

EMPLOYER HEALTH BENEFITS  
2003 ANNUAL SURVEY

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# Health Benefits Offer Rates

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SECTION

2

## HEALTH BENEFITS OFFER RATES

DESPITE ANOTHER YEAR OF DOUBLE-DIGIT PREMIUM GROWTH, 2003 SURVEY RESULTS SHOW THAT FIRMS, INCLUDING SMALL FIRMS, CONTINUE TO OFFER COVERAGE TO THEIR WORKERS AT THE SAME RATE AS LAST YEAR (EXHIBIT 2.1). NEARLY ALL LARGE BUSINESSES (WITH 200 OR MORE WORKERS) OFFER HEALTH INSURANCE TO THEIR EMPLOYEES. SMALLER BUSINESSES, ESPECIALLY VERY SMALL FIRMS OR 'MOM AND POP SHOPS' WITH 3-9 WORKERS, REMAIN MUCH LESS LIKELY TO OFFER COVERAGE, WITH JUST OVER ONE-HALF OF THE SMALLEST FIRMS OFFERING HEALTH BENEFITS TO THEIR WORKERS.

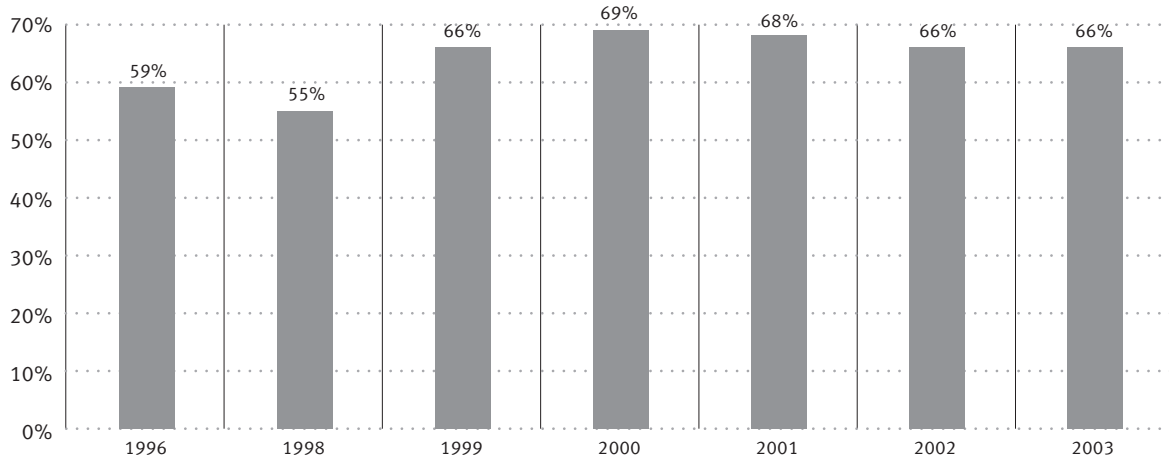
AS DISCUSSED IN THE SECTION ON SURVEY DESIGN AND METHODS, REVISIONS IN THE SAMPLE DESIGN HAVE INCREASED THE LEVEL OF THE OFFER RATE FOR THIS YEAR AND PRIOR YEARS. WEIGHTING BASED ON CENSUS DATA THIS YEAR REVISES EARLIER ESTIMATES BASED ON THE DUN & BRADSTREET SAMPLE FRAME WHICH OVERESTIMATED THE INFLUENCE OF SMALL EMPLOYERS (WHO HAVE A RELATIVELY LOW OFFER RATE) ON THE TOTAL RESULTS.

