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THE KAISER FAMILY FOUNDATION
- AND -
HEALTH RESEARCH AND
EDUCATIONAL TRUST

Employer Health Benefits

2005
ANNUAL SURVEY

13.9%†

12.9%*

11.2%*

9.2%*

5.3%*

THE HENRY J.
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1998 1999 2000 2001 2002 2003 2004 2005

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TABLE OF CONTENTS

LIST OF EXHIBITS	v
SUMMARY OF FINDINGS	1
SURVEY DESIGN AND METHODS	9
SECTION 1	
Cost of Health Insurance	15
SECTION 2	
Health Benefits Offer Rates	31
SECTION 3	
Employee Coverage, Eligibility, and Participation	39
SECTION 4	
Health Plan Choice	49
SECTION 5	
Market Shares of Health Plans	55
SECTION 6	
Employee Contributions for Premiums	59
SECTION 7	
Employee Cost Sharing	75
SECTION 8	
High-Deductible Health Plans and Savings Account Options	89
SECTION 9	
Prescription Drug Benefits	99
SECTION 10	
Plan Funding	107
SECTION 11	
Retiree Health Benefits	113
SECTION 12	
Employer Opinions and Health Management Programs	119

LIST OF EXHIBITS

SURVEY DESIGN AND METHODS

EXHIBIT M.1	13
Selected Characteristics of Firms in the Survey Sample, 2005	
EXHIBIT M.2	14
Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2005	

COST OF HEALTH INSURANCE

EXHIBIT 1.1	17
Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005	
EXHIBIT 1.2	18
Increases in Health Insurance Premiums from the Previous Year, by Plan Type, 1988-2005	
EXHIBIT 1.3	18
Increases in Health Insurance Premiums for Covered Workers, by Firm Size, 2005	
EXHIBIT 1.4	19
Distribution of Premium Increases for Covered Workers, by Firm Size, 2005	
EXHIBIT 1.5	19
Increases in Health Insurance Premiums, by Firm Size and Plan Type, 2005	
EXHIBIT 1.6	20
Increases in Health Insurance Premiums, by Plan Type and Funding Arrangement, 2005	
EXHIBIT 1.7	21
Increases in Health Insurance Premiums, by Funding Arrangement, 1998-2005	
EXHIBIT 1.8	22
Increases in Health Insurance Premiums, by Firm Size, 1996-2005	
EXHIBIT 1.9	23
Increases in Health Insurance Premiums, by Region, 1996-2005	

EXHIBIT 1.10	24
Increases in Health Insurance Premiums, by Industry, 1996-2005	
EXHIBIT 1.11	25
Average Monthly Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2005	
EXHIBIT 1.12	25
Distribution of Single and Family Monthly Premiums for Covered Workers, 2001-2005	
EXHIBIT 1.13	26
Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Firm Size, 2005	
EXHIBIT 1.14	27
Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Region, 2005	
EXHIBIT 1.15	28
Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Industry, 2005	

HEALTH BENEFITS OFFER RATES

EXHIBIT 2.1	34
Percentage of Firms Offering Health Benefits, 1996-2005	
EXHIBIT 2.2	35
Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2005	
EXHIBIT 2.3	36
Percentage of Firms Offering Health Benefits, by Firm Characteristics, 2005	
EXHIBIT 2.4	36
Percentage of Firms Offering Health Benefits That Offer Them to Part-Time Workers, by Firm Size, 1999-2005	
EXHIBIT 2.5	37
Percentage of Firms Offering Health Benefits That Offer Them to Temporary Workers, by Firm Size, 1999-2005	
EXHIBIT 2.6	37
Among Firms Not Offering Health Benefits, Reasons for Not Offering, 2005	

EXHIBIT 2.7	38
Distribution of Firms by the Amounts They Believe They and Their Employees Could Afford to Pay for Health Insurance and by Their Estimate of the Cost of Coverage, Per Month, 2005	

EXHIBIT 2.8	38
Among Firms Not Offering Health Benefits, Beliefs About Employees' Preferences for Higher Wages or Health Insurance Benefits, 2003 and 2005	

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EXHIBIT 3.1	41
Percentage of Workers Covered by Their Employers' Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 2000-2005	

EXHIBIT 3.2	42
Eligibility, Take-up Rates, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2005	

EXHIBIT 3.3	43
Percentage of Workers Eligible For Health Benefits Offered By Their Employer, by Firm Size, 1999-2005	

EXHIBIT 3.4	43
Percentage of Workers in Firms Offering Health Benefits Who Participate in (Take-up) Their Employers' Health Plan, by Firm Size, 1999-2005	

EXHIBIT 3.5	44
Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employers' Health Plan, by Firm Size, 1999-2005	

EXHIBIT 3.6	44
Average Waiting Period for New Employees to Be Eligible for Health Coverage, 1999-2005	

EXHIBIT 3.7	45
Percentage of Covered Workers in Firms with a Waiting Period for New Employees to Be Covered, by Firm Size, Region, and Industry, 2005	

EXHIBIT 3.8	46
Average Waiting Period For New Employees to Be Eligible for Health Coverage, by Firm Size, Region, and Industry, 2005	

EXHIBIT 3.9	47
Distribution of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001-2005	

HEALTH PLAN CHOICE

EXHIBIT 4.1	51
Percentage of Covered Workers With a Choice of Conventional, HMO, PPO, or POS Plans, 1988-2005	

EXHIBIT 4.2	52
Distribution of Firms Providing a Choice of Health Plans, by Firm Size, 2005	

EXHIBIT 4.3	52
Distribution of Covered Workers With a Choice of Health Plans, 1988-2005	

EXHIBIT 4.4	53
Distribution of Covered Workers With a Choice of Health Plans, by Firm Size, 1996-2005	

EXHIBIT 4.5	54
Distribution of Covered Workers With a Choice of Health Plans, by Region, 2005	

EXHIBIT 4.6	54
Distribution of Covered Workers With One or More Options of the Same Plan Type, by Firm Size, 2005	

MARKET SHARES OF HEALTH PLANS

EXHIBIT 5.1	57
Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2005	

EXHIBIT 5.2	58
Health Plan Enrollment, by Firm Size, Region, and Industry, 2005	

EMPLOYEE CONTRIBUTIONS FOR PREMIUMS

EXHIBIT 6.1	61
Average Monthly Worker Premium Contributions for Single and Family Coverage, 1988-2005	

EXHIBIT 6.2	61
Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1988-2005	

EXHIBIT 6.3	62
Average Annual Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2005	

EXHIBIT 6.4	63
Average Monthly Worker Premium Contributions for Single and Family Coverage, by Plan Type and Firm Size, 2005	
EXHIBIT 6.5	64
Average Monthly Worker Premium Contributions for Single and Family Coverage, by Plan Type and Firm Size, 2005	
EXHIBIT 6.6	65
Average Monthly Worker Premium Contributions for Single and Family Coverage in Conventional and HMO Plans, 1988-2005	
EXHIBIT 6.7	65
Monthly Worker Contributions for Single and Family Coverage in PPO and POS Plans, 1988-2005	
EXHIBIT 6.8	66
Distribution of Covered Workers by Percentage of Single Premium Contributed by Their Firm, by Firm Size, 2001-2005	
EXHIBIT 6.9	67
Distribution of Covered Workers by Percentage of Family Premium Contributed by Their Firm, by Firm Size, 2005	
EXHIBIT 6.10	68
Average Percentage of Single and Family Premiums Paid by Covered Workers, by Firm Characteristics, 2005	
EXHIBIT 6.11	69
Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Firm Size, 2005	
EXHIBIT 6.12	70
Average Percentage of Premium Paid by Covered Workers in Conventional and HMO Plans, 1988-2005	
EXHIBIT 6.13	70
Average Percentage of Premium Paid by Covered Workers in PPO and POS Plans, 1988-2005	
EXHIBIT 6.14	71
Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Region, 2005	

EXHIBIT 6.15	72
Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Industry, 2005	

EXHIBIT 6.16	74
Percentage of Covered Workers in Firms That Vary Worker Premium Contributions by Wage Level or by Participation in Wellness Program, by Firm Size and Region, 2005	

EMPLOYEE COST SHARING

EXHIBIT 7.1	78
Percentage of Covered Workers With the Following Types of Cost Sharing for Health Benefits, 2005	

EXHIBIT 7.2	79
Average Annual Deductibles for Covered Workers With Single Coverage, by Plan Type, 1988-2005	

EXHIBIT 7.3	79
Average Annual Deductibles for Covered Workers With Family Coverage, by Plan Type, 1988-2005	

EXHIBIT 7.4	80
Average Annual Deductibles for Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2005	

EXHIBIT 7.5	81
Average Annual Deductibles for Covered Workers for Single and Family Coverage, by Plan Type and Region, 2005	

EXHIBIT 7.6	82
Distribution of Covered Workers With the Following Annual Deductibles for PPO Plans, Single and Family Coverage, 2000-2005	

EXHIBIT 7.7	82
Distribution of Covered Workers With the Following Annual Deductibles for POS Plans, Single and Family Coverage, 2000-2005	

EXHIBIT 7.8	83
Among Covered Workers Facing Copayments for Physician Office Visits, Distribution of Copayments by Plan Type, 2004-2005	

EXHIBIT 7.9	83
Among Covered Workers in HMOs Facing Copayments for Physician Office Visits, Percentage with Various Copayments, 1996-2005	

