENEFITS  
2003 ANNUAL SURVEY

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Employer  
Attitudes and  
Opinions

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SECTION

12

## EMPLOYER ATTITUDES AND OPINIONS

EMPLOYERS PLAY A SIGNIFICANT ROLE IN HEALTH INSURANCE COVERAGE – PROVIDING HEALTH BENEFITS TO THREE IN FIVE NON-ELDERLY AMERICANS<sup>14</sup> – SO THEIR ATTITUDES, KNOWLEDGE, AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS.

THIS YEAR'S SURVEY ASKED EMPLOYERS A NUMBER OF QUESTIONS ABOUT THEIR RESPONSES TO RISING HEALTH INSURANCE PREMIUMS, INCLUDING COST SHARING DECISIONS AND OPINIONS ABOUT THE EFFECTIVENESS OF VARIOUS APPROACHES TO REDUCE PREMIUMS IN THE FUTURE. FIRMS GENERALLY EXPRESS SKEPTICISM THAT ANY OF THE CURRENTLY AVAILABLE COST CONTAINMENT STRATEGIES WILL DRAMATICALLY REDUCE COSTS. PERHAPS AS A RESULT, MANY FIRMS PROJECT THAT THEY ARE LIKELY TO CONTINUE RAISING WORKERS' SHARE OF COSTS NEXT YEAR.

- ▶ To get a sense of whether firms have attempted to use purchasing power to reduce their premiums, firms were asked whether they shopped for a new health plan in the last year and whether they had switched type of health plans or insurance carriers. Overall, 62% of firms said they had shopped for new plans. Of these, one third (or 20% of all firms) said they switched health plan types or carriers in the past year (EXHIBIT 12.1).
  - *Jumbo firms (5,000 or more workers) were much less likely to shop for new health plans (37%); however, among firms that shopped for new health plans, jumbo firms were most likely to report switching carriers or plan type (61%).*
  - *State and local governments and firms with union workers were far less likely to report shopping for new plans (37% and 32%, respectively) than all firms, but were just as likely to switch carriers or plan types among those who said they looked for a new plan.*
  - ▶ To get a sense of the ways firms have been addressing rising health care premiums, firms offering health coverage were asked a series of questions about the way they controlled costs this past year as well as future ways they might curb health care spending (EXHIBITS 12.2-12.4).
    - *Twenty-nine percent of all firms offering health coverage and 65% of all large firms (200 or more workers), increased the amount that workers pay for health insurance in 2003.*
    - *This year, 47% of firms say they are very or somewhat likely to increase the amount employees pay for health insurance in the next year.*
    - *A very significant proportion of large firms (200 or more employees) continue to report that they will increase the amount workers pay in the future. Of these larger firms, 79% say that they are somewhat or very likely to increase the amount that employees pay next year.*