- ▶ The percentage of small firms (3-199 workers) offering health insurance is 65%, statistically unchanged from last year. (EXHIBIT 2.2).
  - *The smallest firms are least likely to offer health insurance. Only 55% of firms with 3-9 workers offered coverage in 2003, but that figure rises to 76% for firms with 10-24 employees and 84% for companies with 25-49 employees. Among firms with 50 or more employees, nearly all offer coverage (EXHIBIT 2.2).*
- ▶ The likelihood that a firm offers health benefits to its workers varies considerably with the economic and demographic characteristics of the firm, such as firm size, the proportion of part-time workers in the firm, and firms with union workers (EXHIBIT 2.3).
  - *Firms with many part-time workers – where 35% or more of employees work part-time – are also less likely to provide coverage to their workers. Among these heavily part-time firms, only 32% offer health insurance, in contrast to 70% of firms with fewer part-time workers.*
  - *Firms that employ union workers are significantly more likely than other firms to offer coverage to their workers, with 91% offering coverage. In contrast, only 60% of firms that do not have union employees offer health insurance to their workers.*
- ▶ In this era of rapidly rising health care premiums, cost continues to be the most important factor cited by small employers as the reason they do not offer health insurance (EXHIBIT 2.4).
  - *Seventy-six percent of small firms (3-199 workers) that do not offer coverage cite high premiums as a very important reason for not doing so.*

- *Other factors cited by small employers as very important reasons for not offering coverage include: the firm is too small (56%); employees are covered elsewhere (36%); firm can attract good employees without offering health insurance (23%); and administrative hassle (14%).*
- ▶ Although cost is often identified as the primary reason that many small firms do not offer health benefits, their decisions may also reflect their views about their employees' preferences for wages over health benefits. When non-offering employers were asked to assess whether their employees would prefer an additional \$2 per hour in wages (approximately the average cost of health insurance per worker) or health benefits, nearly 80% answered that their employees would prefer higher compensation rather than receiving health benefits. This suggests that even a significant upturn in the economy may not move the small firm offer rate significantly higher.
- ▶ Despite significant premium increases in recent years, very few employers indicate that they are likely to drop coverage or restrict eligibility for benefits in the near future.
- *Less than one percent of employers said that they were very likely to drop coverage in the next two years, and only six percent indicated that they were somewhat likely to drop (see Section 12). Similarly, only two percent of employers said that they were likely to restrict eligibility for benefits in the near future, with an additional eight percent indicating that they were somewhat likely to do so.*
- ▶ Among firms that do not offer health benefits to their employees, the average amount these firms estimate they could pay for an employee's health insurance is \$153 per month. The average amount these firms estimate their workers could afford to pay for health insurance is \$99 per month (EXHIBIT 2.6).
- *Twenty-one percent of firms estimate they could contribute between \$101 and \$200 monthly per employee, and another 15% estimate they could contribute more than \$200 monthly.*
- ▶ Cost pressures appear to have encouraged some to shift towards alternative benefit designs (EXHIBITS 2.7, 2.8).
- *There has been considerable interest in so-called consumer-driven health plans. One commonly advocated model pairs a relatively large deductible plan (e.g., a \$1,000 deductible) with a health savings account. A health savings account is 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 care expenses.*
- *Five percent of all firms, and 17% of firms with more than 5,000 employees, report offering a health plan with a high deductible (greater than \$1,000 for a single individual) in 2003. Of the firms offering these plans, approximately 13% (representing 0.1% of all firms) report supplementing the plan by offering a health savings account (EXHIBIT 2.7).*
- *Although the number of employers offering high deductible plans has been modest to date, employer interest in this approach may fuel future growth. When asked about changes that they may make to their health plans in the future, 8% of employers overall, and 16% of employers with more than 5,000 employees said that they were very likely to introduce a high-deductible plan in the next year (EXHIBIT 2.8).*

