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\$9,440

EMPLOYER HEALTH BENEFITS
2003 ANNUAL SURVEY

Survey Design and Methods

SURVEY DESIGN AND METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KAISER/HRET) CONDUCT THIS SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS, WHICH WAS SUPPORTED FOR MANY YEARS BY THE INTERNATIONAL CONSULTING AND ACCOUNTING FIRM BEARING POINT (FORMERLY KNOWN AS KPMG). IN 1998, KPMG DIVESTED ITSELF OF ITS COMPENSATION AND BENEFITS PRACTICE, AND PART OF THAT DIVESTITURE INCLUDED DONATING THE ANNUAL SURVEY OF HEALTH BENEFITS TO HRET. HRET IS A NON-PROFIT RESEARCH ORGANIZATION AFFILIATED WITH THE AMERICAN HOSPITAL ASSOCIATION. THE KAISER FAMILY FOUNDATION PROVIDES FINANCIAL SUPPORT AND CONDUCTS THIS SURVEY IN PARTNERSHIP WITH HRET. THE FOUNDATION PROVIDES INDEPENDENT RESEARCH AND ANALYSIS ON HEALTH POLICY ISSUES, AND IS NOT AFFILIATED IN ANY WAY WITH THE KAISER PERMANENTE HEALTH PLAN OR KAISER INDUSTRIES.

Each company participating in the Kaiser/HRET survey is asked as many as 400 questions about its largest conventional or indemnity, health maintenance organization (HMO), preferred provider organization (PPO), and point-of-service (POS) health plans. This year's survey included questions on the cost of health insurance, offer rates, coverage, eligibility, health plan choice, enrollment patterns, premiums, employee cost sharing, covered benefits, prescription drug benefits, retiree health benefits, defined contributions, and views on health policy issues.

Kaiser/HRET retained National Research LLC (NR), a Washington, D.C.-based survey research firm, to conduct telephone

interviews with human resource and benefits managers. NR conducted interviews from January to May 2003.

RESPONSE RATE

Kaiser/HRET drew its sample from a Dun & Bradstreet list of the nation's private and public employers with three or more workers. To increase precision, Kaiser/HRET stratified the sample by industry and the number of workers in the firm. To improve comparability, repeat interviews were attempted with many of the 2,365 firms with at least 10 employees interviewed in either 2002 or 2001. As a result, 1,359 firms in this year's total sample of 1,856 firms participated in either the 2001 or 2002 surveys.¹ The overall response rate was 50%.

Previous years' experience illustrated that firms that decline to participate in the study are more likely not to offer health coverage. Therefore, one question was asked of all firms where the individual most responsible for the company's health benefits declined to participate in the full survey. The one question was, "Does your company offer or contribute to a health insurance program for your employees?" A total of 2,808 firms responded to the one offer question (including 1,856 who responded to the full survey and 952 who responded only to the one question). Their responses are included in the estimates of the percentage of firms offering health coverage. The response rate for this question was 76%.

NOTE:

¹ In total, 360 firms participated in 2002 and 2003, 142 firms participated in 2001 and 2003, and 857 firms participated in 2001, 2002, and 2003.

FIRM SIZE DEFINITIONS, ROUNDING, AND IMPUTATION

Throughout the report, exhibits categorize data by industry, size of firm, and region. Firm size definitions are as follows: 3-9 workers, small; 10-24 workers, small; 25-49 workers, small; 50-199 workers, small; 200-999 workers, midsize; 1,000-4,999 workers, large; and 5,000 or more workers, jumbo. Occasionally, firm size categories will be aggregated: 3-199 workers, all small; 200 or more workers, all large. EXHIBIT M.1 shows detailed characteristics of the sample.

EXHIBIT M.2 displays the distribution of the nation's firms, workers, and covered workers (employees receiving coverage from their employer). Among the over 3 million firms nationally, approximately 60% are firms employing 3-9 workers, representing eight percent of workers.² In contrast, jumbo firms, defined as firms with 5,000 or more workers, employ and cover about 40% of employees, but are less than one percent of all firms. In general, firms with 3-199 workers represent 98% of all firms but only 38% of all workers, while larger firms (200 or more workers) are only two percent of all firms but employ 62% of all workers. Therefore, the smallest firms dominate national statistics about what employers in general are doing. In contrast, jumbo

employers are the most important employer group in calculating national statistics regarding the typical employee or covered worker, since they employ the largest percentage of the nation's workforce.

