

# SECTION 4

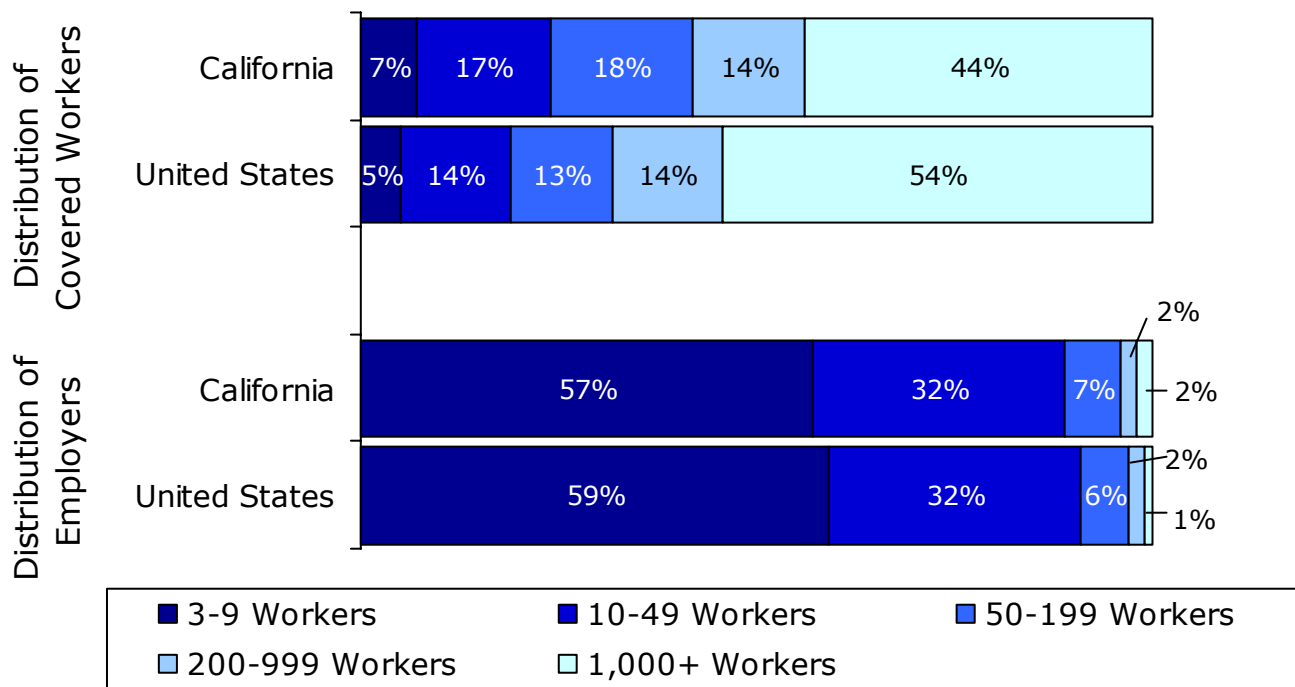
## Employer-Sponsored Health Insurance

This section provides information about employer-sponsored health insurance, the most important source of health coverage for Californians and Americans. Specifically, the section includes data on the availability of employer health coverage and the percentage of covered workers. This section also presents the extent to which employees are offered choices of health plans and the types of plans they enroll in. Premium amounts and trends are discussed, including enrollee cost sharing.

## Exhibit 4.1

### Distribution of Covered Workers and Employers, by Firm Size, California and the United States, 2003

California had a higher percentage of covered workers (workers covered by health insurance) in small firms in 2003 than did the United States as a whole (42% of California covered workers were in firms with 3-199 workers, compared to 32% in the United States). The distribution of employers by firm size in California was quite similar to that of the United States, with approximately 96% of firms employing 3-199 workers, and only about 4% employing a larger number of workers.



Notes: May not total to 100% due to rounding. See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Survey Sample Chart (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit M.2, <http://www.kff.org/insurance/ehbs2003-2-2.cfm> (US data).

## Exhibit 4.2

### Availability of Health Insurance Coverage

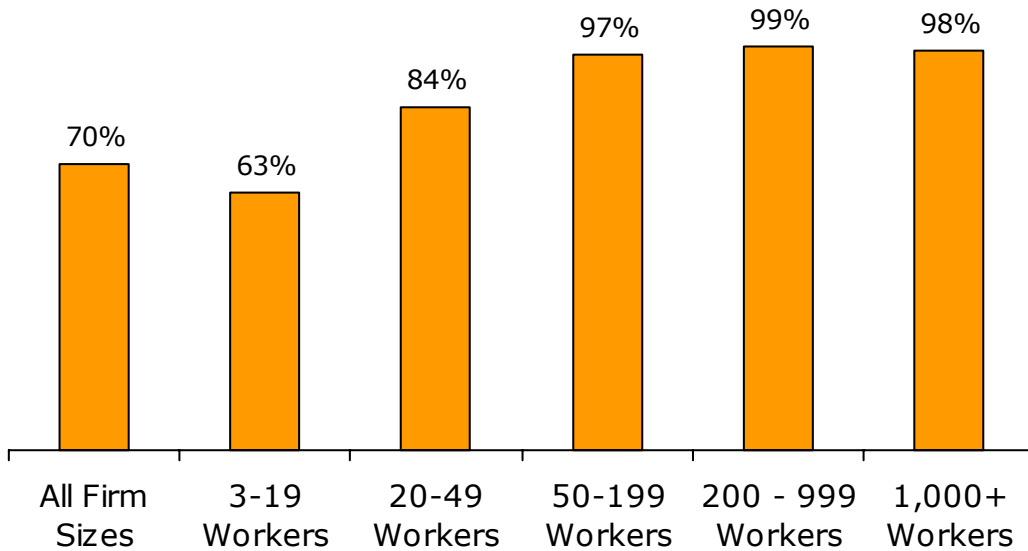
Overall, 70% of firms in California offered coverage in 2003. Small firms were less likely to offer insurance to their workers than larger firms. (Exhibit 4.2a)

