

EMPLOYER HEALTH BENEFITS  
2003 ANNUAL SURVEY

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Employee  
Coverage,  
Eligibility, and  
Participation

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SECTION

3

## EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRIMARY SOURCE OF HEALTH INSURANCE IN THE U.S., COVERING 62% OF ALL EMPLOYEES (INCLUDING BOTH FULL AND PART-TIME) (EXHIBIT 3.1).<sup>8</sup> WHILE OTHER WORKERS MAY HAVE COVERAGE THROUGH THEIR SPOUSE'S JOB, MANY DO NOT HAVE THAT OPTION. CENSUS BUREAU ESTIMATES REPORT THAT NEARLY ONE IN FIVE WORKERS ARE UNINSURED.<sup>9</sup>

THE PRIMARY REASON WORKERS ARE UNINSURED IS BECAUSE THEIR EMPLOYERS DO NOT OFFER HEALTH BENEFITS, PARTICULARLY IN SMALL BUSINESSES. YET, EVEN IN BUSINESSES THAT OFFER COVERAGE, SOME EMPLOYEES ARE INELIGIBLE FOR THAT COVERAGE OR DO NOT SIGN UP BECAUSE THEY MUST PAY A SIGNIFICANT SHARE OF THE PREMIUM.

- ▶ Among firms offering health benefits, 68% of workers are covered by their firm's health plan, a similar rate to last year (EXHIBIT 3.2).
  - Coverage rates do not differ significantly by firm size, but they do vary by industry, likely due to differences in eligibility. The coverage rate for workers in the retail industry is 45%, compared to coverage rates of 82% for state and local government workers and 77% for those working in the transportation, communication, and utility industries (EXHIBIT 3.2).
  - Higher wage firms (fewer than 35% of workers earn \$20,000 or less annually) have higher coverage rates than lower wage firms (35% or more of workers earn \$20,000 or less annually). Seventy-one percent of workers are covered in higher wage firms that offer health benefits, compared with 51% of workers in lower wage firms offering benefits.
- ▶ Not all employees are eligible for their firm's health benefits and not all who are eligible choose to participate in them.
  - The number of workers covered is a product of both the percentage of workers who are actually eligible for the firm's health insurance and the percentage who choose to "take-up" (i.e., elect to participate in) the benefit (EXHIBIT 3.2).
    - In firms offering benefits, 84% of small firms' (3-199 workers) employees and 80% of all large firms' (200 or more workers) employees are eligible for health benefits, statistically unchanged from last year.
    - Participation (the take-up rate) is high across all firm sizes at 83%.

### NOTES:

<sup>8</sup> As discussed in the section on Survey Design and Methods, revisions in the sample design have increased the level of the coverage rate reported for this year and prior years, in large part because the influence of small employers (who are less likely to cover their workers) on the total results has been reduced.

<sup>9</sup> U.S. Census Bureau estimates based on the March 2002 Current Population Survey report that 15% of all individuals in the U.S. are uninsured and that 14% of the non-elderly uninsured are in households with at least one worker.

- *Small firms' (10-49 workers) workers have a lower than average take-up rate (76%), as do retail workers (72%). Take-up rates are higher in transportation, communication, and utility firms (89%) and in state and local governments (92%).*
- ▶ Workers eligible for health coverage usually have the option to choose coverage for themselves or their dependents (though the cost to the worker of covering dependents is generally higher than for single coverage) (EXHIBIT 3.5).
- *Overall, 45% of covered workers elect single coverage, 16% elect single coverage plus one, and 39% elect family coverage.*
- *Among small firms (3-199 workers), the proportion of covered workers who elect family coverage has declined slightly, from 39% of covered workers in 2001 to 33% in 2003.*
- ▶ This year showed little change in firms offering health benefits to part-time workers and temporary employees (EXHIBITS 3.6, 3.7).
- *Forty-six percent of workers are in firms where part-time workers are offered health benefits, similar to last year (47%). Consistent with previous years, part-time workers in large firms (200 or more workers) were nearly twice as likely to work for firms that offer health coverage (55%) than part-time workers employed by small firms (3-199 workers) (29%).*
- *The percentage of workers in firms where temporary workers are eligible for health benefits remains low (7%).*
- ▶ Some new employees may not have worked long enough in a firm to qualify for health benefits. Average waiting periods for health coverage for new employees range from 1.3 months in jumbo firms (5,000 or more workers) to 3.5 months in the smallest firms (3-9 workers) (EXHIBITS 3.8, 3.9).