## EXHIBIT 2.1

## Percentage of All Firms Offering Health Benefits, 1996-2003



## SOURCE:

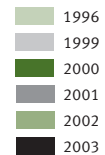
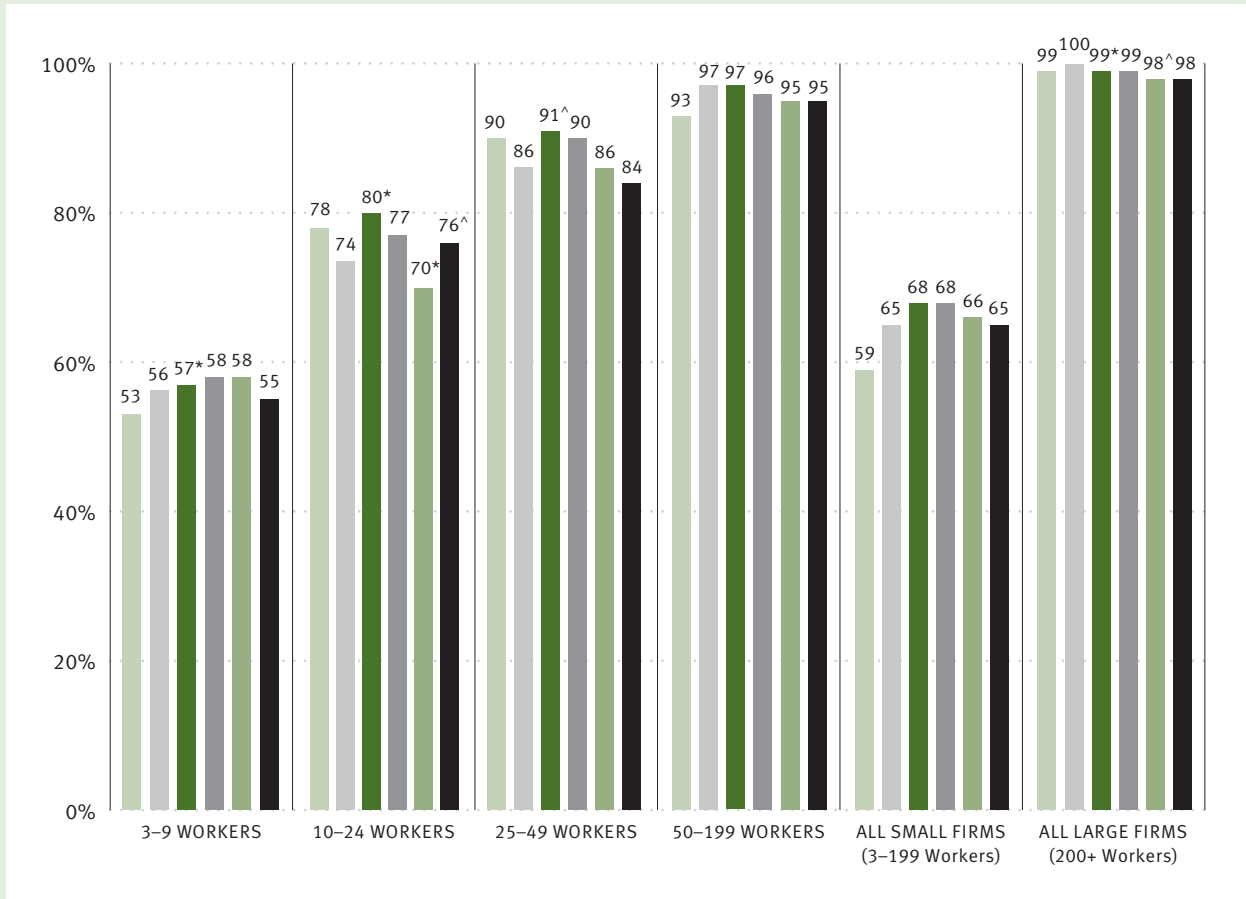
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

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

EXHIBIT 2.2

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



SOURCE:

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

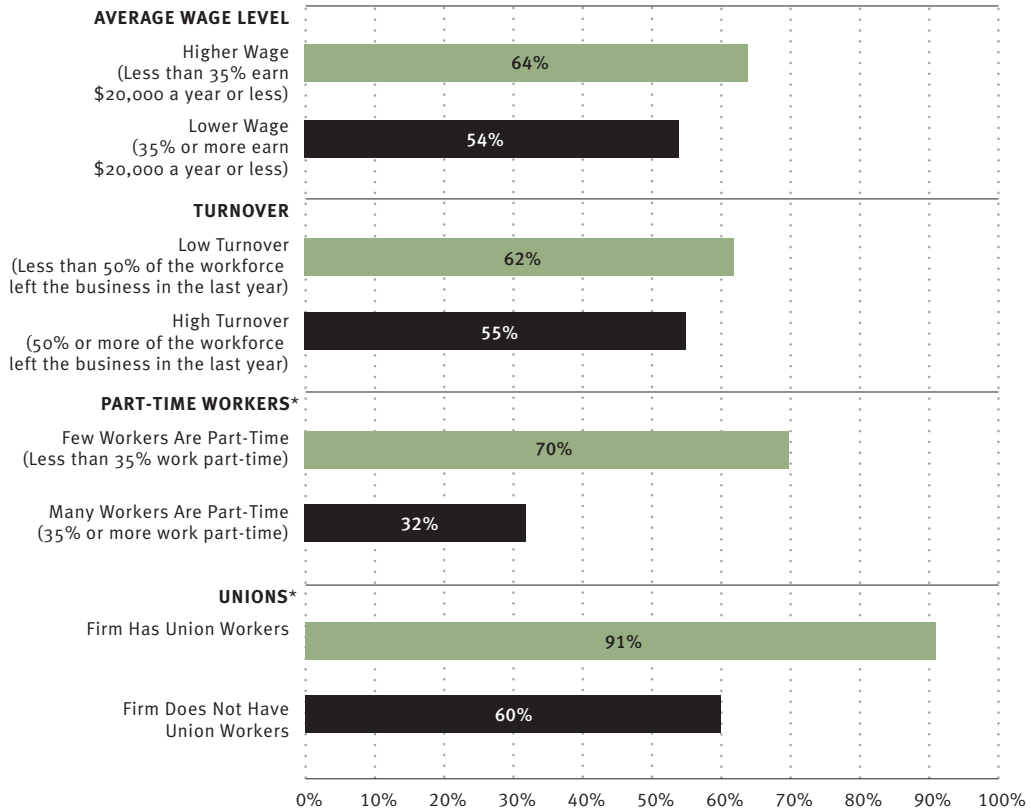
\* Estimate is statistically different from the previous year shown at  $p < 0.05$ : 1996-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003.

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

Note: 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.

EXHIBIT 2.3

Percentage of All Firms Offering Health Benefits, by Firm Characteristics, 2003



SOURCE :

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

\* Estimate is statistically different from each other within categories.

Note: These estimates include only firms that answered the full survey. Therefore, the All Firm offer rate estimate is different from that presented in Exhibit 2.2 (62% vs. 66%). The two estimates are not statistically different.