EXHIBIT 7.10	84
Among Covered Workers Facing Coinsurance for Physician Office Visits, Average Coinsurance Rates, by Plan Type, 2005	
EXHIBIT 7.11	84
Percentage of Covered Workers With the Following Types of Cost Sharing for Physician Office Visits, 2005	
EXHIBIT 7.12	85
Distribution of Covered Workers With the Following Types of Cost Sharing for a Hospital Admission, 2005	
EXHIBIT 7.13	85
Among Covered Workers with a Separate Hospital Deductible or Copay, the Average Cost Sharing Per Admission, By Plan Type, 2005	
EXHIBIT 7.14	86
Among Covered Workers with Separate Hospital Cost Sharing, Average Cost Sharing, 2005	
EXHIBIT 7.15	86
Percentage of Covered Workers in HMO, PPO, and POS Plans Whose Plan Has a Tiered Cost Sharing Arrangement or Has Considered Introducing a Tiered Cost Sharing Arrangement for Physician or Hospital Visits, 2005	
EXHIBIT 7.16	87
Distribution of Covered Workers With the Following Maximum Annual Out-of-Pocket Payment, Single Coverage, by Plan Type and Firm Size, 2005	
EXHIBIT 7.17	88
Distribution of Covered Workers With the Following Maximum Annual Out-of-Pocket Payment, Family Coverage, by Plan Type and Firm Size, 2005	

HIGH-DEDUCTIBLE HEALTH PLANS AND SAVINGS ACCOUNT OPTIONS

EXHIBIT 8.1	94
Among Firms Offering Health Benefits, Percentage That Offer an HDHP, by Firm Size, 2003-2005	
EXHIBIT 8.2	94
Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005	

EXHIBIT 8.3	95
Among All Firms Offering an HDHP, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005	
EXHIBIT 8.4	96
HDHP/HRA and HSA Qualified HDHP Features, for Single and Family Coverage, by Plan Type, 2005	
EXHIBIT 8.5	97
Average Annual Premiums and Contributions to Spending Accounts For Covered Workers in HDHP/HRAs and HSA Qualified HDHPs Compared to All Plans, 2005	
EXHIBIT 8.6	98
Among Firms Not Currently Offering an HDHP/HRA, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HDHP/HRA in the Next Year, 2005	
EXHIBIT 8.7	98
Among Firms Not Currently Offering an HSA Qualified HDHP, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HSA Qualified HDHP in the Next Year, 2005	

PRESCRIPTION DRUG BENEFITS

EXHIBIT 9.1	101
Distribution of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drug Benefits, 2000-2005	
EXHIBIT 9.2	102
Among Covered Workers Facing Prescription Drug Copayments, Average Copayments, 2000-2005	
EXHIBIT 9.3	103
Among Covered Workers Facing Coinsurance for Prescription Drugs, Average Coinsurance, 2000-2005	
EXHIBIT 9.4	104
Distribution of Covered Workers With the Following Types of Cost Sharing for Prescription Drugs, by Drug Type, 2005	
EXHIBIT 9.5	105
Percentage of Covered Workers with Drug Coverage Who Face a Separate Drug Deductible, by Plan Type, 2005	

PLAN FUNDING

EXHIBIT 10.1	109
Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999-2005	
EXHIBIT 10.2	110
Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type, 1999-2005	
EXHIBIT 10.3	111
Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999-2005	
EXHIBIT 10.4	111
Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999-2005	
EXHIBIT 10.5	112
Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999-2005	
EXHIBIT 10.6	112
Percentage of Covered Workers With Different Funding Arrangements, by Industry, 2005	

RETIREE HEALTH BENEFITS

EXHIBIT 11.1	115
Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, 1988-2005	
EXHIBIT 11.2	116
Percentage of Firms Offering Retiree Health Benefits, by Firm Size, Region, and Industry, 2005	
EXHIBIT 11.3	117
Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, by Firm Characteristics, 2005	
EXHIBIT 11.4	117
Among All Large Firms (200 or More Workers) Offering Retiree Coverage, Percentage Offering Health Benefits to Early and Medicare-Age Retirees, 1999-2005	
EXHIBIT 11.5	118
Among All Large Firms (200 or More Workers) Offering Retiree Health Coverage, Percentage Offering Retiree Benefits to Early and Medicare-Age Retirees, by Firm Size, Region, and Industry, 2005	

EMPLOYER OPINIONS AND HEALTH MANAGEMENT PROGRAMS

EXHIBIT 12.1	122
Among Firms That Offer Health Benefits, Percentage That Shopped for a New Plan or Insurance Carrier, and the Percentage of These Firms That Changed Plan Types or Insurance Carriers in the Last Year, by Firm Size, 2005	
EXHIBIT 12.2	123
Among All Firms Both Offering and Not Offering Health Benefits, Percentage Offering Wellness Programs To Their Employees, by Firm Size, Region, and Industry, 2005	
EXHIBIT 12.3	124
Percentage of Covered Workers in Plans with Utilization Management Provisions, by Firm Size, Plan Type, Region, and Industry, 2005	
EXHIBIT 12.4	125
Percentage of Covered Workers in Plans With A Disease Management Program and, Among Those, Percentage with Specific Programs, 2005	
EXHIBIT 12.5	126
Among All Firms Both Offering and Not Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, 2005	
EXHIBIT 12.6	127
Distribution of Firms Reporting The Likelihood of Making the Following Changes in the Next Year, by Firm Size, 2005	

SUMMARY OF FINDINGS

EMPLOYER-SPONSORED HEALTH INSURANCE PROVIDES COVERAGE FOR 160 MILLION AMERICANS, REACHING NEARLY THREE OF EVERY FIVE OF THE NONELDERLY.¹ TO PROVIDE CURRENT INFORMATION ABOUT THE NATURE OF EMPLOYER-SPONSORED HEALTH BENEFITS, THE KAISER FAMILY FOUNDATION (KFF) AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (HRET) CONDUCT AN ANNUAL NATIONAL SURVEY OF PRIVATE AND PUBLIC EMPLOYERS OF THREE OR MORE WORKERS.

The key findings from this year's survey show that the rate of growth of health insurance premiums declined for the second straight year, slowing to 9.2% in 2005, and that the percentage of all firms offering health benefits to their employees has fallen significantly from 69% to 60% over the last 5 years.

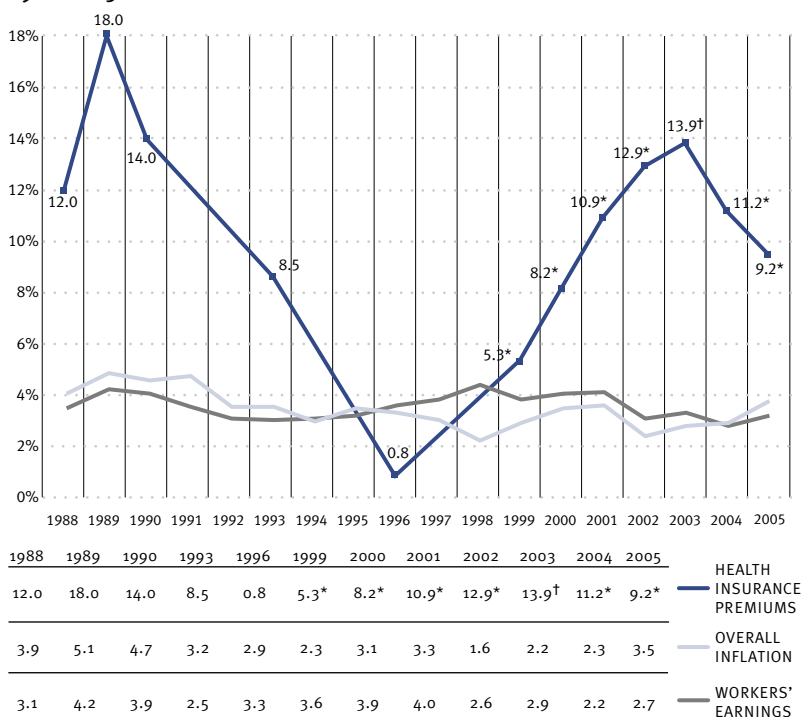
The 2005 findings also show growth in the percentage of firms offering health benefits that offer a highdeductible health plan (HDHP) to at least some of their employees. Twenty percent of firms that offer health benefits offer a highdeductible health plan. These firms are beginning to look at new consumer-driven arrangements. Among all firms that offer health benefits, 1.9% offer an HDHP with a health reimbursement arrangement (HRA), covering 1.6 million workers, and 2.3% offer an HDHP that meets federal requirements enabling a worker to establish a health savings account (HSA), covering 810,000 workers.

HEALTH INSURANCE PREMIUMS

Between spring of 2004 and spring of 2005, premiums for employersponsored health insurance rose by 9.2%, lower than

EXHIBIT A

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005



* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

† Estimate is statistically different from the previous year shown at $p < .10$.

Note: Data on premium increases reflect total health insurance premiums for a family of four. Historical estimates of workers' earnings have been updated to reflect new industry classifications (NAICS).

