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**CALIFORNIA EMPLOYERS MUCH LESS LIKELY TO OFFER
HEALTH INSURANCE THAN FIRMS NATIONALLY,
BUT CALIFORNIA WORKERS PAY LESS**

**California Employers More Likely to Offer Coverage
to Non-Traditional Partners**

**PPOs Outpace HMOs Across the Nation,
But HMOs Remain Dominant in California**

MENLO PARK, CA -- A new survey of employers released today by the Kaiser Family Foundation, the Health Research and Educational Trust (HRET), and the Center for Health and Public Policy Studies at the University of California, Berkeley reveals that California employers are much less likely to offer health insurance to their workers than firms nationally. This is in part why California ranks fifth among states in terms of the percentage of the population that is uninsured -- 7 million Californians, or 22% of the population, were uninsured in 1998.

However, when insurance is offered, California workers pay less towards their health insurance and are able to choose from a larger number of health plans than workers nationally. The survey also shows that as the rest of the country moves towards less restrictive forms of managed care like Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs) remain the dominant form of health insurance in California (53% of insured workers in California are enrolled in an HMO, compared to 28% nationally).

"The bad news is that Californians are not offered health insurance as frequently as their counterparts across the country. The good news is that when they are offered it, it costs them much less," said Drew Altman, Ph.D., president of the Kaiser Family Foundation.

Key findings from the *1999 California Employer Survey* include:

Coverage and Worker Contributions

- California employers are much less likely to offer health insurance than firms nationally -- 48% of firms in California offered health insurance in 1999 compared to 61% of firms nationally.
- As in the rest of the country, the offering of health insurance is tied closely to firm size, yet California employers of all sizes are less likely to offer coverage than in the rest of the country. In California,

41% of the smallest firms (3-9 workers) offer insurance, compared with 62% of firms with 10-50 workers, 94% for firms with 50-999 employees, and 94% for firms with 1,000 or more workers.

- It is unclear why California firms are less likely to provide health insurance than companies nationwide. Conventional wisdom suggests that it is because the workforce in California is concentrated in smaller firms and in industries less likely to make insurance available. However, California firms are only slightly smaller on average than national companies and are not skewed towards industries with low rates of health insurance. In addition, California firms of all sizes and industry categories offer health insurance at lower rates than firms nationally.
- California employers are more likely, however, to offer coverage to certain groups of employees than firms nationally. Thirty-one percent (31%) of Californians work in firms that offer coverage to non-traditional (unmarried or same-sex) partners, compared to 18% nationally; 55% work in firms that offer coverage to part-time employees, compared to 41% nationally; and, 6% work in firms that offer coverage to temporary workers, compared to 3% nationally.
- When coverage is offered, California workers pay less towards their health insurance than employees elsewhere. The average California worker contributed \$21 per month (11% of premium) for single coverage and \$117 a month (24% of premium) for family coverage. In contrast, workers nationally contributed \$35 a month (16% of premium) for single coverage and \$145 a month (32% of premium) for family coverage.

Plan Choice and Enrollment

- California employers are more likely to offer a choice of health plans than employers nationally. Eighty-one percent (81%) of insured workers in California have a choice of two or more plans compared to 65% of employees nationally. While small firms are much less likely than large firms nationally to offer their employees a choice of health plans, California small businesses are more likely than their national counterparts to do so. Twenty-seven percent (27%) of California firms with 3-50 workers offer a choice of more than one health plan, compared to 9% of small businesses nationwide.
- While a move towards less restrictive managed care plans is taking place across the nation, HMOs still dominate the marketplace in California. Nationally, PPOs had the highest rate of enrollment (38%), followed by HMOs (28%) and Point-of-Service (POS) plans (25%). In California, HMOs were the most common plan (53%), followed by PPOs (22%) and POS plans (21%).
- Enrollment in conventional (fee-for-service/indemnity) plans is now rare in both California and in the U.S. as a whole, with only 4% of covered workers enrolled in California and 9% enrolled across the nation.

Premium Increases

- Premium increases from 1998 to 1999 in California were similar to those nationally -- both experienced an average annual premium increase of 4.8%. Small businesses were hit especially hard in California and across the nation: firms with 3-50 workers experienced the largest premium increases (6.1% in California and 7.6% nationally).
- For employers in California and across the nation, HMOs on average had the highest rate of premium increases (5.7% in both California and the U.S.); PPOs had smaller premium increases in California (3.2%) than nationally (4.3%).
- Despite similar rates of increase, premiums in California remain substantially lower than in the U.S. overall. Premiums for a single worker in California averaged \$171 per month, compared to \$189 nationally. For workers with families, the average premium was \$458 in California, compared to the U.S. average of \$478.