## EXHIBIT 2.4

## All Small Firms' (3-199 Workers) Reasons for Not Offering Health Benefits, 2003

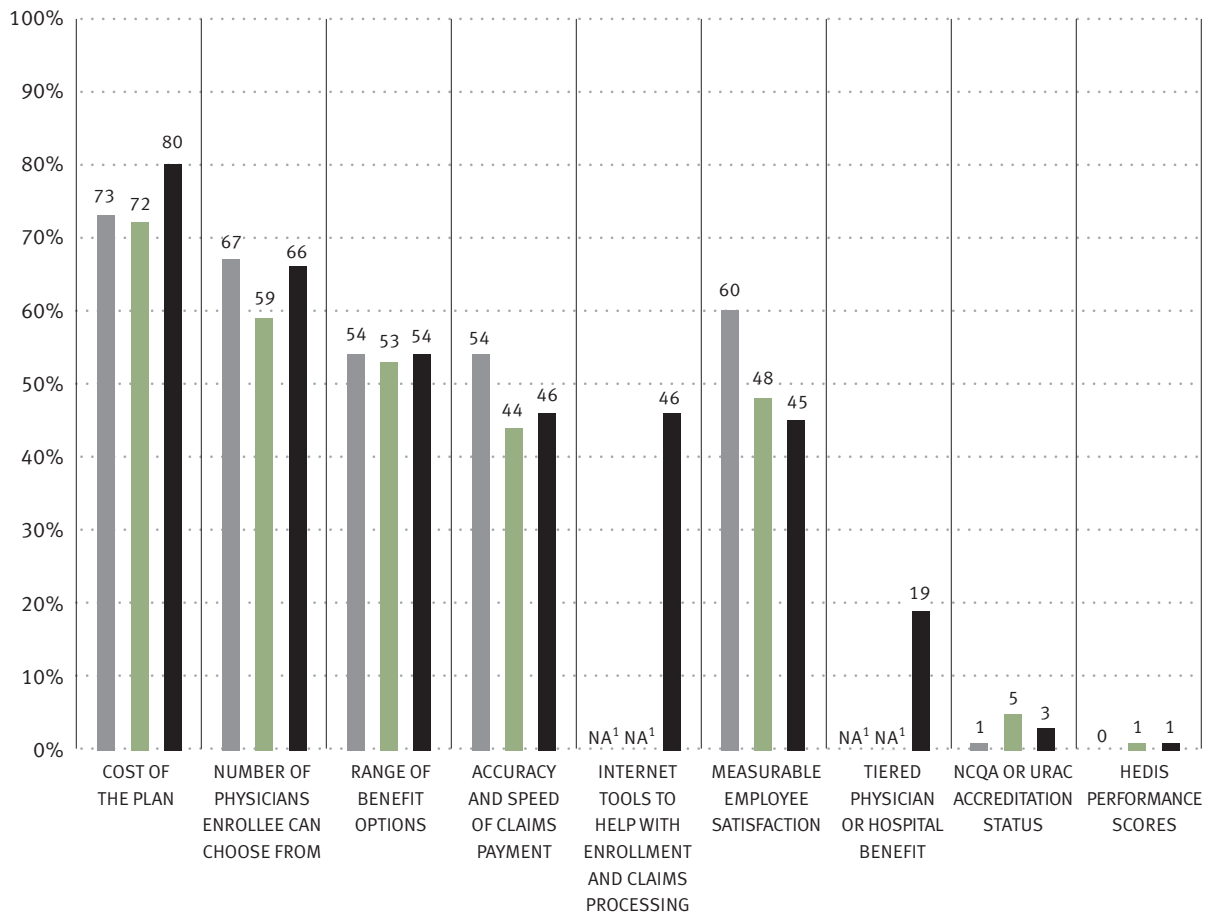
	<i>Very Important</i>	<i>Somewhat Important</i>	<i>Not Too Important</i>	<i>Not At All Important</i>	<i>Don't Know</i>
High Premiums	76%	15%	1%	6%	3%
Employees Covered Elsewhere	36%	27%	18%	19%	1%
High Turnover	6%	15%	26%	51%	2%
Obtain Good Employees Without Offering A Health Plan	23%	34%	18%	23%	4%
Administrative Hassle	14%	32%	25%	29%	1%
Firm Too Newly Established	6%	5%	11%	78%	0%
Firm Is Too Small	56%	25%	5%	13%	1%
Firm Has Seriously Ill Employee	8%	4%	2%	87%	0%

## SOURCE:

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

EXHIBIT 2.5

Percentage of All Firms That Say the Following Features Are Very Important When Choosing a Health Plan, 1999, 2001 and 2003\*



1999  
2001  
2003

SOURCE :

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

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

<sup>1</sup> Firms were not asked this question in 1999 and 2001.