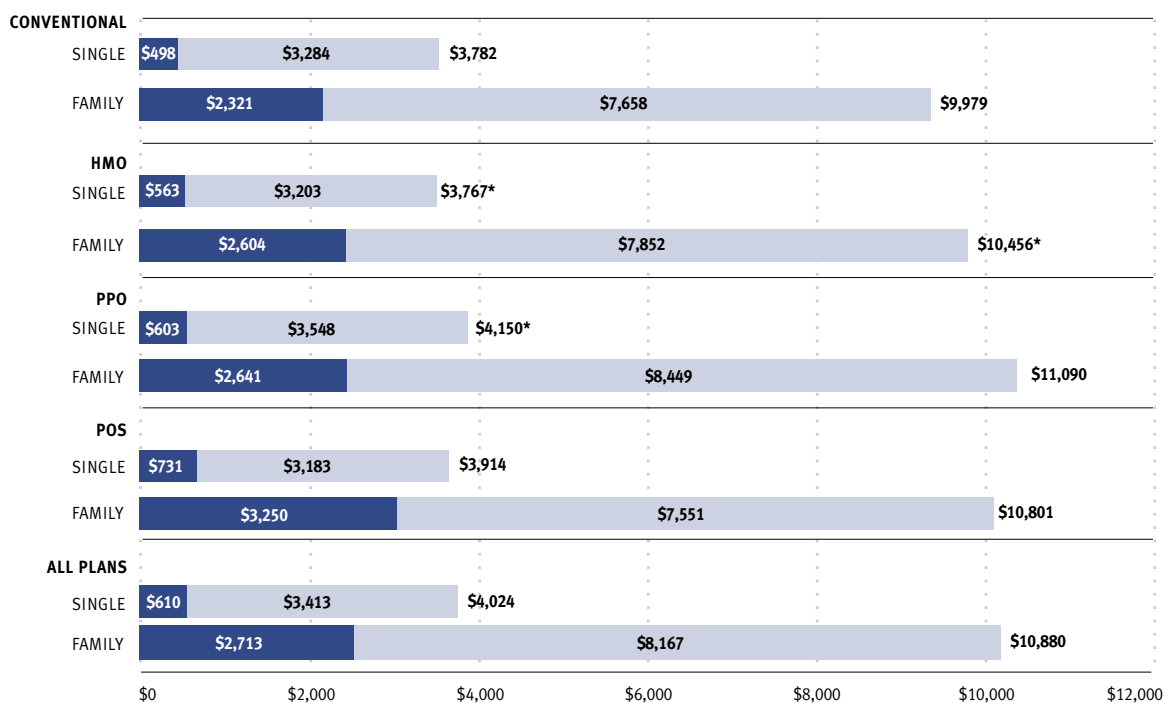
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2005; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005.

the 11.2% increase in 2004 and the 13.9% increase in 2003 (EXHIBIT A).² Despite this slowdown, premiums continued to increase much faster than overall inflation (3.5%) and wage gains (2.7%). Since 2000, premiums for family coverage

have increased by 73%, compared with inflation growth of 14% and wage growth of 15%. Average annual premiums for employer-sponsored coverage rose to \$4,024 for single coverage and \$10,880 for family coverage (EXHIBIT B).

EXHIBIT B

Average Annual Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2005



* Estimate of total premium is statistically different from All Plans by coverage type shown at $p < .05$.

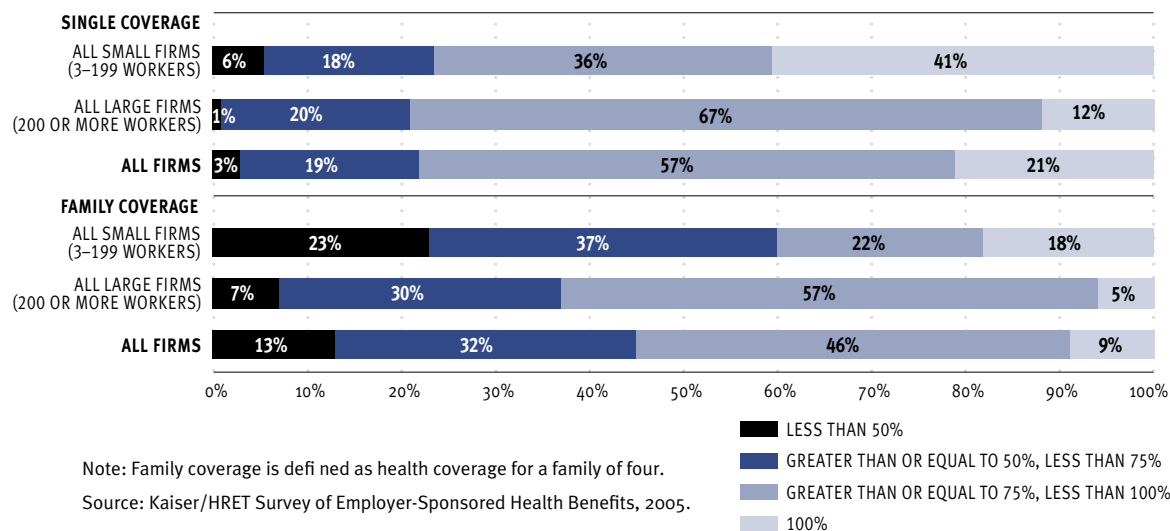
Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

WORKER CONTRIBUTION
FIRM CONTRIBUTION

EXHIBIT C

Distribution of Covered Workers by Percentage of Premium Contributed by Their Firm for Single and Family Coverage, by Firm Size, 2005



Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

LESS THAN 50%
GREATER THAN OR EQUAL TO 50%, LESS THAN 75%
GREATER THAN OR EQUAL TO 75%, LESS THAN 100%
100%

Although the average premium increase for 2005 is 9.2%, many covered workers are in firms that experienced premium changes that were substantially above or below the average: 32% of covered workers work for firms where premiums increased by 5% or less, while 17% of covered workers work for firms where premiums increased by more than 15%. Premiums in fully insured plans and premium equivalents in selffunded plans grew at similar rates.

Preferred provider organizations (PPOs) cover a majority of covered workers, but health maintenance organizations (HMOs) remain less expensive. The average annual PPO premium is \$4,150 for single coverage and \$11,090 for family coverage, compared to average annual HMO premiums of \$3,767 for single coverage and \$10,456 for family coverage.

Almost 80% of covered workers with single coverage, and over 90% of covered workers with family coverage make a contribution toward premiums in

2005 (EXHIBIT C). Workers on average contribute \$610 of the \$4,024 annual cost of single coverage and \$2,713 of the \$10,880 annual cost of family coverage (EXHIBIT B). Covered workers in small firms (3–199 workers) on average make a significantly higher contribution toward family coverage than covered workers in large firms (200 or more workers) (\$3,170 vs. \$2,487). The average percentage of premiums paid by workers is statistically unchanged over the last several years, at 16% for single coverage and 26% for family coverage (EXHIBIT D).

EMPLOYEE COST SHARING

In addition to their premium contributions, most workers make payments when they use health care services. Fifty-six percent of covered workers are in a health plan that requires that a deductible be met for single coverage before most plan benefits are provided. In PPOs, the most common plan type, the average deductible for in-network services is \$323 for single

coverage and \$679 for family coverage. Across all plan types, average deductibles for single coverage in small firms (3–199 workers) are substantially higher than average deductibles in large firms (200 or more workers).

More than half of covered workers face separate cost sharing when they are admitted to a hospital. Thirty-six percent of covered workers face a separate deductible or copayment for each hospital admission, with an average payment of \$241. Ten percent of workers face separate coinsurance when they are hospitalized, with an average coinsurance rate of 16%. An additional 3% of workers face both a deductible or copayment and coinsurance when hospitalized.

The vast majority of covered workers face copayments when they go to the doctor or fill a prescription. Copayments for physician office visits changed little in 2005. Forty-four percent of covered workers are in a plan with a \$20 or \$25

EXHIBIT D

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1988–2005

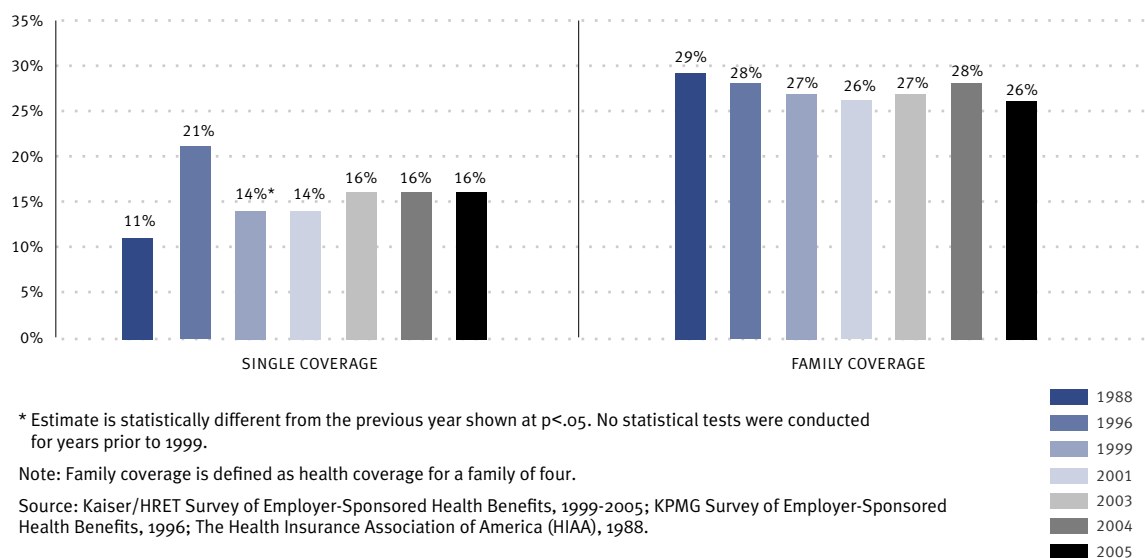
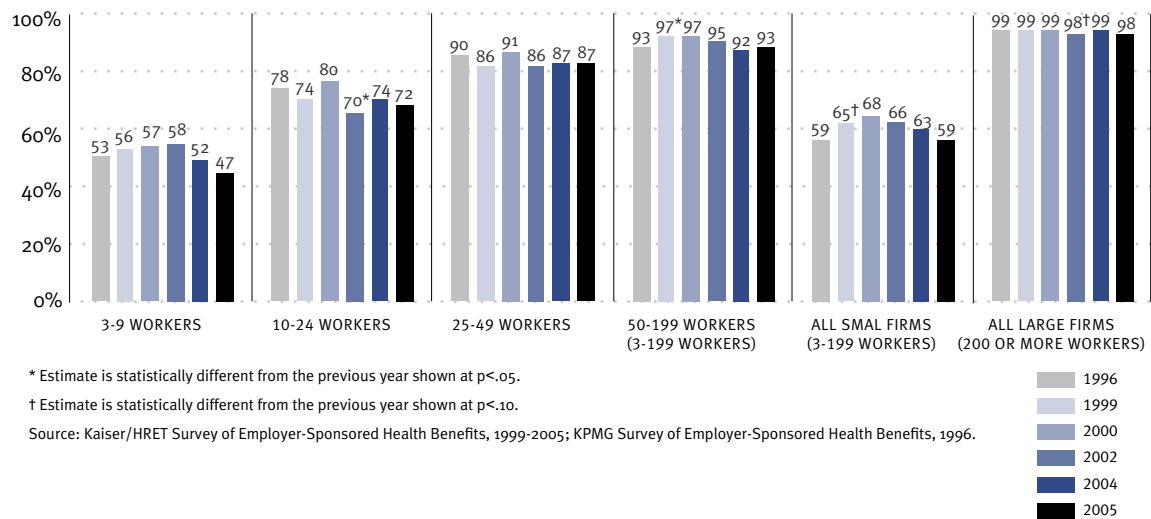