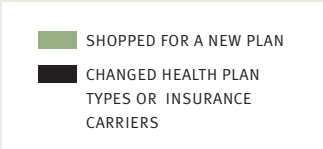
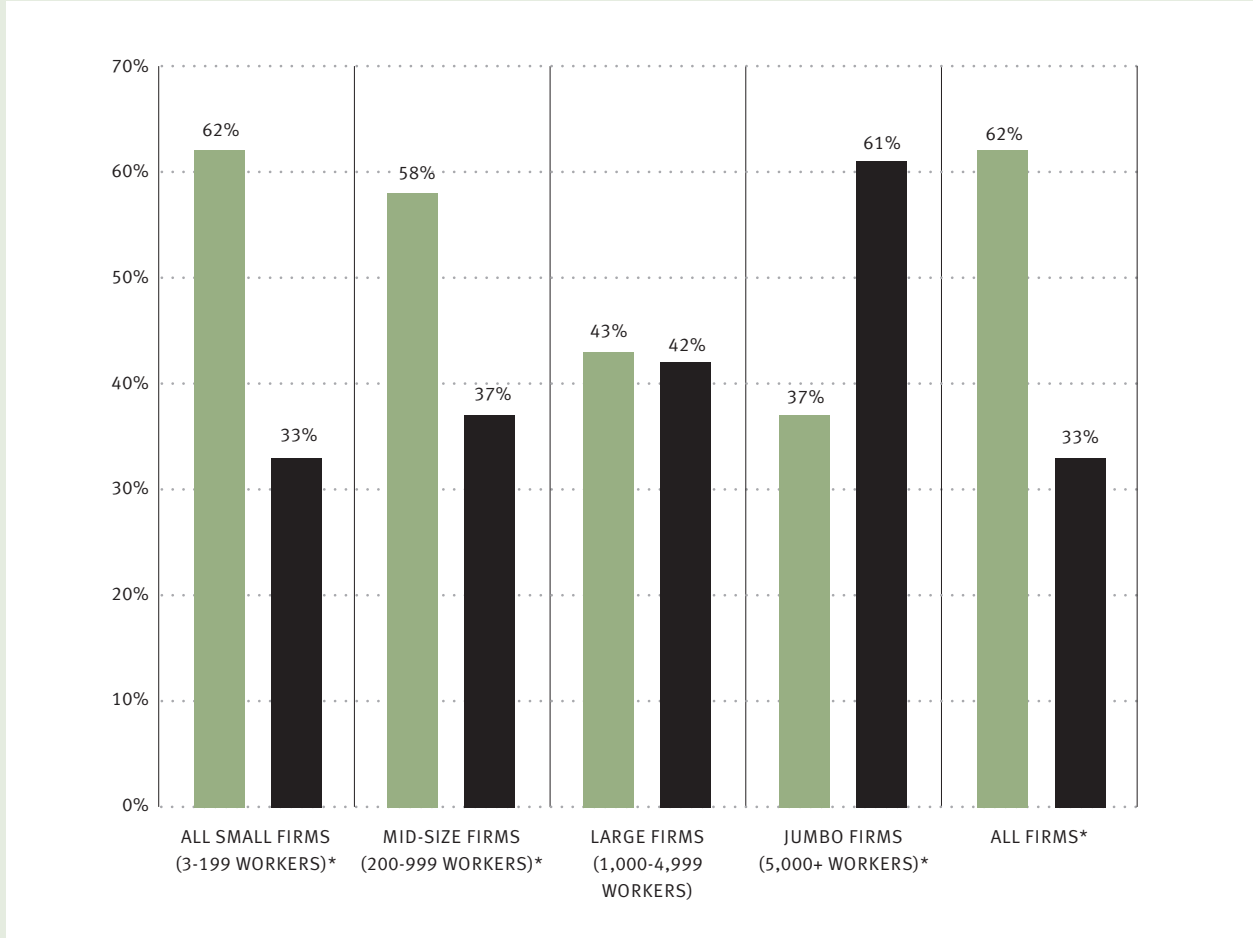
### NOTE:

<sup>14</sup> Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the March 2001 Current Population Surveys.

- *Thirty-one percent of all firms and 47% of large firms (200 or more workers) report that they increased the amount employees paid for prescription drugs in 2003.*
- *Thirty-eight percent of all firms say they are very or somewhat likely to raise employee costs for prescription drugs next year and nearly six in ten (56%) large firms say they will increase employees' share of prescription costs.*
- *Approximately one-quarter of firms (24%) report that they increased employee deductibles or office visit copayments in 2002. Looking to next year, about 39% of all firms, report that they are "very" or "somewhat" likely to increase deductibles. Thirty-seven percent of all firms report that they are very or somewhat likely to increase office visit copays or coinsurance.*
- *Few firms say they are very or somewhat likely to restrict employee eligibility for coverage or drop coverage entirely. Seven percent of firms suggest they might drop coverage in the future.*
- ▶ *While many employers plan to increase cost sharing in order to control rising costs, benefits managers are generally not optimistic about current cost containment strategies to curb rising premiums (EXHIBIT 12.5).*
- *Few respondents view current cost containment strategies as highly effective for reducing premium increases. When asked which cost containment strategies they thought were very effective, 22% of firms cited disease management; 14% said consumer-driven health plans (e.g., high-deductible plans with a health savings account); 10% listed 'higher employee cost sharing;' and 6% said 'tighter managed care networks.' Each of these strategies, however, was viewed as somewhat effective by about half of the respondents.*
- *Forty-two percent of all firms say they are interested in tighter managed care networks while 47% say they are not. Eleven percent of all firms say they don't know. At the same time, only 10% of firms and one percent of large firms (200 or more workers) think their employees would find tighter managed care networks 'very acceptable' (EXHIBITS 12.6, 12.7).*
- ▶ *Despite continuing efforts to educate firms about health plan quality, private sector efforts to accredit plans and measure quality remain largely unknown among smaller employers (EXHIBITS 12.8, 12.9).*
- *Awareness of the accreditation activities of the National Committee for Quality Assurance (NCQA) or the Utilization Review and Accreditation Committee (URAC) – non-profit organizations that evaluate managed care plans – remains unchanged from 2001 and varies by firm size. While just 14% of all small firms (3-199 workers) are familiar with NCQA, awareness rises considerably to 71% among jumbo firms (5,000 or more employees).*
- *Knowledge of the Health Plan Employer Data and Information Set (HEDIS) – a set of health plan performance measures established by NCQA – is also much lower among small firms: 6% of small firms (3-199 workers) are familiar with it, but 62% of jumbo firms (5,000 or more workers) are familiar with HEDIS.*
- *The Leapfrog Group – a private-sector initiative developed to bring large firms' health care purchasing strategies in line with the objectives of the Institute of Medicine's study on medical errors, To Err is Human – is relatively well known among the largest firms (5,000 or more workers) at 49%, but virtually unknown among small firms with fewer than 1,000 employees (5%) (EXHIBIT 12.10).*