Some exhibits in Health Benefits 2003 do not add up to 100 percent due to rounding effects. Throughout the report, while overall totals as well as totals for size and industry are statistically valid, some breakdowns may not be available due to limited sample sizes. In these instances, exhibits include the notation NSD (Not Sufficient Data).

To control for item non-response bias, Kaiser/HRET traditionally identifies a select set of key variables as needing complete information from all surveyed firms. These variables include percentage changes in premium costs for family coverage, premium amounts, worker contribution amounts, self-insurance status, level of benefits, prescription drug cost sharing, co-pay and coinsurance amounts for prescription drugs, and firm workforce characteristics such as the proportion of low wage workers and part-time status. On average, less than five percent of these observations are imputed for any given variable. The imputed values are determined based on the distribution of the reported values within stratum defined by firm size and region.

WEIGHTING AND STATISTICAL SIGNIFICANCE

Because Kaiser/HRET selects firms randomly, it is possible through the use of statistical weights to extrapolate the results to national (as well as regional, industry, and firm size) averages. These weights allow Kaiser/HRET to present findings based on the number of workers covered by health plans, the number of total workers, and the number of firms.

The calculation of the weights followed a similar approach to previous years, but with several notable changes in 2003. First, as in years past, the basic weight was determined, followed by a non-response adjustment added this year to reflect the fact that small firms that do not participate in the full survey are less likely to offer health benefits and, consequently, are unlikely to answer the single offer rate question. To make this adjustment, Kaiser/HRET conducted a follow-up survey of all firms with 3-49 workers that did not participate in the full survey. Each of these 1,744 firms was asked the single question, "Does your company offer or contribute to a health insurance program as a benefit to its employees?" The main difference between this follow-up survey and the original survey is that in the follow-up survey the first person who answered the telephone was asked whether the firm offered health benefits, whereas in the original survey the question was asked of the person who was identified as most knowledgeable about the firm's health benefits.

NOTE :

² As discussed above, the firm distribution shown in this year's summary is based on data from the Census Bureau. In previous years, the firm distributions were taken directly from the Dun & Bradstreet database. This change decreases the percentage of 3-9 firms from 74% to 60%.

Conducting the follow-up survey accomplished two objectives. First, statistical techniques (a McNemar analysis which was confirmed by a chi-squared test) demonstrated that the change in method—speaking with the person answering the phone rather than a benefits manager—did not bias the results of the follow-up survey. Analyzing firms who responded to the offer question twice, in both the original and follow-up survey, proved that there was no difference in the likelihood that a firm offers coverage based on which employee answered the question about whether a firm offers health benefits.

Second, the follow-up survey demonstrated that very small firms not offering health benefits to their workers are *less* likely to answer the one survey question about coverage. Kaiser/HRET analyzed the group of firms that only responded to the follow-up survey and performed a t-test between the firms who had responded to the initial survey as well as the follow-up, and those who only responded to the follow-up. Tests confirmed the hypothesis that the firms that did not answer the single offer rate question in the original survey were less likely to offer health benefits. To adjust the offer rate data for this find-

ing an additional non-response adjustment was applied to increase the weight of firms in the sample that do not offer coverage.

The second change to the weighting method in 2003 was to trim the weights in order to reduce the influence of weight outliers. On occasion one or two firms will, through the weighting process, represent a highly disproportionate number of firms or covered workers.³ Rather than excluding these observations from the sample, a set cut point that would minimize the variances of several key variables (such as premium change and offer rate) was determined.⁴ The additional weight represented by outliers is then spread among the other firms in the same sampling cell.

Finally, a post-stratification adjustment was applied. In the past, Kaiser/HRET was post-stratified back to the Dun & Bradstreet frequency counts. Concern over volatility of counts in recent years led to the use of an alternate source for information on firm and industry data. This year the survey uses the recently released Statistics of U.S. Businesses conducted by the U.S. Census as the basis for the post-stratification adjustment.