EXHIBIT E

Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2005



copayment. For workers covered by multi-tier drug plans, the average copayments are \$10 for generic drugs, \$22 for preferred drugs, and \$35 for nonpreferred drugs. A small percentage of plans have added a fourth tier of prescription drug cost sharing, with an average copayment in that tier of \$74.

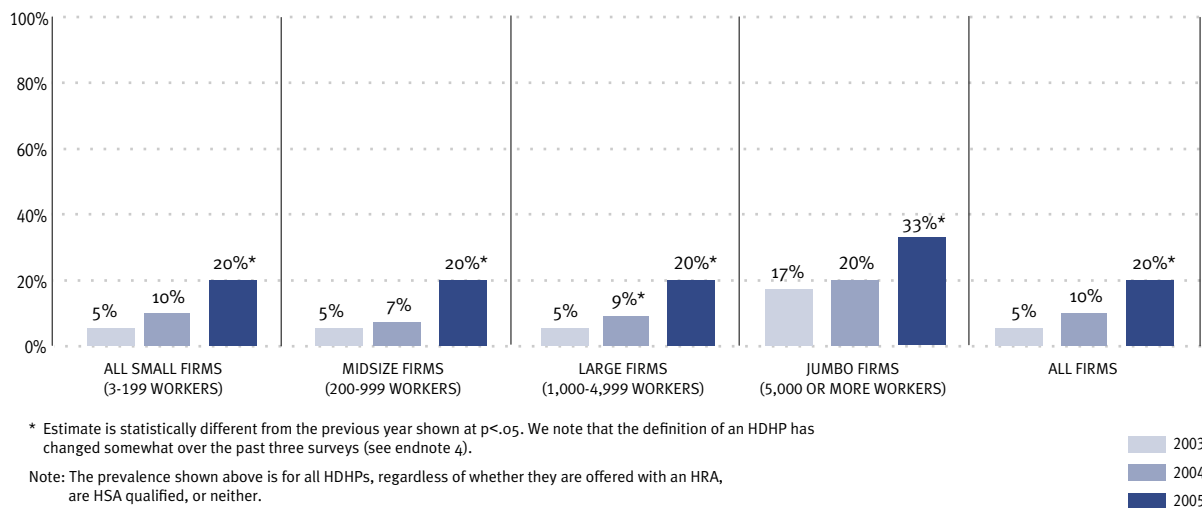
AVAILABILITY OF EMPLOYER-BASED COVERAGE

While the percentage of firms offering health benefits is statistically unchanged from last year, it has declined over the last few years. Annual changes have been small, but the cumulative result is a statistically significant decline in

the percentage of firms offering health benefits, from 69% in 2000 to 60% in 2005. This drop is driven largely by a significant decline in the percentage of small firms (3-199 workers) offering coverage, which has fallen from 68% to 59% over the same period.

EXHIBIT F

Among Firms Offering Health Benefits, Percentage That Offer an HDHP, by Firm Size, 2003-2005



The health benefits offer rate continues to vary substantially by firm size: only 47% of the smallest companies (3–9 workers) offer health benefits, compared to 72% of firms with 10–24 workers, 87% of firms with 25–49, and over 90% of firms with 50 or more workers (EXHIBIT E).

Even when a firm offers health insurance, not all workers get covered. Some workers are not eligible to enroll as a result of waiting periods or minimum work-hour rules, and others choose not to enroll because they must pay a share of the premium or can get coverage through a spouse. Within offering firms, 80% of workers are eligible for coverage, and 83% of those eligible elect to enroll.

HEALTH PLAN ENROLLMENT

Enrollment in PPOs grew over the last year, while HMO enrollment declined. PPOs continue to be the most common

plan in 2005, enrolling 61% of employees with health coverage, up from 55% in 2004.³ HMO enrollment fell to 21% of covered workers from 25% in 2004. POS enrollment, which has been declining in recent years, remained stable this year at 15%.

UTILIZATION MANAGEMENT AND DISEASE MANAGEMENT

About eight-in-ten workers (81%) with job-based coverage are in a health plan that uses case management for large claims. Prior certification for inpatient services (75% of covered workers) and outpatient surgery (55% of covered workers) also apply to most covered workers.

Over half of covered workers (56%) are in a plan with at least one disease management program. Among workers in these plans, virtually all are in a plan that provides management for diabetes,

and high percentages are in plans that provide management for asthma (86%), hypertension (82%), and high cholesterol (66%).

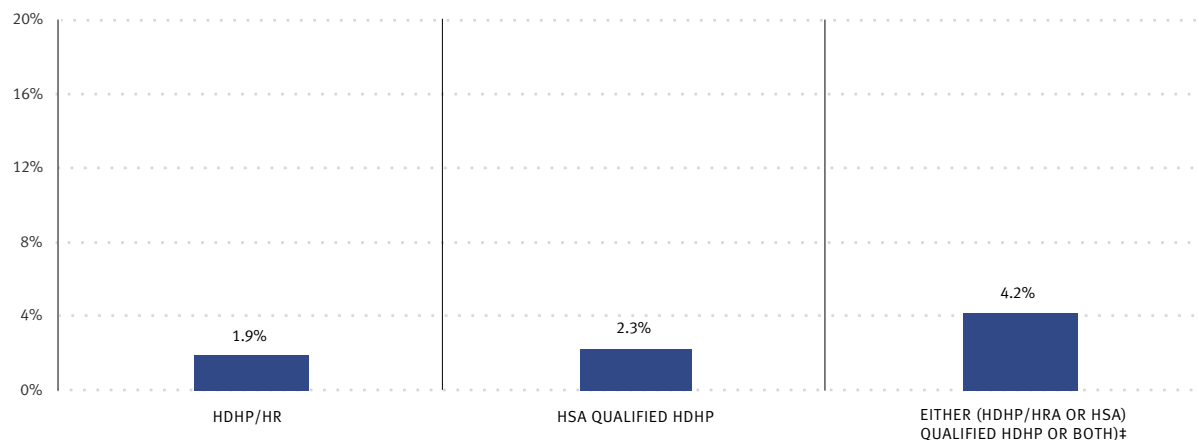
HIGH-Deductible Health Plans

Employers appear to be embracing increased consumer responsibility and higher cost sharing as strategies for reducing the growth in health care costs. Twenty percent of firms offering health benefits offer an HDHP (defined for 2005 as having a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage) (EXHIBIT F). Jumbo firms (5,000 or more workers) offering health benefits are more likely than all firms to offer such a plan. We note that the definition of an HDHP has changed somewhat over the past three surveys.⁴

We asked employers offering an HDHP whether they offer either (1) an HRA to

EXHIBIT G

Among All Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005



* This includes 0.3% of all firms offering health benefits that offer both an HDHP/HRA and an HSA qualified HDHP.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

their employees (referred to here as an “HDHP/HRA”) or (2) an HDHP that permits their employees to establish an HSA (referred to here as an “HSA qualified HDHP”). Among all firms offering health benefits, 1.9% offer an HDHP/HRA, with 1.6 million workers enrolled in the HDHP/HRA, and 2.3% offer an HSA qualified HDHP, with 810,000 workers enrolled in the HSA qualified HDHP (EXHIBIT G).⁵ About 25% of workers offered an HDHP/HRA and about 15% of workers offered an HSA qualified HDHP participate in the arrangement that is offered.

As expected, deductibles in these arrangements are relatively high: in HDHP/HRAs, annual deductibles average \$1,870 for single coverage and \$3,686 for family coverage; in HSA qualified HDHPs, annual deductibles

average \$1,901 for single coverage and \$4,070 for family coverage. The average premiums for the HDHPs in these arrangements are generally lower than average health plan premiums overall, although these differences lessen or disappear when employer contributions to the spending accounts are added to the premium. The average total annual spending for HDHP/HRAs (premiums plus employer contributions to the HRA) is not statistically different than average annual health plan premiums for either single or family coverage. In contrast, the average total annual spending for HSA qualified HDHPs is significantly lower for both single and family coverage than annual average premiums for health plans generally (EXHIBIT H).