## EXHIBIT 2.6

## Among Small Firms (3-199 Workers) Not Offering Coverage, Estimated Amount That Firms and Their Employees Could Afford to Pay for Health Insurance, 2003

	<i>Estimated Amount the Firm Thinks It Could Afford to Pay for Health Insurance</i>	<i>Estimated Amount the Firm Thinks Its Employees Could Afford to Pay for Health Insurance</i>
\$0	8%	5%
\$50 or Less	16%	29%
\$51-\$100	21%	30%
\$101-\$200	21%	18%
More Than \$200	15%	2%
Don't Know/Refused	18%	16%

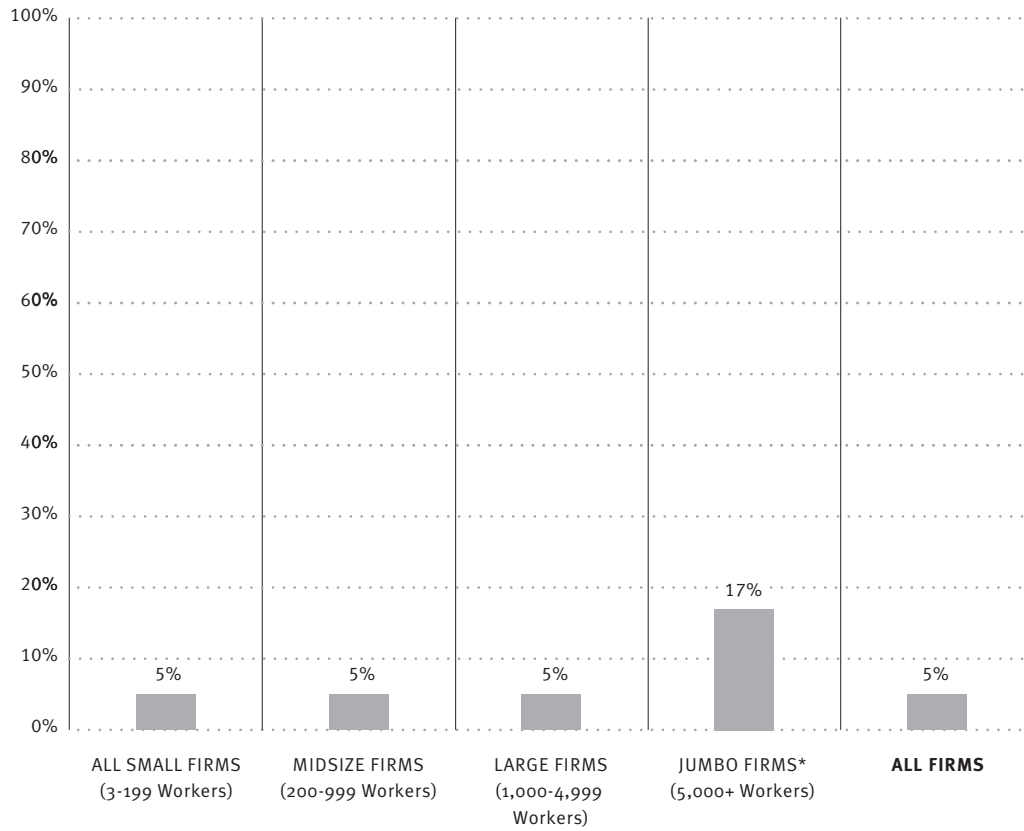
## SOURCE:

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

Note: The average amount businesses who do not offer coverage estimate they could pay for an employee's health insurance is \$153 per month. The average amount they estimate that their employees could pay for health insurance is \$99 per month.