EXHIBIT 12.1

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



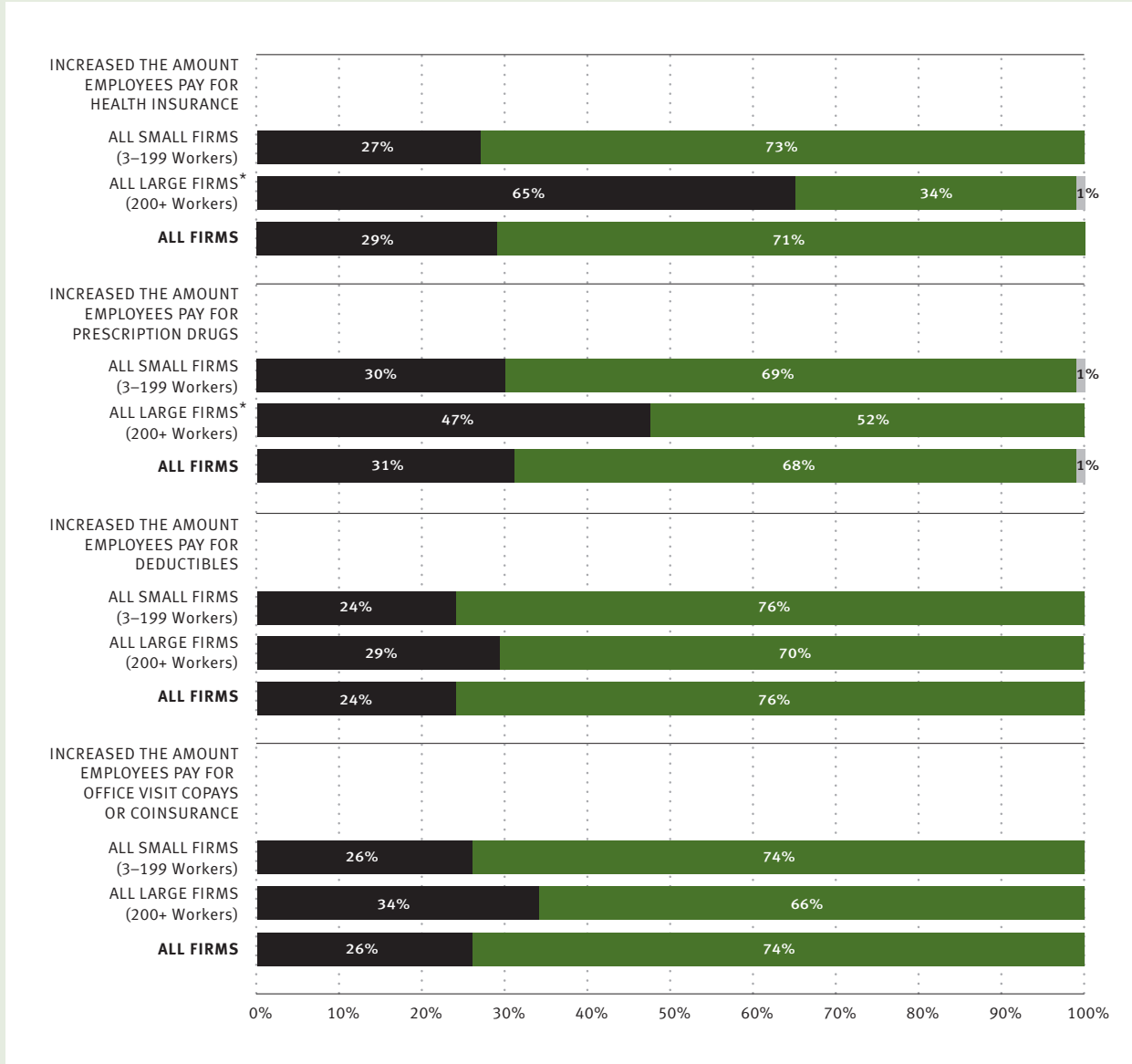
SOURCE :