On average, workers enrolled in an HDHP/HRA receive an annual

employer contribution to their HRA of \$792 for single coverage and \$1,556 for family coverage. Workers enrolled in an HSA qualified HDHP on average receive an annual employer contribution to their HSA of \$553 for single coverage and \$1,185 for family coverage.⁶ About one-in-three employers offering an HSA qualified HDHP (covering about 35% of workers enrolled in these plans) does not contribute to HSAs established by their employees.

RETIREE COVERAGE

The implementation of the new Medicare Part D drug benefit, combined with cutbacks in coverage by several large national firms, has put a spotlight on retiree health benefits. In 2005, 33% of large firms (200 or more workers) offer retiree health coverage, virtually

EXHIBIT H

Average Annual Premiums and Contributions to Spending Accounts for Covered Workers in HDHP/HRAs and HSA Qualified HDHPs Compared to All Plans, 2005

	HSA QUALIFIED HDHP		ALL PLANS [‡]			
	Single	Family	Single	Family	Single	Family
Total Annual Premium	\$3,503*	\$8,530*	\$2,700*	\$7,909*	\$4,024	\$10,880
Worker Contribution to Premium	\$423	\$2,654	\$431	\$1,664*	\$610	\$2,713
Firm Contribution to Premium	\$3,080	\$5,876*	\$2,270*	\$6,245*	\$3,413	\$8,167
TOTAL ANNUAL FIRM CONTRIBUTION (FIRM SHARE OF PREMIUM PLUS CONTRIBUTION TO HRA OR HSA)	\$3,872*	\$7,538	\$2,850	\$7,337	\$3,413	\$8,167
TOTAL ANNUAL SPENDING (TOTAL PREMIUM PLUS FIRM CONTRIBUTION TO HRA OR HSA)	\$4,295	\$10,193	\$3,280*	\$9,001*	\$4,024	\$10,880

* Estimate is statistically different from All Plans by coverage type at $p < .05$.

‡ All Plans refers to all conventional, HMO, PPO, and POS plans in the survey, not just HDHP/HRAs or HSA qualified HDHPs.

Note: Average Firm Contributions to the HSA or HRA cannot be calculated by subtracting the average Total Annual Premium from the average Total Annual Spending due to varying sample sizes. Some firms provided data for premiums and worker contributions that were inconsistent with other data they provided about their HDHP/HRA or HSA qualified HDHP. These data were excluded from estimates of the average premium, worker contribution, and firm contribution for the HDHP; therefore there are fewer cases used in calculating those averages than for the average firm contribution to the HSA or HRA.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

the same percentage as last year, but down from 66% in 1988. Among large firms offering retiree benefits, virtually all (94%) offer benefits to early retirees, while just over 81% offer benefits to Medicare-age retirees.

OUTLOOK FOR THE FUTURE

Although growth in health insurance premiums has moderated in each of the last two years, it continues to outpace inflation and average wage growth by wide margins. Over the last five years (since 2000), health insurance premiums have grown by 73%, compared with cumulative inflation of around 14% and cumulative wage growth of 15%.

This rapid growth of health care premiums relative to the rest of the economy appears to be placing significant strains on the employer sponsored health insurance system. Over the past five years, the percentage

of employers offering health benefits has fallen from 69% to 60%, with the decline occurring predominantly among small firms (3-199 workers). This decline has helped drive a reduction in the percentage of workers covered by health insurance offered through their own employer, which has fallen from 63% of workers in 2000 to 60% in 2005.

To address cost issues, employers are broadly making use of disease management and utilization management, but continue to move away from HMOs, whose premiums are generally below more prevalent PPOs. Employers also have looked to higher cost sharing over the past few years, first through increases in deductibles and copayments, and more recently in the form of new plan types. While cost sharing grew little on average over the past year, we do see an increase in the offering of HDHPs and the emergence of new consumer-driven plans. We expect the prevalence of

these consumer-driven approaches to grow, despite the fact that only 16% of employers say that they believe that these plans will be “very effective” in controlling health care costs.

Health insurance premiums for a family of four now average almost \$11,000 a year, about equal to the full time earnings for a minimum wage worker.⁷ It is not surprising then that firms with a relatively high percentage of lower-wage workers are less likely to offer health insurance—given the cost of coverage relative to what their workers earn; nor is it surprising that smaller firms, who on average pay their workers less than larger firms, are having an increasingly hard time offering health benefits to their workers. Unless cost increases moderate substantially, or new ways are found to finance health care for lower income workers, we may well see the downward trends in offer rates and coverage continue.

¹ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. *Health Insurance Coverage in America, 2003 Data Update*, November 2004.

² Data on premiums reflect the cost of health insurance premiums for a family of four.

³ A portion of the change in enrollment is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local workers and removing federal workers from the weights. See the *Survey Design and Methods* section in the full report for additional information.

⁴ In 2003 and 2004 the survey used a different definition and asked firms if they offered a health plan with a deductible of more than \$1,000 for single coverage. The 2003 and 2004 surveys did not specify a minimum deductible for family coverage. Some of the change in the percentage of firms offering an HDHP between 2003 and 2005 may be due to this change in the definition of an HDHP.

⁵ This estimate of the number of workers enrolled in an HDHP/HRA or an HSA qualified HDHP does not include federal workers because the federal government is not included in the survey.

⁶ The average firm contributions to HSAs for single coverage (\$553) and family coverage (\$1,183) include covered workers whose firm makes no contribution to the account. Average Firm Contributions to the HSA or HRA cannot be calculated by subtracting the average Total Annual Premium from the average Total Annual Spending (Exhibit H) due to varying sample sizes. Some firms provided data for premiums and worker contributions that were inconsistent with other data they provided about their HDHP/HRA or HSA qualified HDHP. These data were excluded from estimates of the average premium, worker contribution, and firm contribution for the HDHP; therefore there are fewer cases used in calculating those averages than for the average firm contribution to the HSA or HRA.

⁷ Gross earnings for someone earning the federal minimum wage in 2005 and working 2,080 hours are \$10,712.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Survey
Design
and
Methods

SURVEY DESIGN AND METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KFF/HRET) CONDUCT THIS SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS. FOR MANY YEARS THE INTERNATIONAL CONSULTING AND ACCOUNTING FIRM, BEARING POINT (FORMERLY KNOWN AS KPMG), SUPPORTED THE STUDY. 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 NONPROFIT 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.

Kaiser/HRET asked each participating company 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 and general policy perceptions and activities. Throughout this report, we use the term 'in-network' to refer to services received from a preferred provider and 'out-of-network' to refer to services received from a nonpreferred provider. This year Kaiser/HRET survey added two additional sections to the questionnaire to collect information about high-deductible health plans (HDHP) that are offered along with a health reimbursement account (HRA) or are health savings account (HSA) qualified.¹ Questions in these sections were asked of all firms offering these plan types, regardless of enrollment.

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 2005.

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. Kaiser/HRET attempted to repeat interviews with prior years' survey respondents (with at least ten employees) who also participated in 2003 and/or 2004. As a result, 1,122 firms in this year's total sample of 2,013 firms participated in either the 2003 and 2004 surveys.² The overall response rate was 48%.

The vast majority of questions are asked only of firms that offer health benefits. A total of 1,832 responding firms indicated that they offered health benefits. The overall response rate of firms that offer health benefits was 51%.

From previous years' experience, we have learned that firms that decline to participate in the study are more likely not to offer health benefits. Therefore, we asked one question to all

NOTE:

¹ See Section 8 for specific definitions of HDHPs, HRAs, and HSAs. Although HRAs can be offered along with a health plan that is not an HDHP, the survey only collected information on HRAs that are offered along with HDHPs.

² In total, 233 firms participated in 2003 and 2005, 106 firms participated in 2004 and 2005, and 783 firms participated in 2003, 2004, and 2005.

firms in the study with which we made phone contact where the firm declined to participate. The question was, “Does your company offer or contribute to a health insurance program as a benefit to your employees?” A total of 2,995 firms responded to this question (including 2,013 who responded to the full survey and 982 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health benefits.³ The response rate for this question was 72%.

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: 3-199, All Small; and 200 or more workers, All Large. Occasionally, firm size categories will be broken into finer groups. The All Small group may be categorized by: 3-24 workers and 25-199 workers; or 3-9 workers, 10-24 workers, 25-49 workers, and 50-199 workers. The All Large group may be categorized by: 200-999 workers, midsize; 1,000-4,999 workers, large; and 5,000 or more workers, jumbo. EXHIBIT M.1 shows detailed characteristics of the sample.

EXHIBIT M.2 displays the distribution of the nation's firms, workers, and covered workers (of employees receiving coverage from their employer). Among the over three million firms nationally, approximately 60% are firms employing 3-9 workers. In contrast, jumbo firms, defined as firms with 5,000 or more workers, employ and cover about 35% of employees. Therefore, the smallest firms dominate any national statistics about what employers in general are doing. In contrast, jumbo employers are the most important employer group in calculating statistics regarding covered workers, since they employ the largest percentage of the nation's workforce.

Some exhibits in Health Benefits 2005 do not sum up to totals due to rounding effects. Also due to rounding, numbers in the text may be slightly different from those in the exhibits. 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 instances where the sample size is less than 30, exhibits include the notation NSD (Not Sufficient Data).

To control for item nonresponse bias, Kaiser/HRET has identified a set of 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, copay and coinsurance amounts for prescription drugs, and firm workforce characteristics such as average income 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. Specific weights were created to analyze the HDHP plans that are offered along with HRAs or are HSA qualified. These weights represent the proportion of employees enrolled in each of these arrangements.