About four-fifths (79%) of workers in firms that offered coverage in California were eligible for health insurance. Of those eligible for coverage, 87% accepted health insurance coverage, resulting in 69% of workers (in firms offering coverage) having health insurance through their employer. (Exhibit 4.2b)

The percentage of workers offered employer-based health insurance was dramatically lower for part-time workers and temporary workers. In firms that offered health insurance coverage, approximately half of workers in both California and the United States were in firms that offered coverage to part-time workers (49% and 46%, respectively, in 2003). In contrast, only a small fraction of workers either in California or the United States were in firms that offered health insurance coverage to temporary workers (6% and 7%, respectively, in 2003). (Exhibit 4.2c) In 2001, workers in California (39%) were more than twice as likely as those in the United States (18%) to be in firms that offered health insurance coverage for non-traditional partners (defined as unmarried heterosexual and same-sex couples who live together).

## Exhibit 4.2a

### Percentage of Employers Offering Health Benefits, by Firm Size, California, 2003

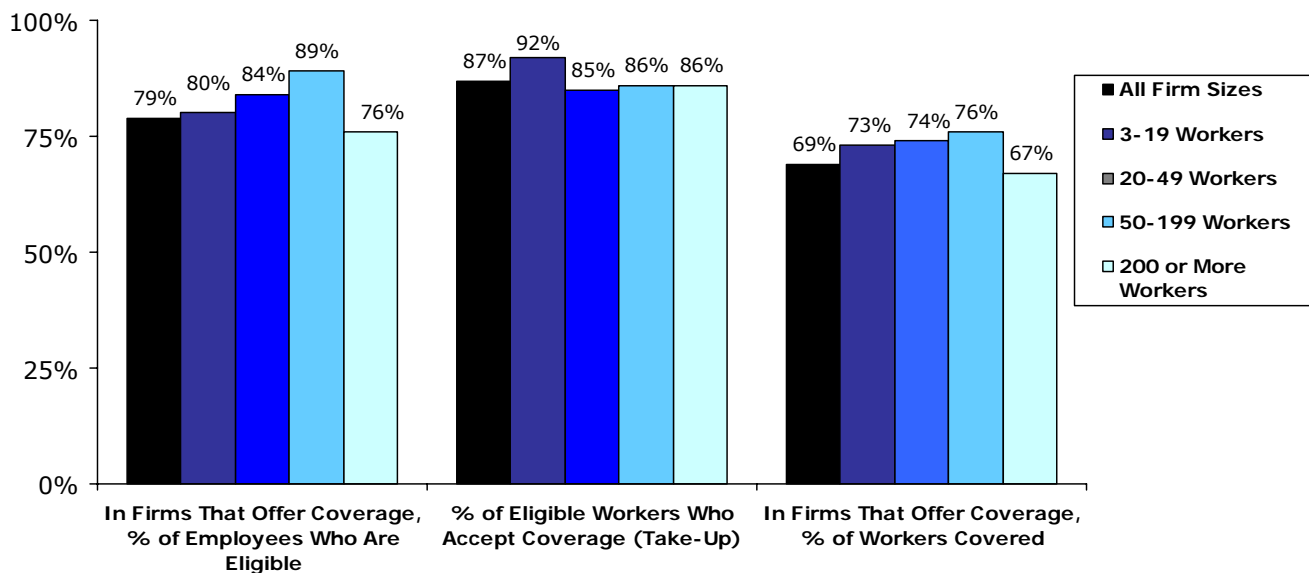


Notes: See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #2 and unpublished data.