## EXHIBIT 3.1

Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1996-2003\*

	1996	1998	2000	2001	2002	2003
<b>FIRM SIZE</b>						
3-9 Workers	36%	31%	43%	42%	39%	39%
10-24 Workers	52	43	57	54	50	49
25-49 Workers	66	55	63	62	57	59
50-199 Workers	64	63	62	67	64	61
200-999 Workers	N/A	N/A	69	71	69	68
1,000-4,999 Workers	N/A	N/A	68	69	70	69
5,000+ Workers	N/A	N/A	66	69	68	68
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>52%</b>	<b>47%</b>	<b>57%</b>	<b>58%</b>	<b>54%</b>	<b>53%</b>
<b>ALL LARGE FIRMS (200+ WORKERS)</b>	<b>N/A</b>	<b>N/A</b>	<b>67%</b>	<b>69%</b>	<b>69%</b>	<b>68%</b>
<b>ALL FIRMS</b>	<b>N/A</b>	<b>N/A</b>	<b>63%</b>	<b>65%</b>	<b>63%</b>	<b>62%</b>

## SOURCE :

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

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

Note: Exhibit 3.1 calculates the total percentage of covered workers from the universe of all workers – including those employees in firms that do not offer coverage. All other exhibits in this chapter calculate coverage among firms that offer benefits.

N/A: Large firms not offering health benefits were not surveyed in 1996 and 1998.

## EXHIBIT 3.2

## Eligibility, Take-Up Rates, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2003

	<i>Percentage of Workers Eligible for Health Benefits Offered by Their Employer</i>	<i>Percentage of Workers Who Participate in Their Employers' Plan (Take-Up Rate)</i>	<i>Percentage of Workers Covered by Their Employers' Health Benefits</i>
<b>FIRM SIZE</b>			
Small (3-9 Workers)	84%	84%	69%
Small (10-24 Workers)	88*	76*	67
Small (25-49 Workers)	88*	77*	68
Small (50-199 Workers)	79	84	67
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>84</b>	<b>81</b>	<b>68</b>
Midsize (200-999 Workers)	82	84	69
Large (1,000-4,999 Workers)	81	85	69
Jumbo (5,000+ Workers)	80	84	68
<b>ALL LARGE FIRMS (200+ WORKERS)</b>	<b>80%</b>	<b>84%</b>	<b>68%</b>
<b>REGION</b>			
Northeast	83%	82%	68%
Midwest	81	83	68
South	81	83	68
West	81	83	67
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	83%	82%	68%
Manufacturing	92*	87*	81*
Transportation/Communication/Utility	86	89*	77*
Retail	62*	72*	45*
Finance	86	84	73
Service	79	81	64*
State/Local Government	89*	92*	82*
Health Care	77	78	61*
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>81%</b>	<b>83%</b>	<b>68%</b>