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

\* Estimates are statistically different within firm size.

EXHIBIT 12.2

Percentage of Firms That Report They Have Made the Following Changes to Any of Their Health Plans in the Last Year, 2003



SOURCE :

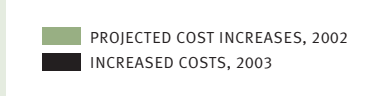
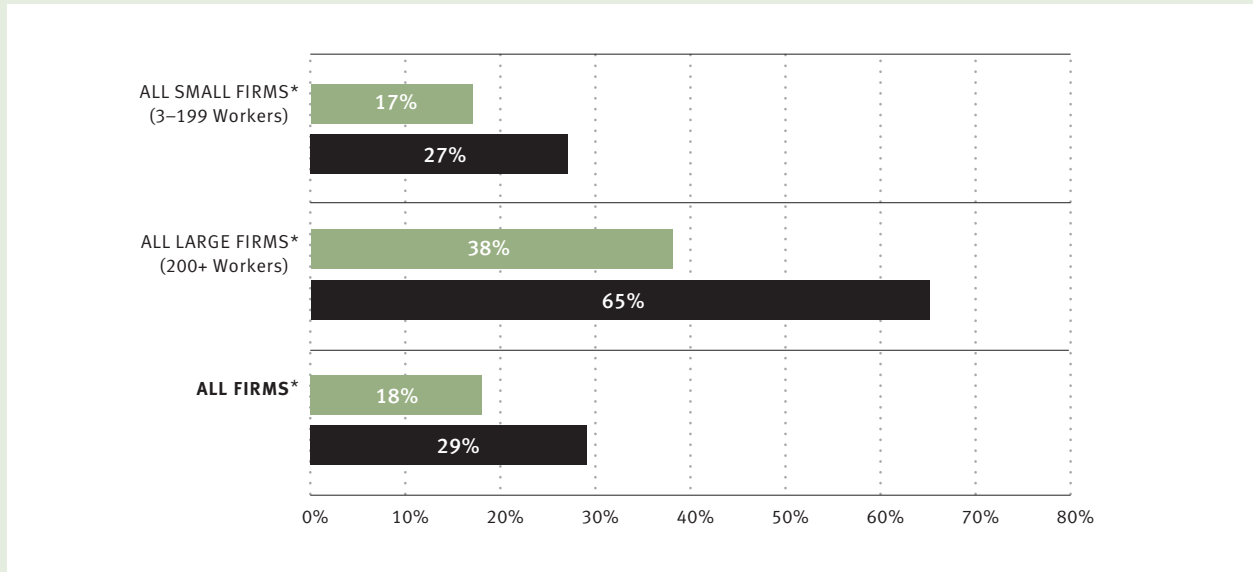
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

\* Distribution is statistically different from All Firms.

YES  
NO  
DON'T KNOW

EXHIBIT 12.3

Percentage of Firms in 2002 That Reported They Were Very Likely to Increase Employee Cost for Coverage Compared to Those That Report They Increased Employee Costs in 2003, by Firm Size



SOURCE :