## Exhibit 4.2b

### Eligibility, Take-up Rates, and Coverage in Firms Offering Health Benefits, by Firm Size, California, 2003

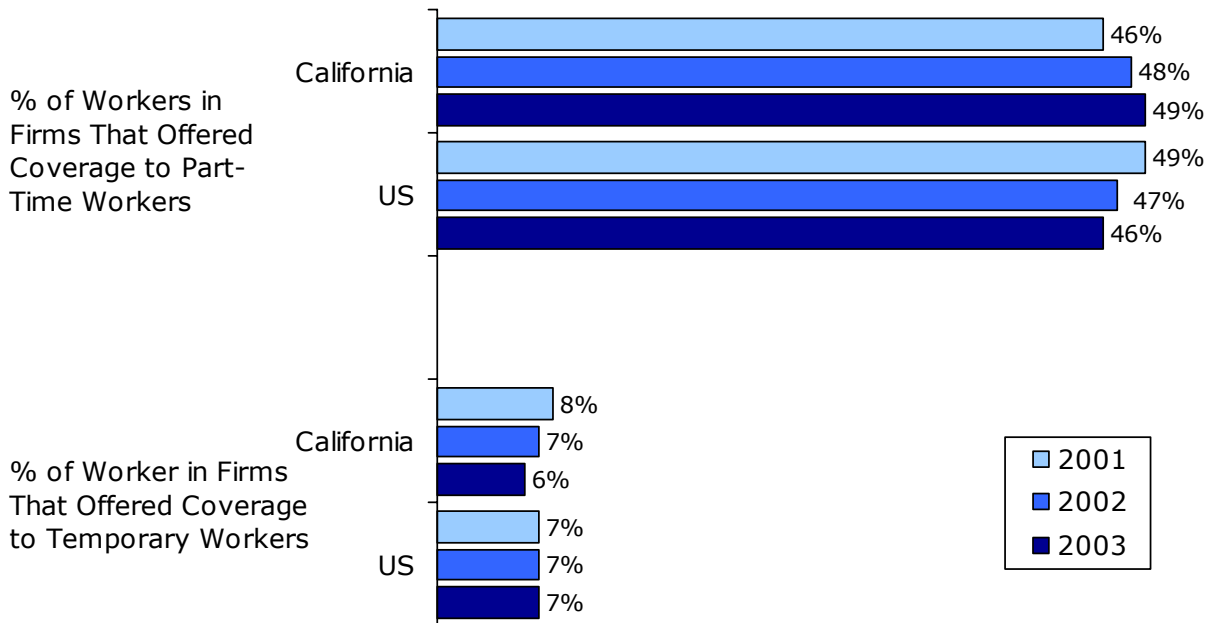


Notes: Eligible workers are those to whom firms offer the option of electing health benefits. The take-up rate is the percentage of eligible workers who choose to participate in health benefits offered by their employer. See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #6 and unpublished data.

## Exhibit 4.2c

### Percentage of Workers Employed in Firms That Offered Health Coverage to Part-Time and Temporary Workers, California and the United States, 2001-2003



Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #5 (CA data); *Employer Health Benefits 2003*, September 2003, Ex. 3.6, [www.kff.org/insurance/ehbs2003-5-2.cfm](http://www.kff.org/insurance/ehbs2003-5-2.cfm) (US data).

## Exhibit 4.3

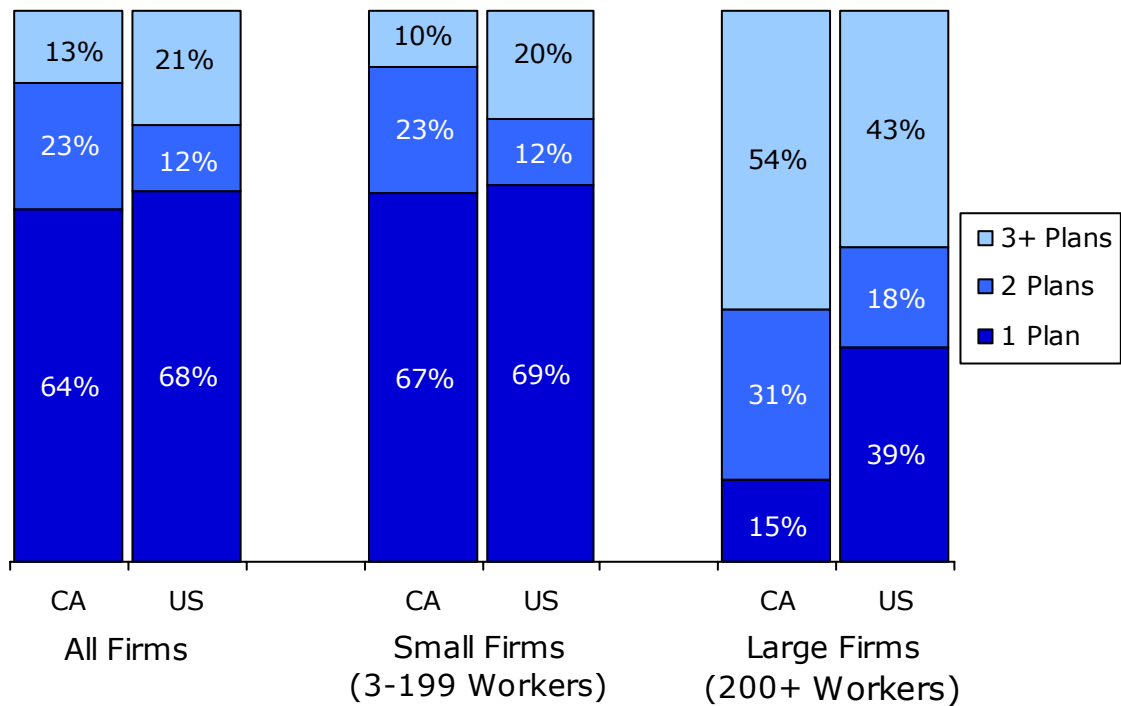
### Choice of Health Insurance Plans

The majority of employers do not offer their employees a choice of health plans. However, large firms are much more likely than small firms to offer their employees a choice of plans. In 2003, the majority of small firms did not offer any choice of health plans (67% in CA and 69% in the U.S.). Only 10% of small firms in California and 20% in the United States offered a choice of three or more plans. Large firms present a different picture -- only 15% in California and 39% in the United States did not offer a choice of plans. More than half (54%) of large firms in California and about two-fifths (43%) in the United States offered a choice of three or more health plans. (Exhibit 4.3a)