## SOURCE:

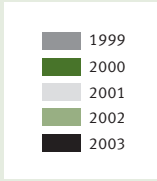
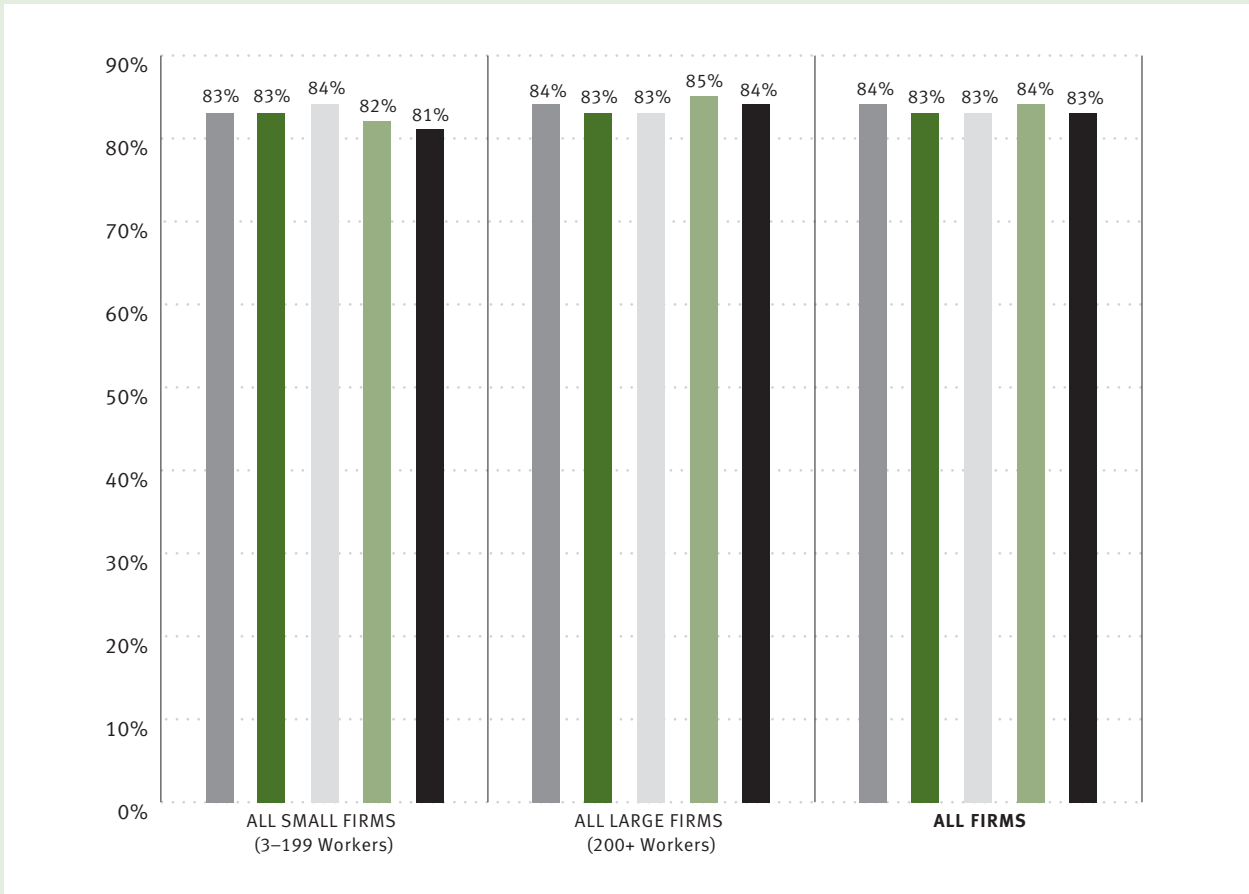
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003.

\* Estimate is statistically different from All Firms.

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

EXHIBIT 3.3

Percentage of Workers in Firms Offering Health Benefits Who Participate in (Take-up) Their Employer's Health Plan, by Firm Size, 1999-2003\*



SOURCE :