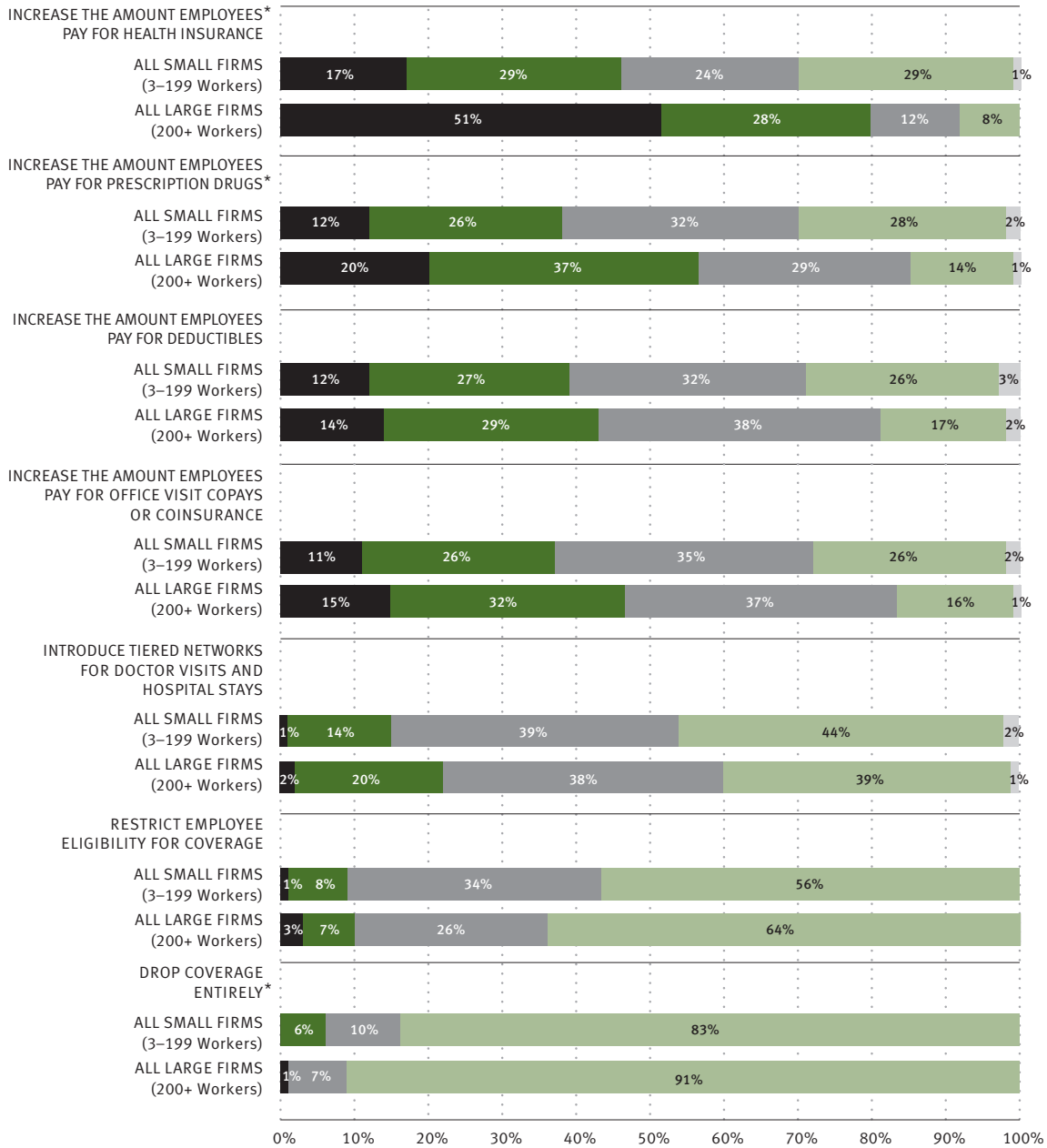
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002, 2003.

\* Estimates are statistically different within firm size.

Note: In 2002, 28% of all firms reported that they were 'somewhat likely' to increase the employee's share of cost in the next year. Twenty-eight percent of all small firms said they were 'somewhat likely' to increase employee costs compared to 40% of large firms.

EXHIBIT 12.4

Percentage of Firms That Report They Are Likely to Make the Following Changes in the Next Year, by Firm Size, 2003



SOURCE :

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

\* Distributions are statistically different by firm size.

Note: Data for All Firms are nearly identical to data reported for All Small Firms.