These Census data indicate the percentage of the nation's firms with 3-9 workers is 59% rather than the higher percentages (e.g., 76% in 2002) derived from Dun & Bradstreet's national database.⁵ This change has little impact on worker-based estimates, since firms with 3-9 workers accounted for less than 10% of the nation's workforce. The impact on estimates expressed as a percentage of employers (e.g., the percent of firms offering coverage), however, may be significant.

Due to these changes, Kaiser/HRET recalculated the weights for survey years 1999-2002 and modified estimates published in the survey where appropriate. The vast majority of these estimates are not statistically different. However, please note that the survey data published in this book may vary slightly from previously published reports.

The data are analyzed with SUDAAN, which computes appropriate standard error estimates by controlling for the complex design of the survey. Most statistical tests are performed at the 0.05 level. Two types of significance tests performed are the t-Test and the Chi-square test.

NOTES :

³ Firms sometimes have disproportionate weights when a firm grows rapidly, or when a firm in the sample acquires another firm.

⁴ The initial approach designed to minimize variances among key variables required trimming more than 5% of the observations. As an alternative, a rule was created that the trimming point should only trim the largest 5% of observations.

⁵ One possible explanation for this discrepancy is that Dun & Bradstreet is slow in purging firms from their database that have gone out of business, or have been acquired by other firms.

HISTORICAL DATA

Data in this report focus primarily on findings from surveys jointly authored by the Kaiser Family Foundation and the Health Research and Educational Trust, which were conducted after 1999. Prior to 1999, the survey was conducted by HIAA and KPMG using the same survey instrument, but data is not available for all intervening years. Following the survey's introduction in 1988, HIAA conducted the survey in 1990 and 1991, but most of these data are not available to us with the

exception of a few key indicators in 1988 and 1990. KPMG also conducted the survey in 1992, 1994, and 1997; however, only larger firms were sampled in these years and are not comparable to recent estimates. In 1993, 1995, 1996, and 1998, KPMG interviewed both large and small firms.

To further analyze changes in employer-sponsored health plans during the past few years, this report uses data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored

Health Benefits and the 1999-2002 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. For a longer term perspective, the 1988 survey of the nation's employers conducted by the Health Insurance Association of America (HIAA), on which the KPMG and Kaiser/HRET surveys are based was used. Many of the questions in the HIAA, the KPMG, and Kaiser/HRET surveys are identical. The survey designs among the three surveys are similar.