Although the total share of firms offering any type of choice was fairly small in 2003 (36% in CA and 33% in the U.S. -- see Exhibit 4.3a), the percentage of workers with a choice was high (74% in California and 63% in the United States). This is because most covered workers in California were employed by large firms (58% were in firms with 200+ workers), and most large firms offered a choice of plans (85%). The majority of covered workers in large firms in California (65%) and in the United States (59%) had a choice of three or more health plans, while only 29% of covered workers in small firms in California and 21% in the United States had a choice of three or more health plans. Across all firm sizes, California workers were more likely to have a choice of health plan compared to workers in the United States. (Exhibit 4.3b)

### Exhibit 4.3a

## Percentage of Employers Providing a Choice of Health Plans, by Firm Size, California and the United States, 2003

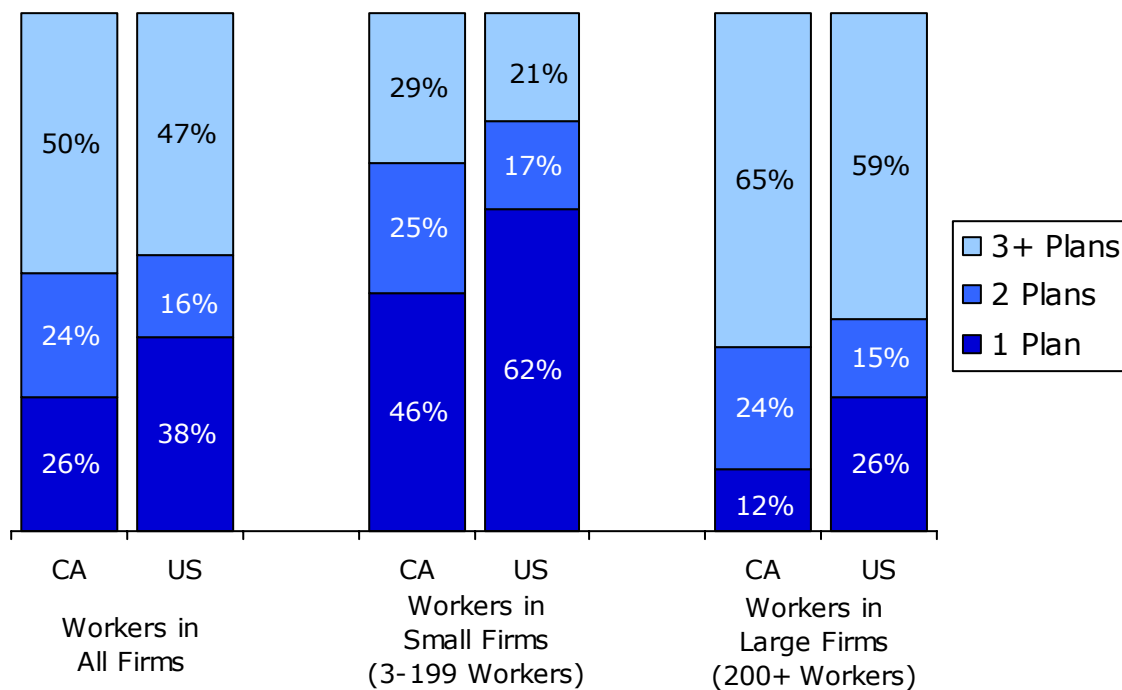


Notes: May not total 100% due to rounding. See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #20 and unpublished data (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit 4.2, <http://www.kff.org/insurance/ehbs2003-6-set.cfm>, and unpublished data (US data).

### Exhibit 4.3b

## Percentage of Covered Workers with a Choice of Health Plans, by Firm Size, California and the United States, 2003



Notes: May not total 100% due to rounding. See Detail Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, unpublished data (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit 4.4, [www.kff.org/insurance/ehbs2003-6-set.cfm](http://www.kff.org/insurance/ehbs2003-6-set.cfm) (US data).

## Exhibit 4.4

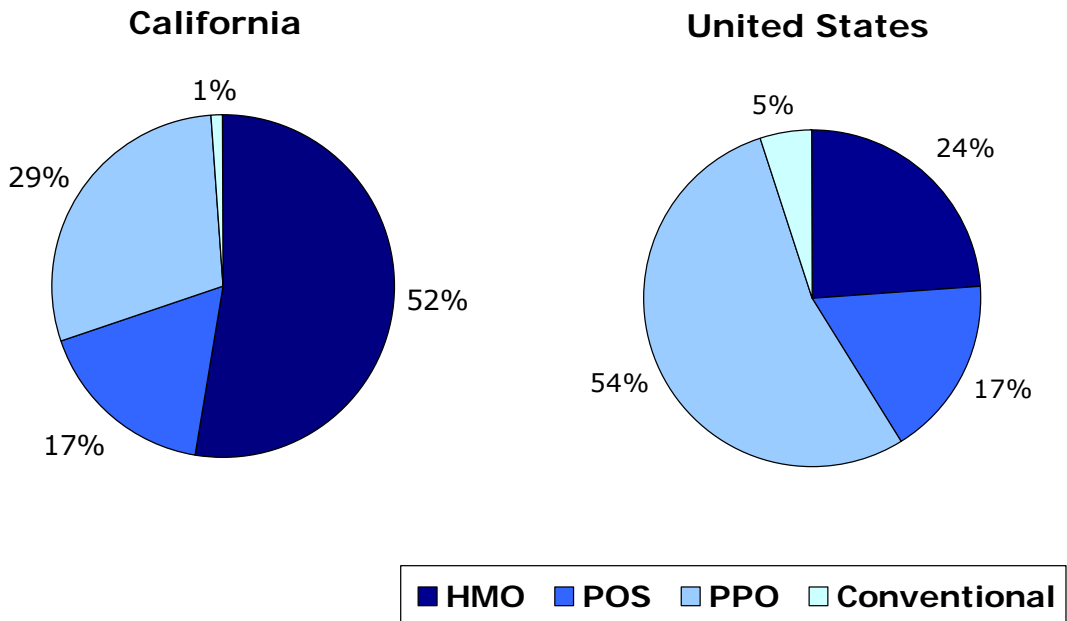
### Health Plan Enrollment

California workers covered by employer health plans in 2003 were much more likely to be enrolled in HMOs than covered workers in the United States (52% vs. 24%), and much less likely to be enrolled in PPOs than covered workers in the United States (29% vs. 54%). In California, 1% of covered workers were enrolled in conventional plans, compared to 5% in the United States. (Exhibit 4.4a)