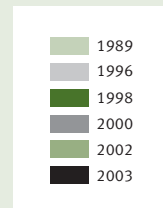
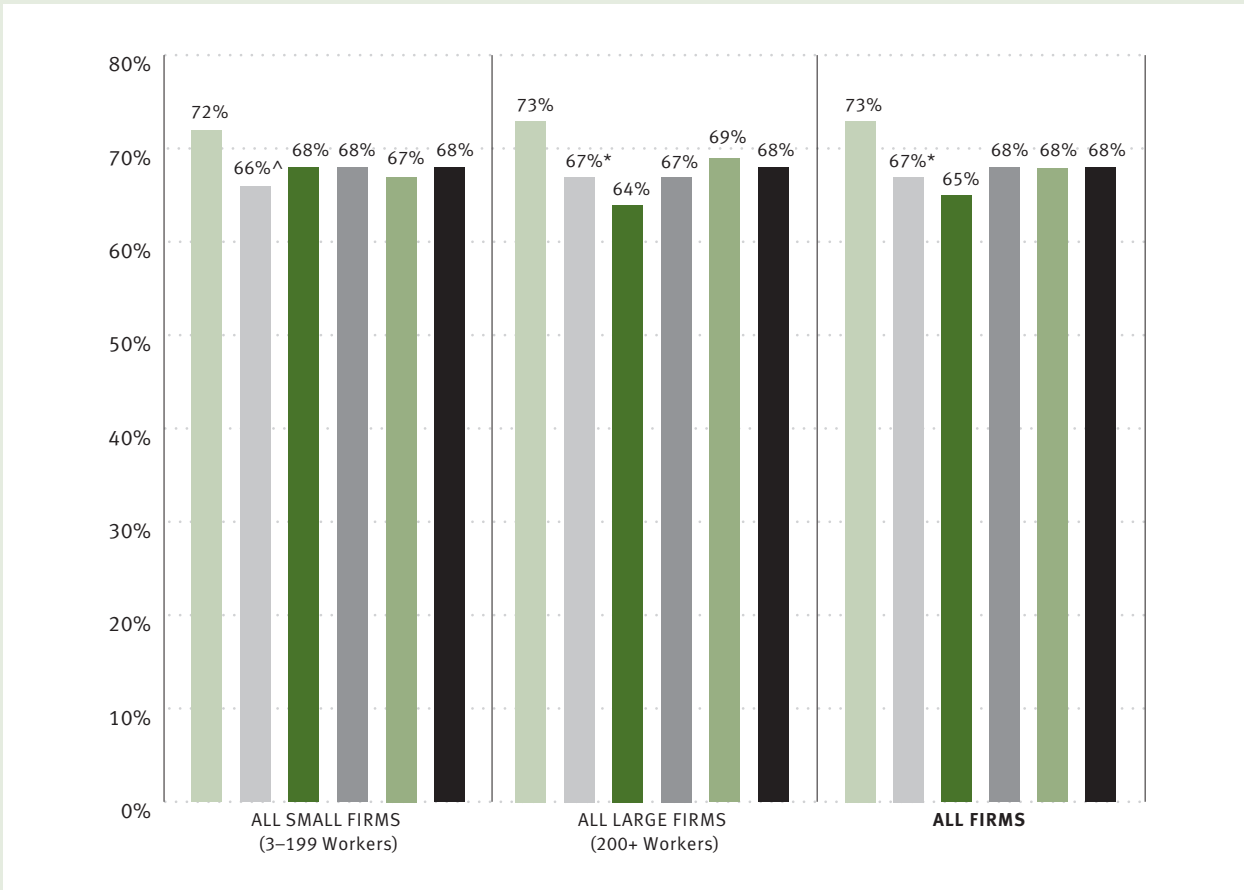
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003.

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

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

EXHIBIT 3.4

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employer's Health Plan, by Firm Size, 1989-2003



SOURCE :

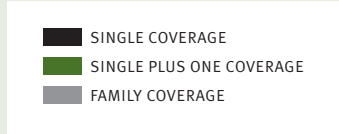
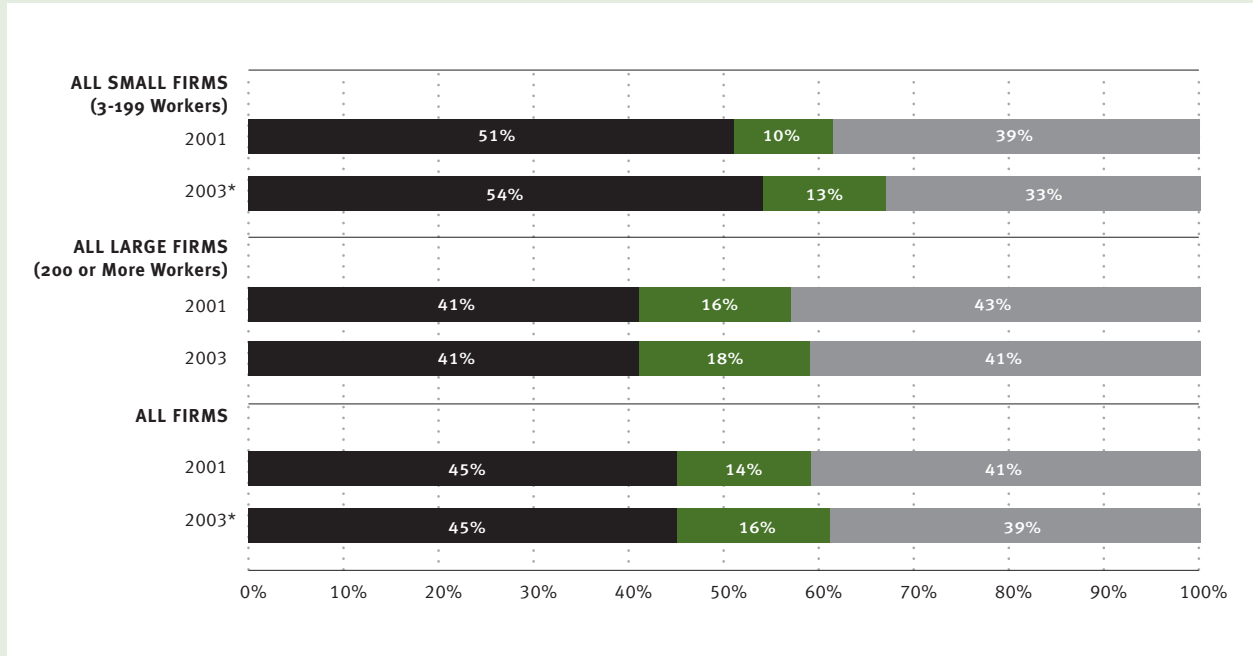
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2002, 2003;  
KPMG Survey of Employer-Sponsored Health Benefits: 1989, 1996, 1998.