Calculation of the weights follows a common approach. First, the basic weight is determined, followed by a nonresponse adjustment. As part of this nonresponse adjustment, Kaiser/HRET again conducted a small follow-up survey of those firms with 3-49 workers that refused to participate in the full survey. We applied an additional nonresponse adjustment to the weight to reflect the findings of this survey.

Next we trimmed the weights in order to reduce the influence of weight outliers. First, the weights were ranked from largest to smallest based on their proportion of the total weight sum. Next, we identified trimming cut points such that the

NOTE :

³ Estimates for Exhibits 2.1 and 2.2 are based on the sample of 2,995 firms.

observations to be trimmed contribute no more than five percent towards the total weight sum. We also minimized the number of nontrimmed observations that exceed the cut point after the trimming adjustment. This method reduced the variability in the weights and maintained, with few exceptions, the ordinal integrity of the observation weights.

Finally, we applied a post-stratification adjustment. We used the Statistics of the U.S. Census Bureau as the basis for the stratification and the post-stratification adjustment for firms in the private sector, and we used the Census of U.S. Governments as the basis for post stratification for public sector firms. This year we updated our data to reflect the 2002 Census of Governments. We also removed federal government employee counts from our post-stratification. Although these updates had only a small impact on the number of government firms, they reduced the number of government workers in the weights by approximately 7 million. This may have a small effect on our coverage and enrollment estimates.

The data are analyzed with SUDAAN, which computes appropriate standard error estimates by controlling for the complex design of the survey. All statistical tests are performed at the .05 level unless otherwise noted. For figures with multiple years, statistical tests are conducted for each year against the previous year shown. No statistical tests are conducted for years prior to 1999, meaning that the year prior to 1999 shown on the exhibits is the last year for which standard errors are available.

Two types of significance tests performed are the t-Test and the Chi-square test.

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 have been conducted since 1999. Prior to 1999, the survey was conducted by the Health Insurance Association of America (HIAA) and KPMG using the same survey instrument, but data is not available for all the intervening years. Following the survey's introduction in 1988, HIAA conducted the survey through 1990, but some data are not available to us. KPMG also conducted the survey from 1991-1998. However, in 1991, 1992, 1994, and 1997, only larger firms were sampled. In 1993, 1995, 1996, and 1998, KPMG interviewed both large and small firms.

This report uses data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits and the 1999-2004 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use the 1988 survey of the nation's employers conducted by the HIAA, on which the KPMG and Kaiser/ HRET surveys are based. Many questions in the HIAA, the KPMG, and Kaiser/HRET surveys are identical. The survey designs among the three surveys are also similar.

EXHIBIT M.1

Selected Characteristics of Firms in the Survey Sample, 2005

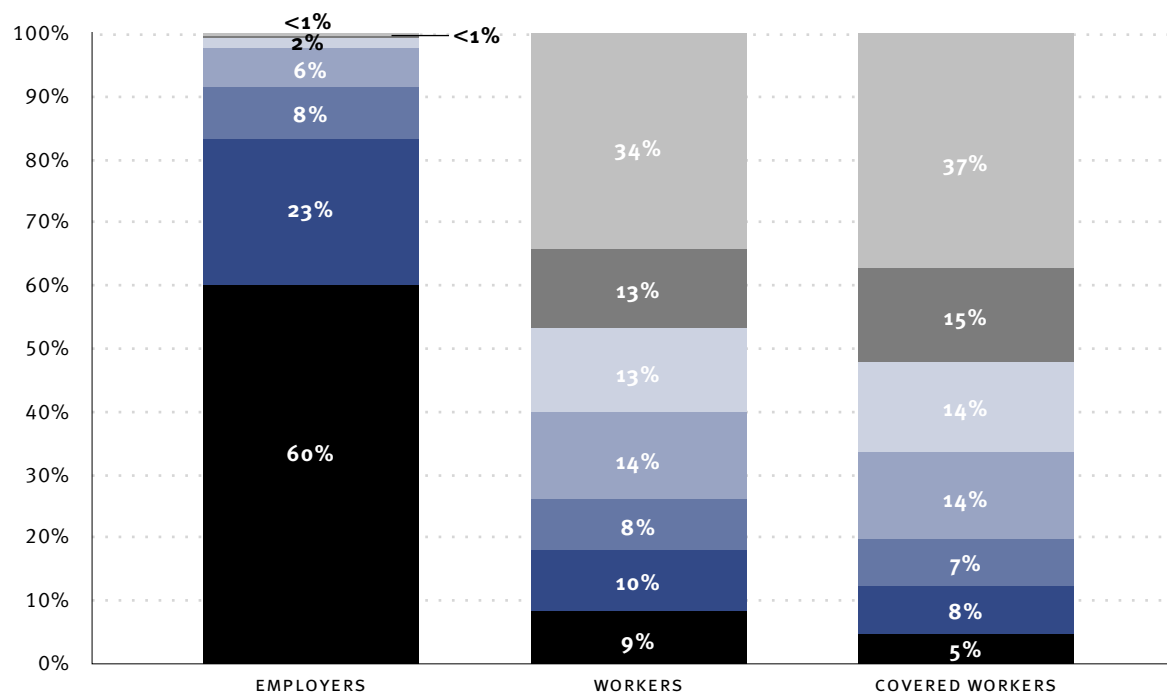
	<i>Sample Size</i>	<i>Sample Distribution After Weighting</i>	<i>Percentage of Total for Weighted Sample</i>
FIRM SIZE			
Small (3 - 9 Workers)	164	1,960,811	60.0%
Small (10 - 24 Workers)	221	758,725	23.2
Small (25 - 49 Workers)	168	271,636	8.3
Small (50 - 199 Workers)	278	199,191	6.1
Midsize (200 - 999 Workers)	439	55,733	1.7
Large (1,000 - 4,999 Workers)	403	15,838	.5
Jumbo (5,000+ Workers)	340	7,692	.2
ALL FIRM SIZES	2,013	3,269,626	100.0%
REGION			
Northeast	437	654,523	20.0%
Midwest	562	777,443	23.8
South	655	1,099,390	33.6
West	359	738,270	22.6
ALL REGIONS	2,013	3,269,626	100.0%
INDUSTRY			
Mining/Construction/Wholesale	215	592,617	18.1%
Manufacturing	228	218,394	6.7
Transportation/Communications/Utility	102	126,107	3.9
Retail	170	442,321	13.5
Finance	138	218,605	6.7
Service	704	1,362,695	41.7
State/Local Government	241	48,465	1.5
Health Care	215	260,423	8.0
ALL INDUSTRIES	2,013	3,269,626	100.0%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

EXHIBIT M.2

Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

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.

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

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Cost of
Health
Insurance

SECTION

1

COST OF HEALTH INSURANCE

IN 2005, PREMIUMS FOR FAMILY COVERAGE INCREASED 9.2%. THIS IS THE FIRST YEAR OF SINGLE DIGIT INCREASES SINCE 2000. THIS IS THE SECOND CONSECUTIVE YEAR THAT PREMIUM INCREASES WERE LESS THAN THEY WERE IN THE PREVIOUS YEAR.¹

WHILE LOWER THAN IN RECENT YEARS, THE 9.2% INCREASE IN THE COST OF COVERAGE EXCEEDS THE OVERALL RATE OF INFLATION BY NEARLY 6 PERCENTAGE POINTS AND THE INCREASE IN WORKERS' EARNINGS BY OVER 6 PERCENTAGE POINTS. SINCE 2000, THE COST OF HEALTH INSURANCE HAS INCREASED BY 73%.

THE AVERAGE COST OF FAMILY COVERAGE IS \$10,880 A YEAR, WHICH EXCEEDS THE ANNUAL GROSS EARNINGS OF A MINIMUM WAGE WORKER WHO IS FULLY EMPLOYED THROUGHOUT THE YEAR.²

PREMIUM INCREASES

- ▶ The cost of health insurance rose 9.2% in 2005, less than the 11.2% increase in 2004, but much higher than the overall rate of inflation of 3.5% and the increase in workers' earnings of 2.7% (EXHIBIT 1.1).
- ▶ Covered workers in small firms (3-199 workers) and large firms (200 or more workers) experienced similar premium increases (9.8% vs. 8.9%) (EXHIBIT 1.3).
- ▶ There is considerable variation in premium increases across workers and firms: 7% of covered workers work in firms that experienced premium increases of greater than 20%, while 32% of covered workers work in firms that experienced premium increases of less than or equal to 5% (EXHIBIT 1.4).

MONTHLY PREMIUM COSTS FOR SINGLE AND FAMILY COVERAGE

- ▶ The average cost of single coverage for covered workers in 2005 is \$335 per month or \$4,024 per year. This figure includes both the employer and employee contribution. The average cost of family coverage is \$907 per month or \$10,880 per year (EXHIBIT 1.13).
- ▶ Covered workers in PPO plans, the plan type with the highest enrollment, face higher average premiums for both single and family coverage than covered workers in HMO plans. The average annual premium for covered workers in PPO plans is \$4,150 for single coverage and \$11,090 for family coverage, while the average annual premium for covered workers in HMO plans is \$3,767 for single coverage and \$10,456 for family coverage (EXHIBIT 1.13).