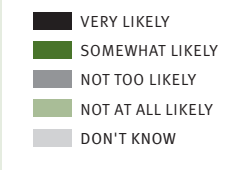
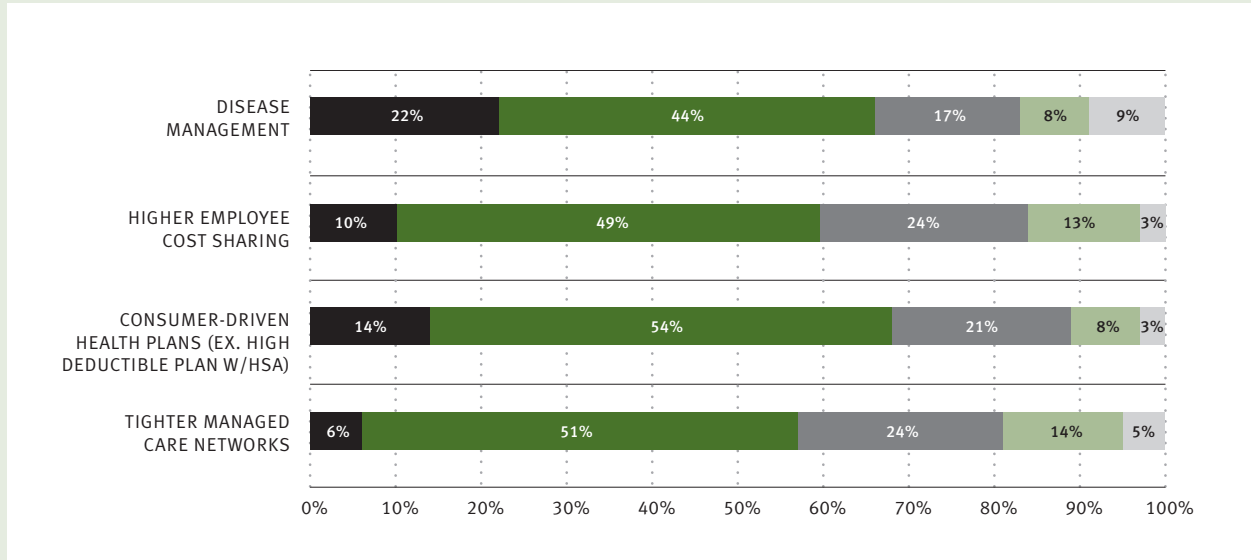


EXHIBIT 12.5

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



VERY EFFECTIVE  
 SOMEWHAT EFFECTIVE  
 NOT TOO EFFECTIVE  
 NOT AT ALL EFFECTIVE  
 DON'T KNOW

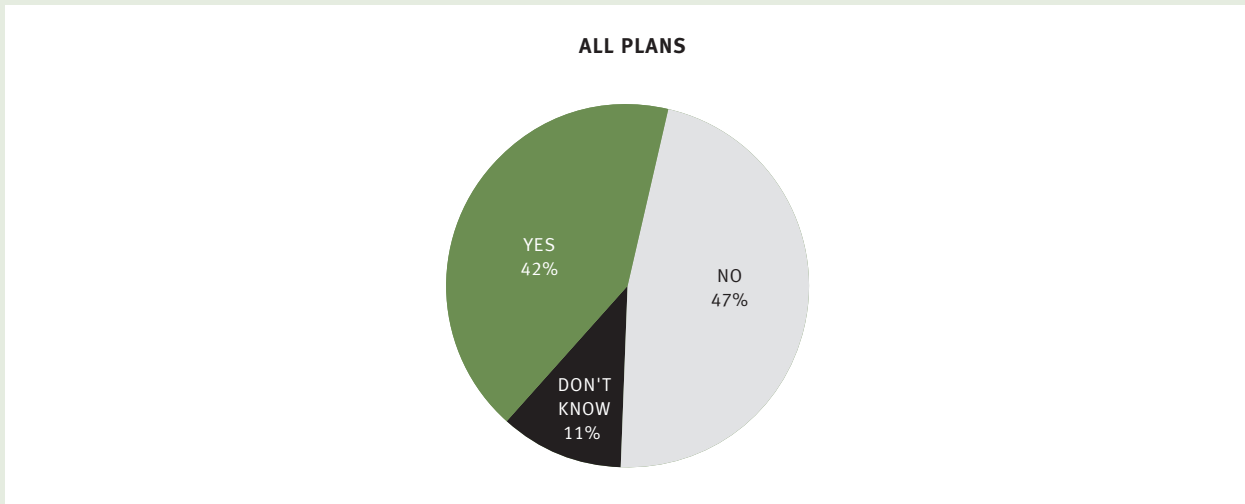
SOURCE :

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

EXHIBIT 12.6

Percentage of Firms That Are Interested in Having Tighter Managed Care Networks to Reduce Premium Increases, 2003