Overall and across all plan types, California workers were much less likely than workers nationwide to be in self-insured plans (27% vs. 52%), in which the employer assumes responsibility for paying health care claims rather than buying coverage from an insurer or HMO. States are prohibited by federal law from regulating self-insured health plans, so the proportion of workers enrolled in such plans determines the impact of state law pertaining to patients' rights and benefit requirements. The difference between California and the United States is, in most part, because more Californians are enrolled in HMOs, which are less likely than other types of plans to be self-insured. (Exhibit 4.4b)

**Exhibit 4.4a**

**Health Plan Enrollments for Covered Workers,  
by Plan Type,  
California and the United States, 2003**

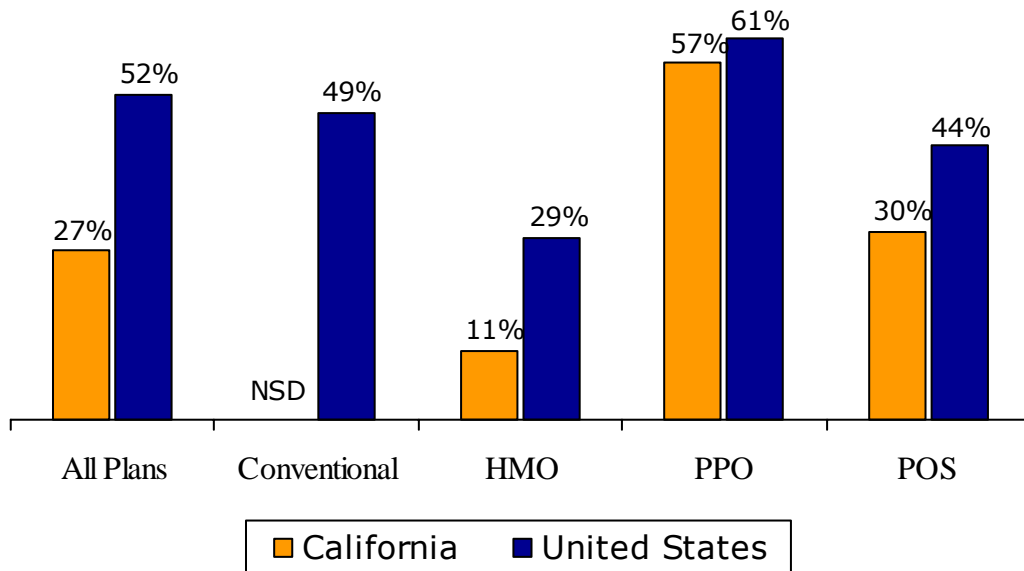


Notes: May not total 100% due to rounding. See Detailed Notes and Sources at the end of Section 4 for definitions of plan types.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #19.

## Exhibit 4.4b

### Percentage of Covered Workers in Partly or Completely Self-Insured Plans, by Plan Type, California and the United States, 2003



Notes: There are not enough employees enrolled in conventional plans in California to break out enrollment by self-insured plans (NSD = not sufficient data). Self-insured plans are plans where an employer assumes responsibility for paying health care claims rather than buying coverage from an insurer. See Detailed Notes and Sources at the end of Section 4 for definitions of plan types.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #21.

## Exhibit 4.5

### Health Plan Premiums

Average monthly premiums in California in 2003 were consistently lower than those in the United States for single and family coverage for all types of plans except PPO coverage. PPO premiums for both single and family coverage were higher in California compared to the United States. Across all plan types, the cost of coverage in California was an average of \$258 per month for single coverage and \$709 per month for family coverage in 2003. (Exhibit 4.5a)

Annual average worker premium contributions for both single and family coverage increased in California from 2002 to 2003. In California, workers paid on average \$418 per year in 2003 for single coverage, compared to \$342 in 2002. For family coverage, workers paid an average of \$2,452 annually in 2003, compared to \$1,832 in 2002. (Exhibit 4.5b)

On average, covered workers in 2003 in California paid 14% of the total premium for single coverage and 30% for family coverage, a slightly smaller share for single coverage but a slightly larger share for family coverage than covered workers nationwide (16% and 27%, respectively). Only with respect to family coverage in California did the workers' share of premiums rise significantly from 2002 to 2003 (from 26% to 30%). Workers in California and the United States paid a larger proportion of total premiums for family coverage compared to single coverage. (Exhibit 4.5c)