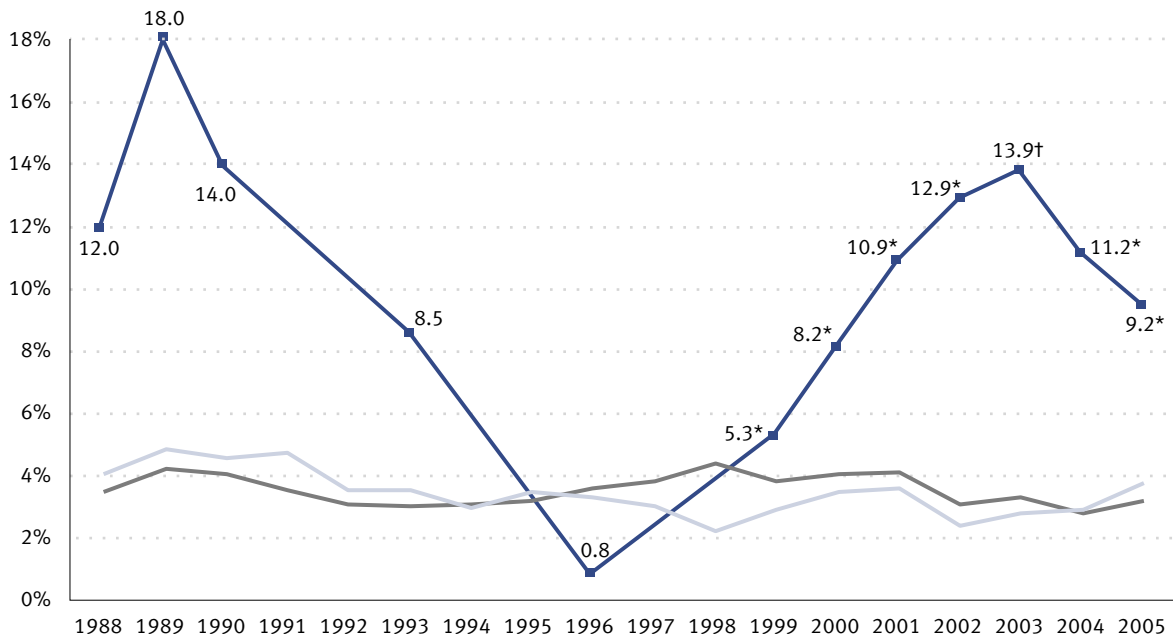
NOTE:

¹ Data on premium increases reflect the cost of health insurance premiums for a family of four.

² Gross earnings for someone earning the federal minimum wage in 2005 and working 2,080 hours are \$10,712.

EXHIBIT 1.1

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005



1988	1989	1990	1993	1996	1999	2000	2001	2002	2003	2004	2005	
12.0	18.0	14.0	8.5	0.8	5.3*	8.2*	10.9*	12.9*	13.9†	11.2*	9.2*	HEALTH INSURANCE PREMIUMS
3.9	5.1	4.7	3.2	2.9	2.3	3.1	3.3	1.6	2.2	2.3	3.5	OVERALL INFLATION
3.1	4.2	3.9	2.5	3.3	3.6	3.9	4.0	2.6	2.9	2.2	2.7	WORKERS' EARNINGS

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2005; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

† Estimate is statistically different from the previous year shown at $p < .10$.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. Historical estimates of workers' earnings have been updated to reflect new industry classifications (NAICS).

EXHIBIT 1.2

Increases in Health Insurance Premiums from the Previous Year, by Plan Type, 1988-2005

	1988	1993	1996	2000	2002	2003	2004	2005
Conventional Plans	12.4%	9.1%	1.9%	9.5%*	13.8%*	14.3%	11.1%	5.0%*
HMO Plans	8.4	7.7	-0.2	7.6*	13.5*	15.2 [†]	12.0*	9.4*
PPO Plans	20.3	7.2	1.0	8.5*	12.7*	13.7	10.9*	9.4*
POS Plans	^	5.2	1.1	7.8*	12.2*	13.2	11.3	9.1
ALL PLANS	12.0%	8.5%	0.8%	8.2%*	12.9%*	13.9%[†]	11.2%*	9.2%*

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown by plan type at $p < .05$. No statistical tests were conducted for years prior to 1999.

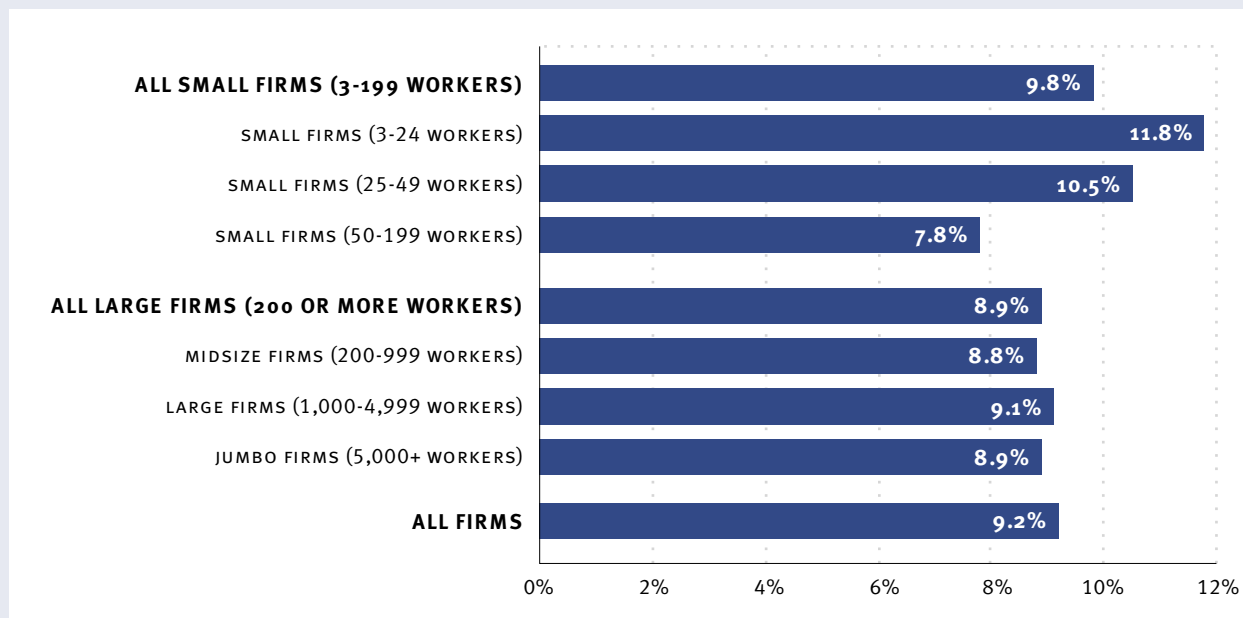
[†] Estimate is statistically different from the previous year shown by plan type at $p < .10$.

^ Information was not obtained for POS plans in 1988.

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

EXHIBIT 1.3

Increases in Health Insurance Premiums for Covered Workers, by Firm Size, 2005*



SOURCE :

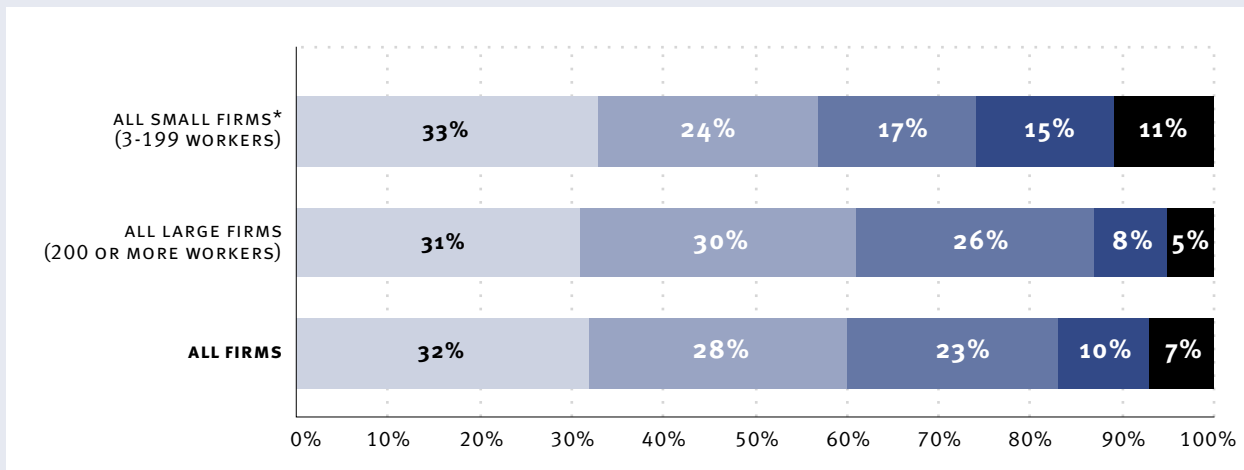
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Tests found no statistically different estimates from All Firms at $p < .05$.

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

EXHIBIT 1.4

Distribution of Premium Increases for Covered Workers, by Firm Size, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Distribution is statistically different from All Firms at $p < .05$.