“Developing effective public policies to increase employer coverage in California will be difficult until we better understand why health insurance is offered less frequently in California,” said Professor Helen Schauffler, director of University of California, Berkeley’s Center for Health and Public Policy Studies. “It is particularly perplexing since premiums are so much lower in California than in other parts of the country.”

Employer Knowledge

- Though California is often seen as a leader in innovative employer purchasing strategies, employer knowledge of quality and performance measurements is comparable to that found nationally and still relatively low. About one-half (49%) of covered workers in California (compared to 45% for the U.S.) are employed in firms that were familiar with the National Committee for Quality Assurance (NCQA), a national organization that accredits managed care plans. Only 36% of workers in California were employed in firms familiar with the Health Plan Employer Data and Information Set (HEDIS) (compared to 39% for the U.S.). HEDIS is a performance measurement tool that compares the quality of different health plans.
- California is also home to the Health Insurance Plan of California (HIPC), a health insurance purchasing cooperative for small employers often cited as a model program. Yet, just 26% of insured workers are employed in small firms that are familiar with the HIPC. The HIPC, originally created by the State of California, is currently operated by the Pacific Business Group on Health under the name "Pacific Health Advantage."

SUMMARY OF CALIFORNIA VERSUS THE U.S.			
		California	U.S.
Firms that offer health insurance		48%	61%
Coverage rates	Non-traditional partners	31%	18%
	Part-time	55%	41%
	Temporary	6%	3%
Monthly employee contributions	Single	\$21 / 11%	\$35 / 16%
	Family	\$117 / 24%	\$145 / 32%
Choice of two or more health plans		81%	65%
Enrollment figures	PPO	22%	38%
	HMO	53%	28%
	POS	21%	25%
	Conventional	4%	9%
Premium increases	All firm sizes	4.8%	4.8%
	Small firms (3-50)	6.1%	7.6%
Premium amounts	Single	\$171	\$189
	Family	\$458	\$478

Copies of this Press Release and the accompanying Chartpack, as well as previously released findings from the Kaiser/HRET survey of employers nationally, are available online at www.kff.org or by calling the Kaiser Family Foundation Publications Request Line at 1-800-656-4533 (ask for document #1568).

Methodology

The California Employer Survey is a joint product of the Kaiser Family Foundation, the Health Research and Educational Trust (HRET), and the Center for Health and Public Policy Studies at the University of California, Berkeley. The survey was designed and analyzed by researchers at the three organizations and administered by National Research LLC. The survey findings are based on a random sample of 743 interviews with employee benefit managers in private firms with three or more workers in California. The sample was drawn from the Dun & Bradstreet list of private employers with three or more workers. The margin of error for responses among all employers is 7%.

The California Employer Survey is based on a national survey of employers conducted annually by the Kaiser Family Foundation and HRET. U.S. results are based on the national survey and are available on the Foundation's website at www.kff.org or by calling the Foundation's Publications Request Line at 1-800-656-4533. The national survey was previously conducted by KMPG Peat Marwick LLP. For the purposes of reporting data, firms were aggregated into three sizes: small firms 3-50 workers (representing 25% of workers in California), mid-size firms 51-999 workers (representing 28% of workers) and large firms 1,000+ workers (representing 47% of workers). For offer rates, small firms were divided further into two sizes: 3-9 workers and 10-50 workers. Conventional (fee-for-service/indemnity) plans were generally excluded from plan type analyses because they comprise such a small share of the California market.

The Kaiser Family Foundation, based in Menlo Park, California, is a nonprofit, independent national health care philanthropy and is not associated with Kaiser Permanente or Kaiser Industries.

The Health Research and Educational Trust (HRET) is a private, not-for-profit organization involved in research, education, and demonstration programs addressing health management and policy issues. Founded in 1944, HRET, an affiliate of the American Hospital Association, collaborates with health care, government, academic, business, and community organizations across the United States to conduct research and disseminate findings that help shape the future of health care.

The Center for Health and Public Policy Studies is housed within the School of Public Health at the University of California, Berkeley.

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