\* Estimate is statistically different from the previous years shown at  $p < 0.05$ : 1989-1996, 1996-1998, 1998-2000, 2000-2002, 2002-2003.

<sup>^</sup> Estimate is statistically different from the previous year shown at  $p < 0.1$ : 1989-1996, 1996-1998, 1998-2000, 2000-2002, 2002-2003.

EXHIBIT 3.5

Percentage of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001 and 2003



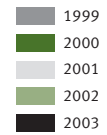
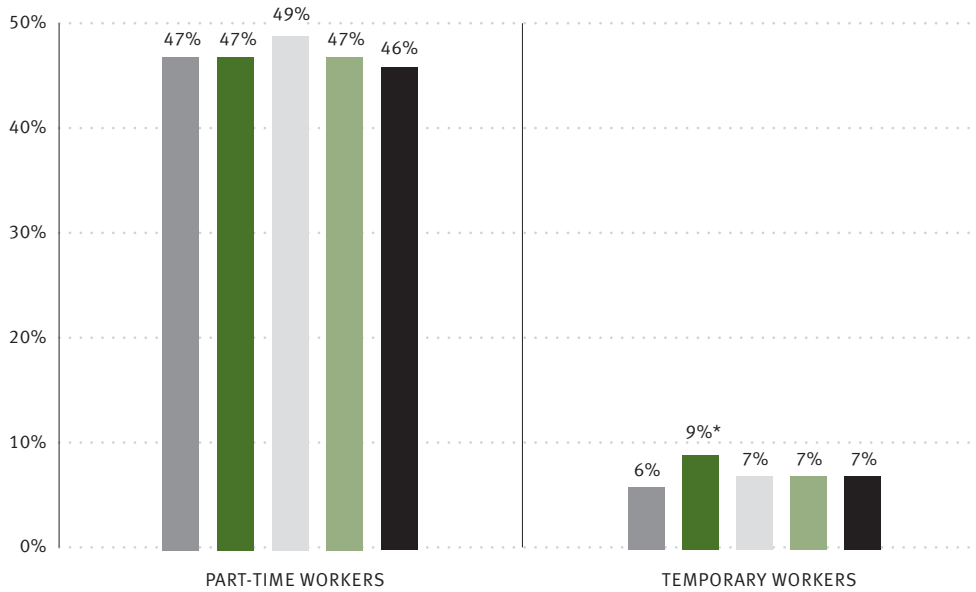
SOURCE :

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

\* Distribution is statistically different from previous year shown: 2001-2003.