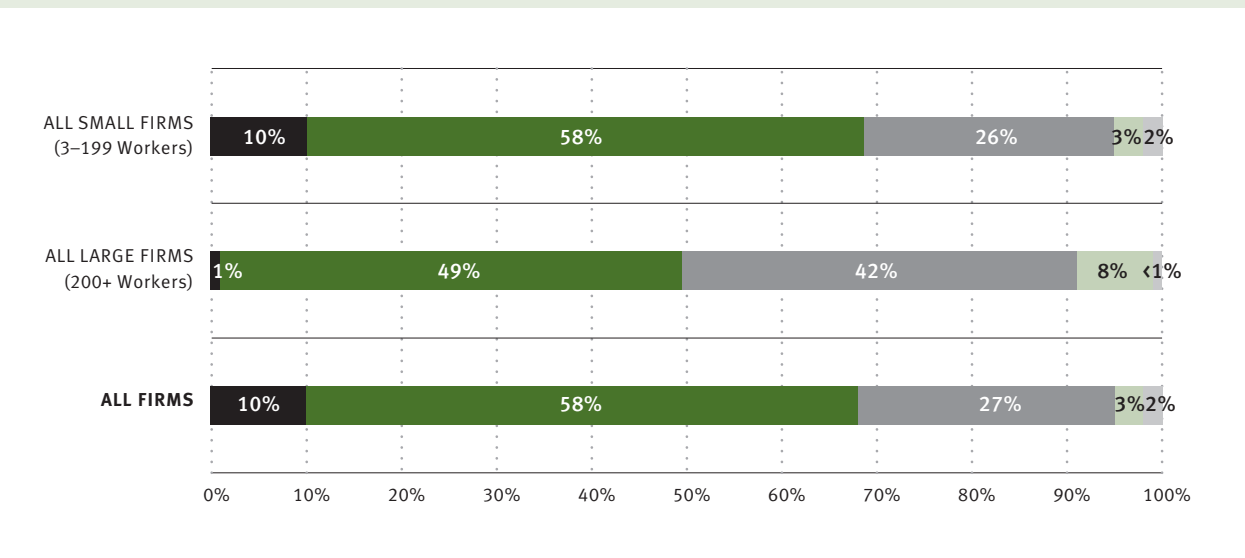


SOURCE :

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

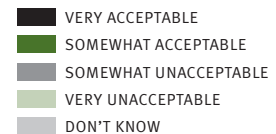
EXHIBIT 12.7

Percentage of Firms That Report Their Employees Would Find Tighter Managed Care Networks Acceptable to Varying Degrees, by Firm Size, 2003\*



SOURCE :

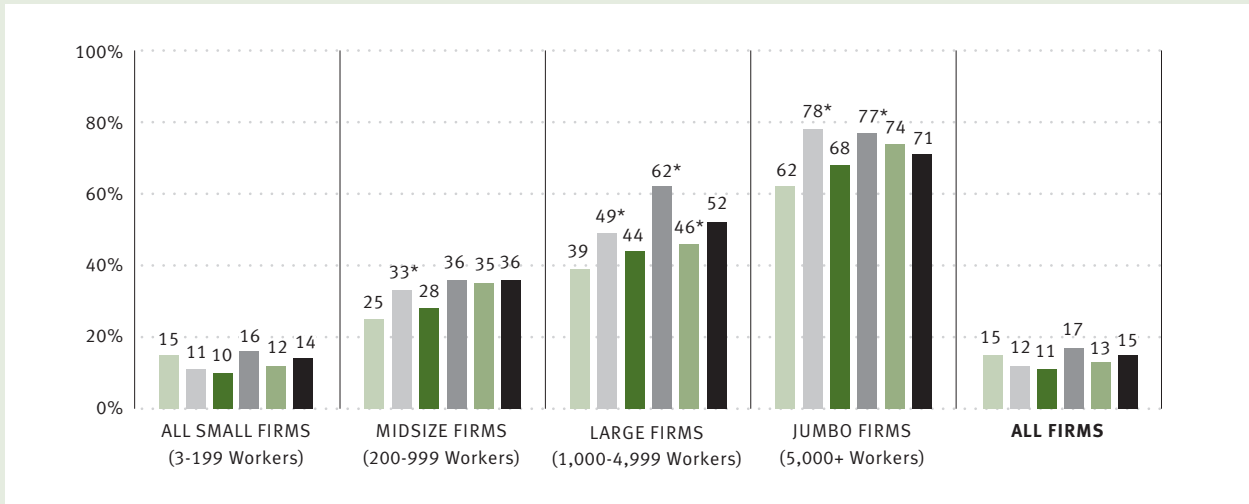
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.