EXHIBIT M.1

Selected Characteristics of Firms in the Survey Sample, 2003

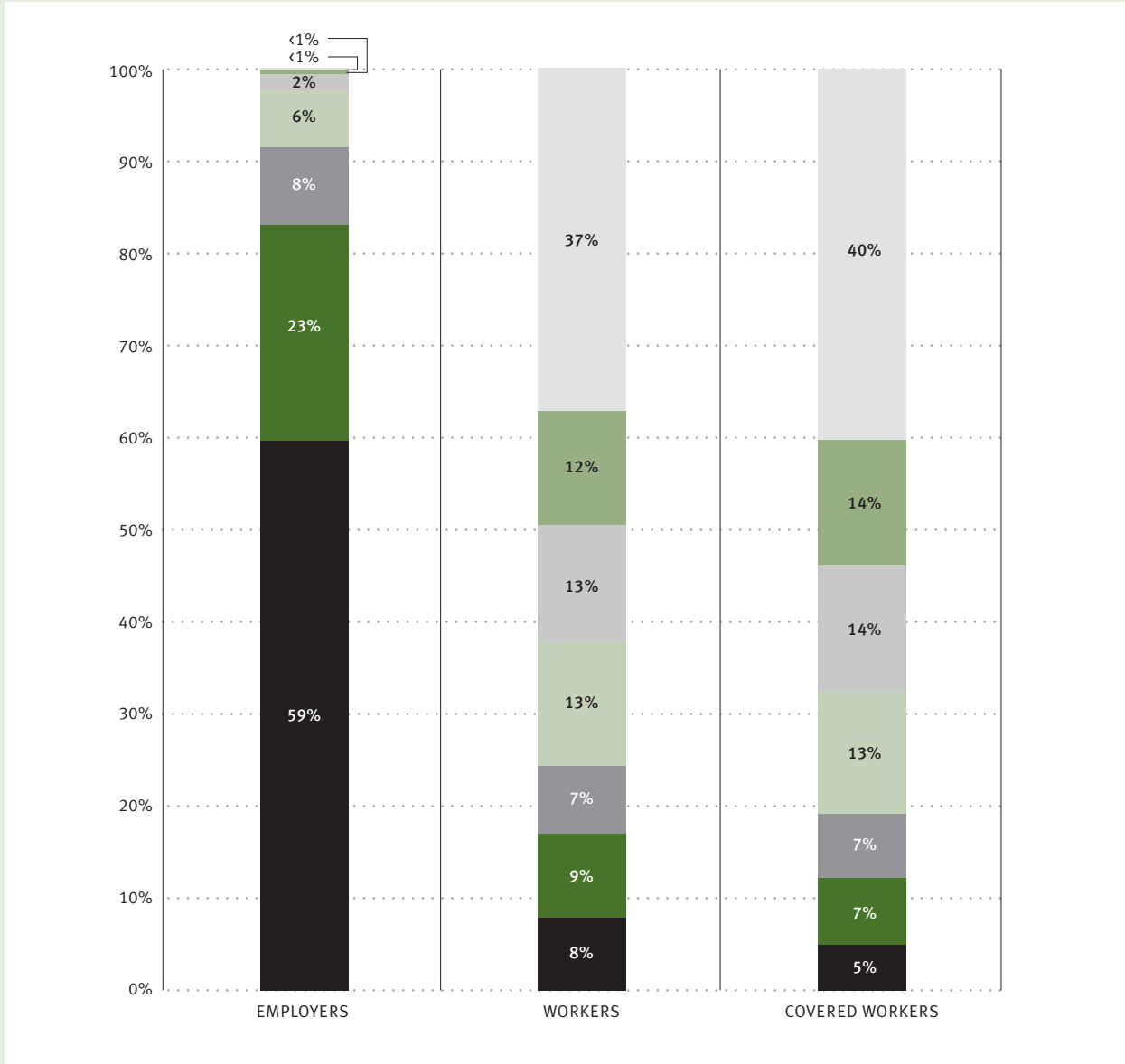
	<i>Sample Size</i>	<i>Sample Distribution After Weighting</i>	<i>Percentage of Total for Weighted Sample</i>
INDUSTRY			
Mining/Construction/Wholesale	184	618,090	19.0%
Manufacturing	247	227,848	7.0
Transportation/Communications/Utilities	97	129,278	4.0
Retail	177	443,571	13.6
Finance	147	212,068	6.5
Service	552	1,352,153	41.5
State/Local Government	293	47,696	1.5
Health Care	159	224,367	6.9
ALL INDUSTRIES	1,856	3,255,071	100%
FIRM SIZE			
Small (3-9 Workers)	150	1,936,690	59.4%
Small (10-24 Workers)	230	761,331	23.4
Small (25-49 Workers)	145	273,423	8.4
Small (50-199 Workers)	258	203,366	6.2
Midsize (200-999 Workers)	378	56,270	1.7
Large (1,000-4,999 Workers)	375	16,088	.5
Jumbo (5,000+ Workers)	320	7,903	.2
ALL FIRM SIZES	1,856	3,255,071	100%
REGION			
Northeast	401	653,902	20.1%
Midwest	507	784,488	24.1
South	625	1,087,760	33.4
West	323	728,921	22.4
ALL REGIONS	1,856	3,255,071	100%

SOURCE :

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

EXHIBIT M.2

Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2003



SOURCE :

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

- 3-9 WORKERS
- 10-24 WORKERS
- 25-49 WORKERS
- 50-199 WORKERS
- 200-999 WORKERS
- 1,000-4,999 WORKERS
- 5,000+ WORKERS

Note: Data are based on a special data request from the U.S. Census Bureau's most recent Statistics of U.S. Businesses. State and local government data are from the Census of Governments.

In previous years, data from Dun & Bradstreet reported that firms with 3-9 workers represented 76% of all firms compared to 59% of firms in the U.S. Census data.

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