## Exhibit 4.5a

### Average Monthly Premiums, by Plan Type, California and the United States, 2003

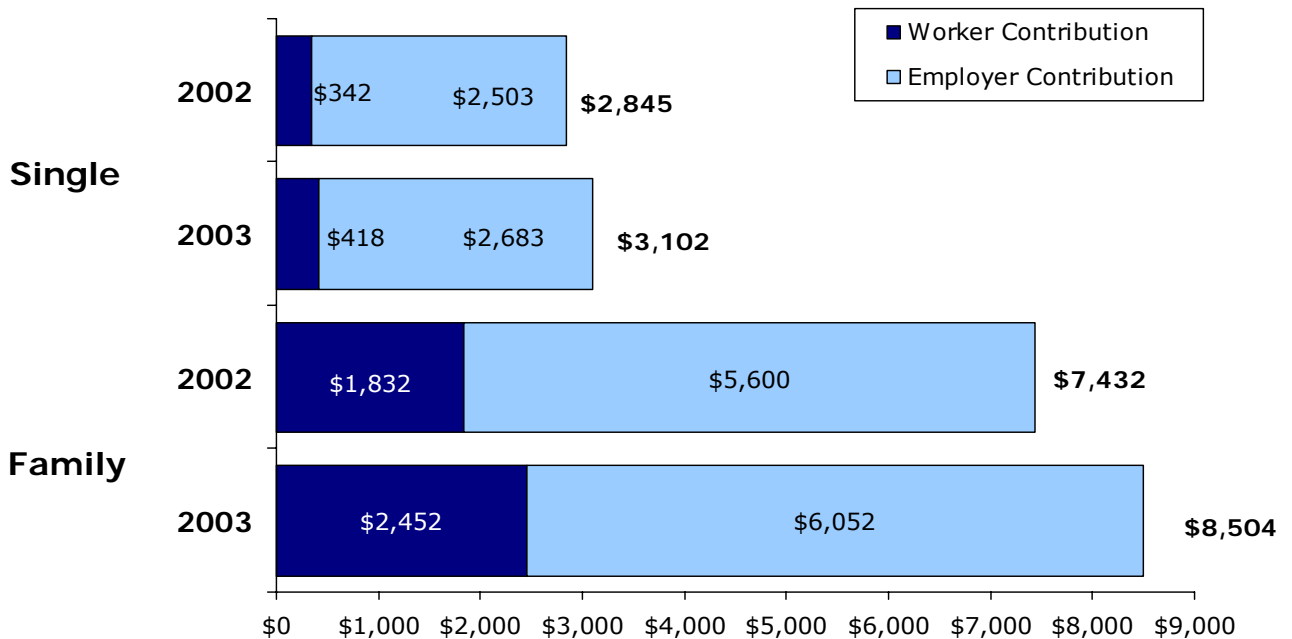
	Single Coverage		Family Coverage	
	California	United States	California	United States
All Plan Types	\$258	\$282	\$709	\$756
HMO	\$222	\$263	\$623	\$709
PPO	\$317	\$292	\$835	\$776
POS	\$266	\$272	\$737	\$761
Conventional	NSD	\$298	NSD	\$733

Notes: NSD = Not sufficient data. Family premium data reflect the cost of health insurance premiums for a family of four. See Detailed Notes and Sources at the end of Section 4 for definitions of plan types.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #9 and unpublished data.

### Exhibit 4.5b

## Average Annual Worker and Employer Premium Contributions, California, 2002 and 2003

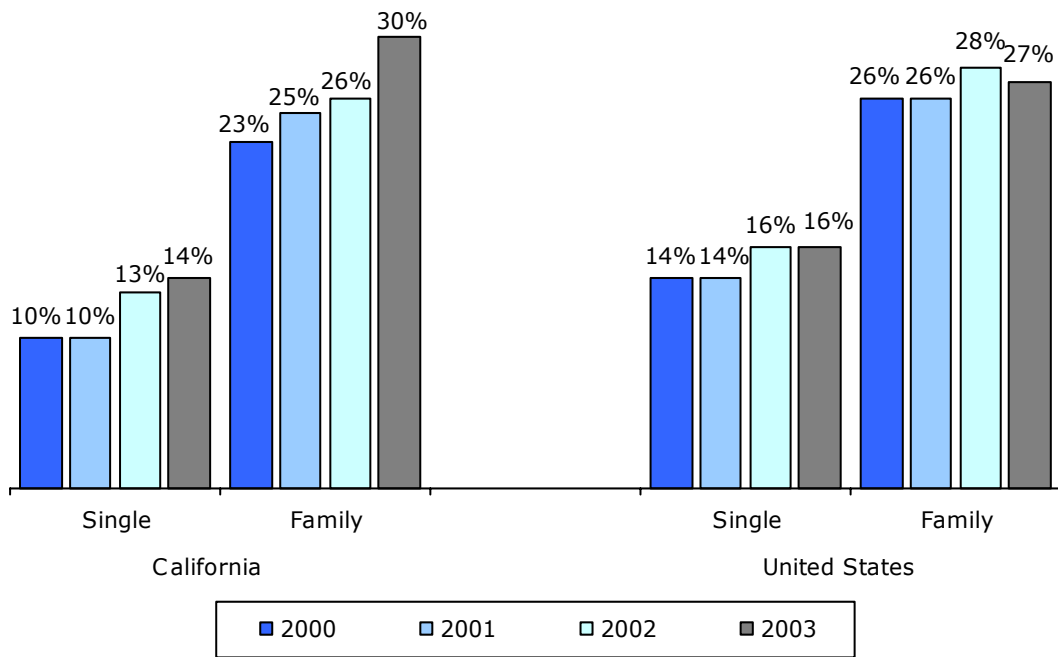


Notes: Numbers may not add due to rounding. Family premium data reflect the cost of health insurance premiums for a family of four. See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #11.