EXHIBIT 3.6

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



SOURCE :

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

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

## EXHIBIT 3.7

## Percentage of Workers Employed in Firms That Offer Part-Time and Temporary Workers Health Coverage, by Firm Size, Region, and Industry, 2003

	<i>Part-Time</i>	<i>Temporary</i>
<b>FIRM SIZE</b>		
Small (3-9 Workers)	28%*	2%*
Small (10-24 Workers)	21*	2*
Small (25-49 Workers)	25*	5
Small (50-199 Workers)	36*	2*
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>29*</b>	<b>3*</b>
Midsize (200-999 Workers)	38*	9
Large (1,000-4,999 Workers)	58*	6
Jumbo (5,000+ Workers)	59*	11
<b>ALL LARGE FIRMS (200+ WORKERS)</b>	<b>55%*</b>	<b>10%</b>
<b>REGION</b>		
Northeast	56%*	7%
Midwest	49	7
South	33*	5
West	55	12
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	31%*	4%
Manufacturing	35*	1*
Transportation/Communication/Utility	39	7
Retail	36	10
Finance	47	10
Service	47	5
State/Local Government	66*	21*
Health Care	68*	6
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>46%</b>	<b>7%</b>

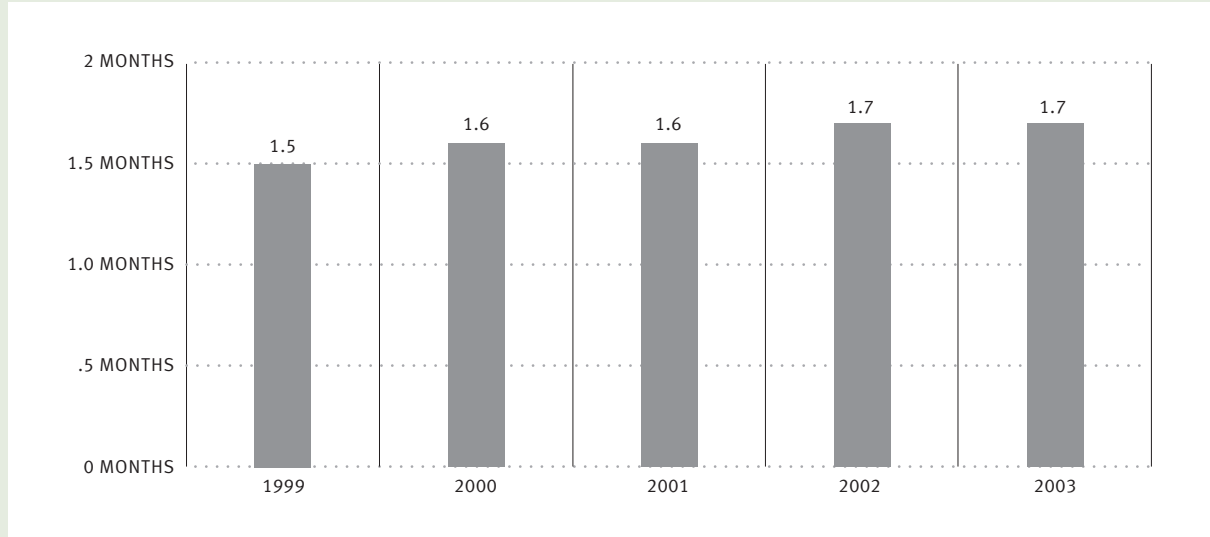
## SOURCE :

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

\* Estimate is statistically different from All Firms.

## EXHIBIT 3.8

## Average Waiting Period for New Employees to be Eligible for Health Coverage, 2003\*



## SOURCE :

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

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

## EXHIBIT 3.9

## Average Waiting Period for New Employees to be Eligible for Health Coverage, by Firm Size, Region, and Industry, 2003

	<i>Average Wait for Health Coverage (Months)</i>
<b>FIRM SIZE</b>	
Small (3-9 Workers)	3.5*
Small (10-24 Workers)	2.4*
Small (25-49 Workers)	2.4
Small (50-199 Workers)	1.7
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>2.3*</b>
Midsize (200-999 Workers)	1.9
Large (1,000-4,999 Workers)	1.6
Jumbo (5,000+ Workers)	1.3*
<b>ALL LARGE FIRMS (200+ WORKERS)</b>	<b>1.5*</b>
<b>REGION</b>	
Northeast	1.5
Midwest	1.6
South	1.9
West	1.9
<b>INDUSTRY</b>	
Mining/Construction/Wholesale	2.5*
Manufacturing	1.6
Transportation/Communication/Utility	1.9
Retail	2.5*
Finance	1.4*
Service	1.6
State/Local Government	1.3*
Health Care	1.7
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>1.7 MONTHS</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.