EXHIBIT 2.7

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



SOURCE :

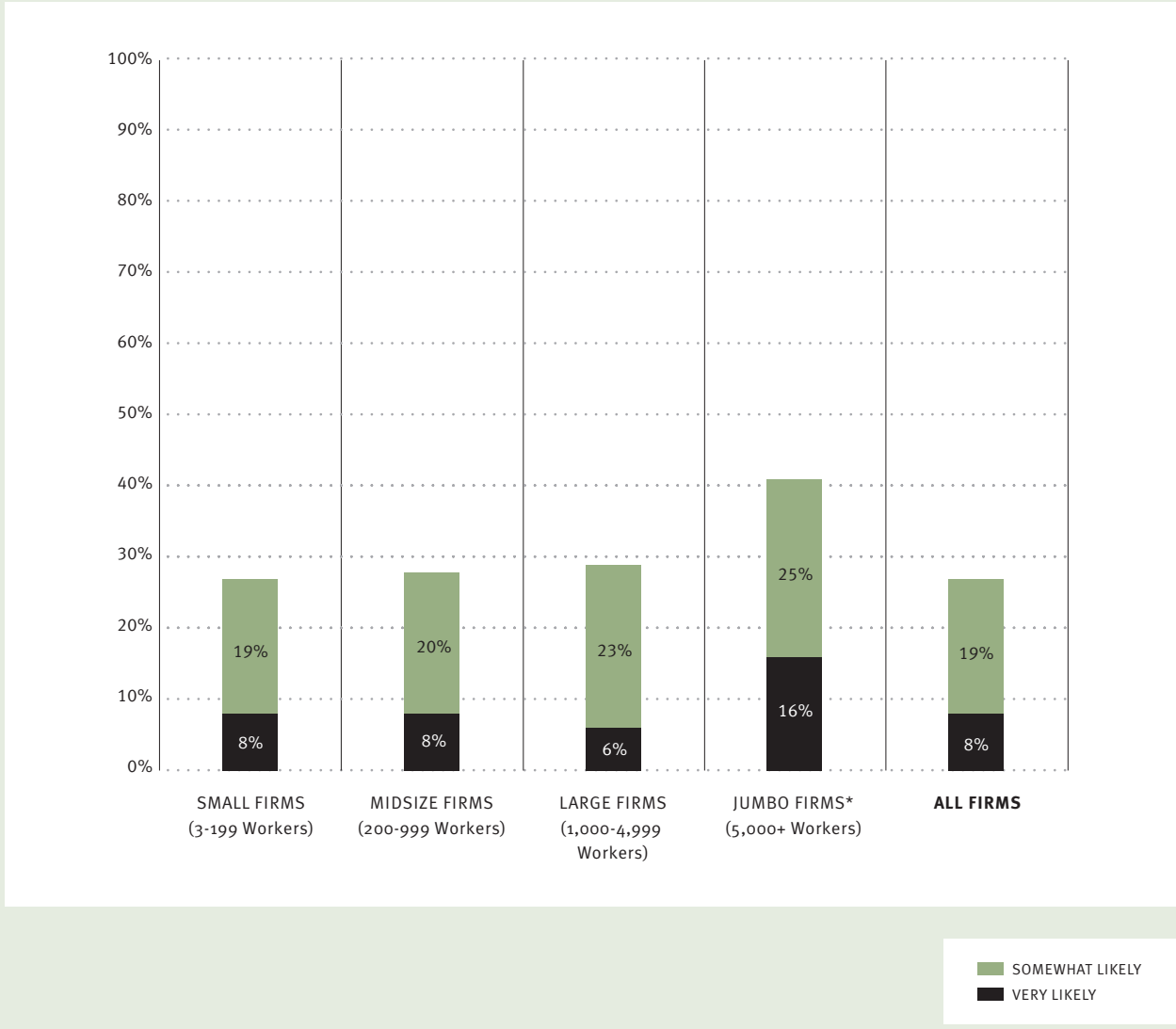
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

\* Estimate is statistically different from All Firms.

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

EXHIBIT 2.8

Percentage of Firms That Say They Are Very or Somewhat Likely to Offer Workers a High-Deductible Plan in the Next Year, 2003



SOURCE:

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

\* Column estimate is statistically different from All Firms.

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

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