### Exhibit 4.5c

## Percentage of Premiums Paid by Covered Workers for Single and Family Coverage, California and the United States, 2000-2003



Notes: Family premium data reflect the cost of health insurance premiums for a family of four. See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #12.

## Exhibit 4.6

### Changes in Health Insurance Premiums

Employer health plans in California faced an average increase in health insurance premiums of 16% in 2003, compared to an increase of 14% in the United States as a whole. The differences in the percentage increases in health insurance premiums between small firms (3-199 workers) and large firms (200+ workers) were insignificant. (Exhibit 4.6a)

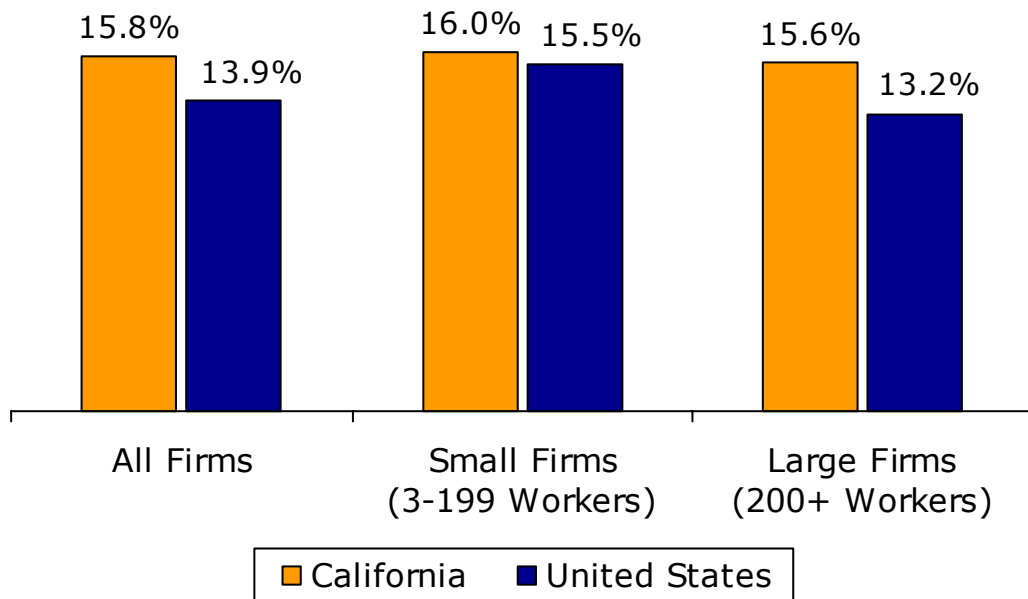
Health insurance premium increases varied little by plan type in either California or the United States in 2003. Firms in both California and the United States reported increases in health insurance premiums of 13% to 17% in HMO, PPO, POS, and Conventional plans. (Exhibit 4.6b)

Health insurance premiums have grown by increasing percentages every year since 2000 overall and across plan types in California firms. HMOs, PPOs, and POS plans have experienced similar increases from 2000 to 2003. (Exhibit 4.6c)

In California, self-insured PPO and POS plans experienced higher percentage increases in premiums from 2002 to 2003 than fully-insured PPO and POS plans; for HMOs, fully-insured California plans had higher increases. However, in the United States as a whole, across all plan types, fully-insured plans experienced higher percentage increases compared to self-insured plans. (Exhibit 4.6d)

**Exhibit 4.6a**

**Percentage Change in Health Insurance Premiums,  
by Firm Size,  
California and the United States, 2003**



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

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #8, (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit 1.5, <http://www.kff.org/insurance/ehbs2003-3-set.cfm> (US data).

## Exhibit 4.6b

### Percentage Change in Health Insurance Premiums, by Plan Type, California and the United States, 2003

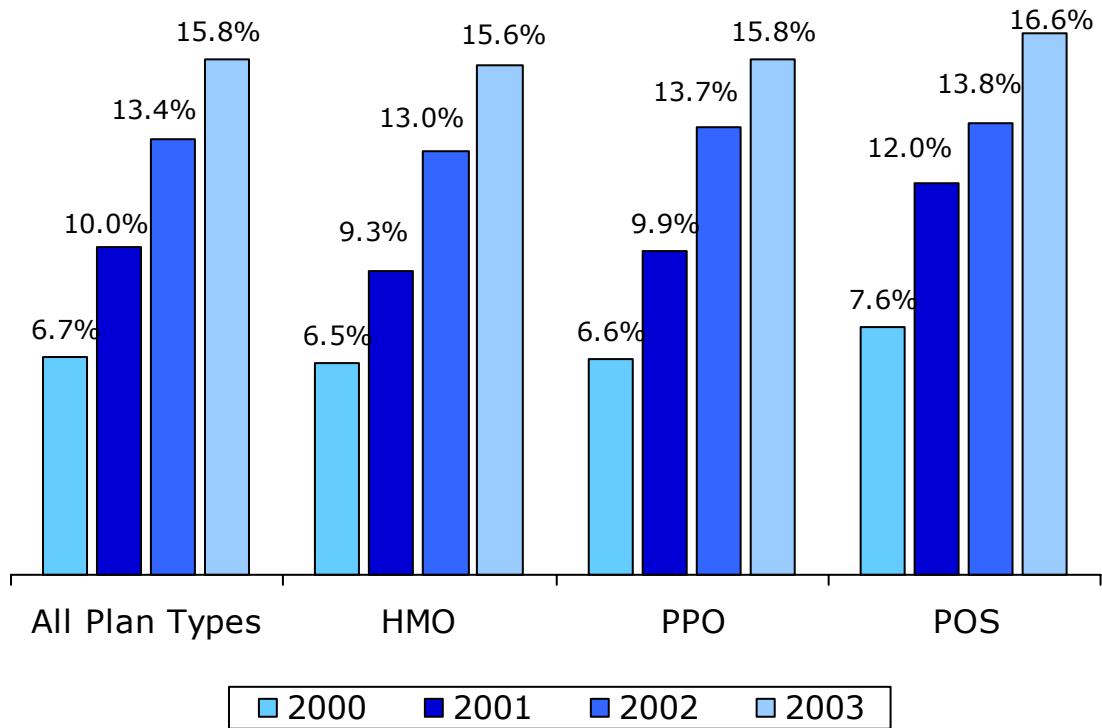
	California	United States
All Plan Types	15.8%	13.9%
HMO	15.6%	15.2%
PPO	15.8%	13.7%
POS	16.6%	13.2%
Conventional	NSD	14.3%