\* Tests found no statistically different distributions by Firm Size.

EXHIBIT 12.8

Percentage of Firms That Are Familiar with NCQA or URAC Accreditation, by Firm Size, 1996-2003



SOURCE :

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

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

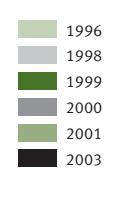


EXHIBIT 12.9

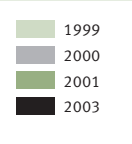
Percentage of Firms That Are Familiar with HEDIS, by Firm Size, 1999-2001 and 2003



SOURCE :

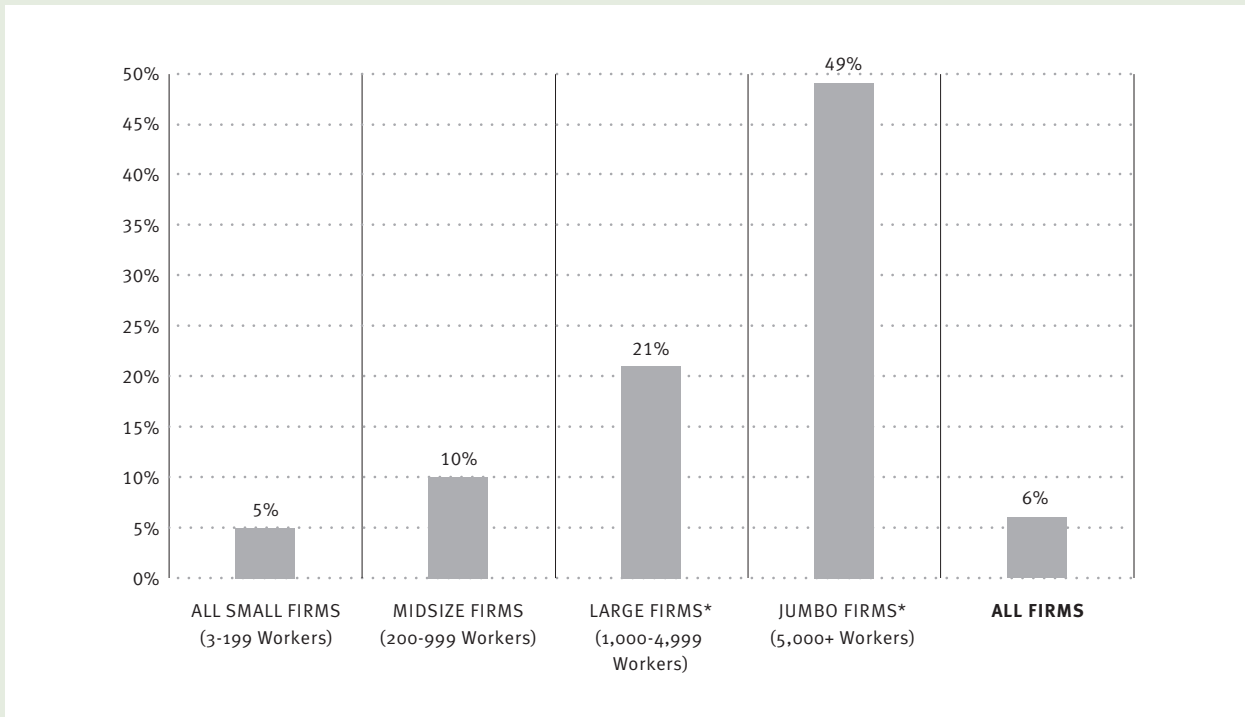
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2003.

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



## EXHIBIT 12.10

## Percentage of Firms That Are Familiar With The Leapfrog Group, by Firm Size, 2003



## SOURCE :

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

\* Estimate is statistically different from All Firms.

The Leapfrog Group: An organization founded by the Business Roundtable that seeks to encourage large employers to reward health plans and hospitals that make breakthrough improvements in patient safety and quality.

Note: In 2002, 28% of all firms reported that they were 'somewhat likely' to increase the employee's share of cost in the next year. Twenty-eight percent of all small firms said they were 'somewhat likely' to increase employee costs compared to 40% of large firms.

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