Notes: NSD = Not sufficient data. Data on premium increases reflect the cost of health insurance premiums for a family of four. See Detailed Notes and Sources at the end of Section 4 for definitions of plan types.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #7 (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit 1.1, <http://www.kff.org/insurance/ehbs2003-3-set.cfm> (US data).

### Exhibit 4.6c

## Percentage Increases in Annual Health Insurance Premiums, by Plan Type, California, 2000-2003



Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four. See Detailed Notes and Sources at the end of Section 4 for definitions of plan types.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, Chart #7.

## Exhibit 4.6d

### Percentage Change in Health Insurance Premiums, by Plan Type and Funding Arrangement, California and the United States, 2003

	California		United States	
	Self-Insured	Fully-Insured	Self-Insured	Fully-Insured
All Plan Types	16.9%	15.3%	12.4%	15.6%
HMO	15.3%	15.6%	14.5%	15.8%
PPO	16.6%	14.7%	12.3%	15.6%
POS	21.7%	14.3%	11.1%	14.9%
Conventional	NSD	NSD	11.5%	16.9%

Notes: NSD = Not sufficient data. Self-insured plans are plans where an employer assumes responsibility for paying health care claims rather than buying coverage from an insurer. Data on premium increases reflect the cost of health insurance premiums for a family of four. See Detailed Notes and Sources at the end of Section 4 for definitions of plan types.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2003, unpublished data (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit 1.6, <http://www.kff.org/insurance/ehbs2003-3-set.cfm> (US data).

## Exhibit 4.7

### Percentage of Covered Workers With Selected Benefits, California and the United States, 2003

More than nine in ten workers in both California and the United States with employer coverage were covered in 2003 for prenatal care, prescription drugs, outpatient mental health, annual OB/GYN visits, well-baby care, adult physicals, and inpatient mental health care. Covered workers in California were more likely than United States counterparts to have benefits for oral contraceptives, sterilization, reversible contraceptives, and abortion.

	California	United States
Prenatal Care	100%	99%
Prescription Drugs	99%	99%
Outpatient Mental Health	99%	99%
Annual OB/GYN	99%	98%
Well-Baby Care	99%	97%
Adult Physicals	97%	93%
Inpatient Mental Health	95%	98%
Oral Contraceptives	94%	88%
Sterilization	89%	87%
All Five Leading Reversible Contraceptives	86%	72%
Abortion	68%	46%

Notes: California's coverage for prenatal care is 99.9%, which is shown as 100% due to rounding. The five leading reversible contraceptives are oral contraceptives, Norplant (an implant), Depo-Provera (injected), the IUD, and the diaphragm. See Detailed Notes and Sources at the end of Section 4.

Source: Kaiser Family Foundation and Health Research and Educational Trust: *California Employer Health Benefits Survey, 2003*, March 2004, unpublished data (CA data); *Employer Health Benefits 2003*, September 2003, Exhibit 8.2, <http://www.kff.org/insurance/ehbs2003-10-set.cfm> (US data).

## Exhibit 4.8

### Cost Sharing

In California, the most common HMO copayment for a physician office visit in 2003 was \$10 (40%); in the United States as a whole, it was \$15 (35%). In California, the percentage of HMO enrollees paying \$20 copays increased from 6% to 16% between 2002 and 2003, while in the United States the biggest increase was for the \$15 copay (from 27% to 35%). (Exhibit 4.8a)

While most Californians enrolled in employer-sponsored health plans have prescription drug coverage, tiered cost sharing for prescription drugs has emerged as a method to control prescription drug costs. The use of three-tiered cost sharing (different payments for generic drugs, brand name drugs with no generic substitute, and brand name drugs with generic substitutes) increased from 2002 to 2003 in both California (from 35% to 41%) and the United States (from 55% to 63%). Covered workers in California were less likely to face tiered cost sharing (79%) than workers in the United States (86%) in 2003. (Exhibit 4.8b).

In 2003, large firms in California and the United States were more likely to increase the amount employees pay for health insurance, prescription drugs, deductibles, and office copays than were small firms. Comparing California firms to those in the United States, a smaller percentage of small firms in California reported that they increased the amount employees paid for drugs and deductibles, and a larger percentage of large firms increased the amount employees paid for office visit copays. (Exhibit 4.8c)

