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

LESS THAN OR EQUAL TO 5%
 GREATER THAN 5%, LESS THAN OR EQUAL TO 10%
 GREATER THAN 10%, LESS THAN OR EQUAL TO 15%
 GREATER THAN 15%, LESS THAN OR EQUAL TO 20%
 GREATER THAN 20%

EXHIBIT 1.5

Increases in Health Insurance Premiums, by Firm Size and Plan Type, 2005

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plans</i>
FIRM SIZE					
All Small Firms (3 - 199 Workers)	3.7%	7.5%	10.8%	10.0%	9.8%
All Large Firms (200 or More Workers)	5.8*	10.1	8.8	8.3	8.9
ALL FIRM SIZES	5.0%*	9.4%	9.4%	9.1%	9.2%

SOURCE :

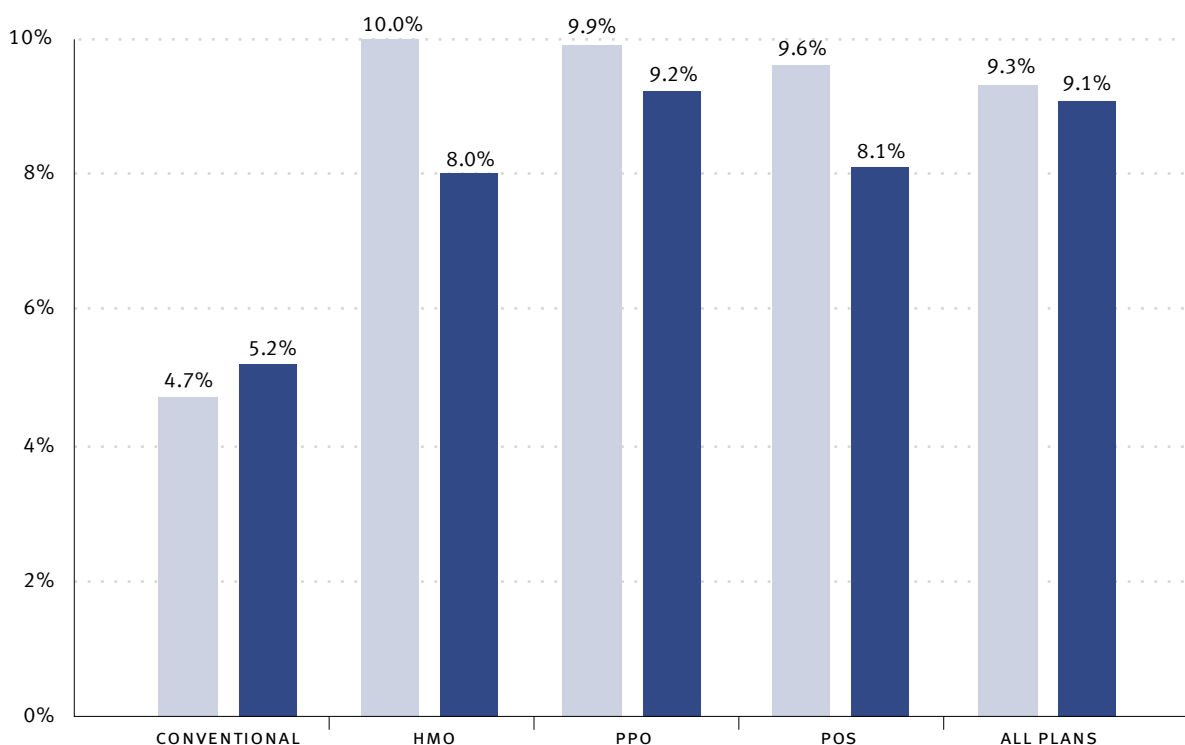
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Plans within a firm size at $p < .05$.

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

EXHIBIT 1.6

Increases in Health Insurance Premiums, by Plan Type and Funding Arrangement, 2005*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

FULLY INSURED
SELF-FUNDED

* Tests found no statistically different estimates between Fully Insured and Self-Funded plans within a plan type at $p < .05$.

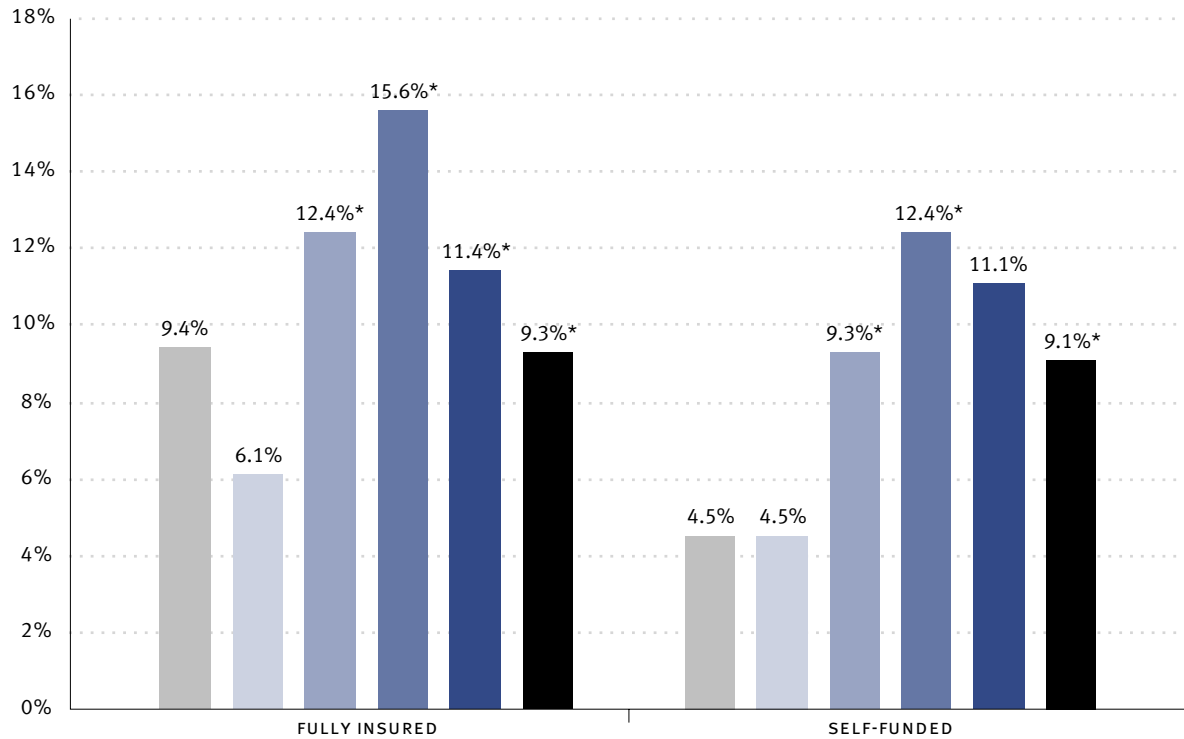
Fully Insured plan: An insurance arrangement in which the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

Self-Funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

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

EXHIBIT 1.7

Increases in Health Insurance Premiums, by Funding Arrangement, 1998-2005



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1998.

* Estimate is statistically different from previous year shown at $p < .05$.

Fully Insured plan: An insurance arrangement in which the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

Self-Funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

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

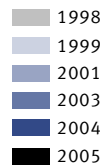
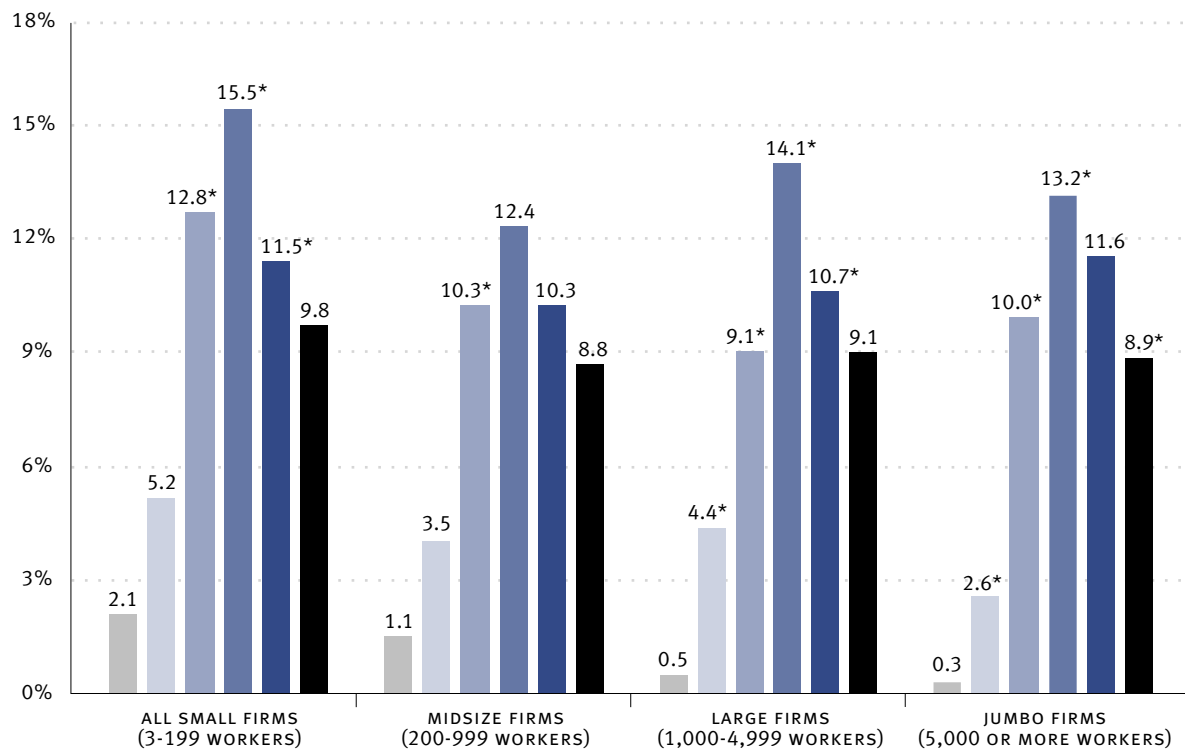


EXHIBIT 1.8

Increases in Health Insurance Premiums, by Firm Size, 1996-2005



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

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

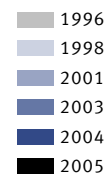
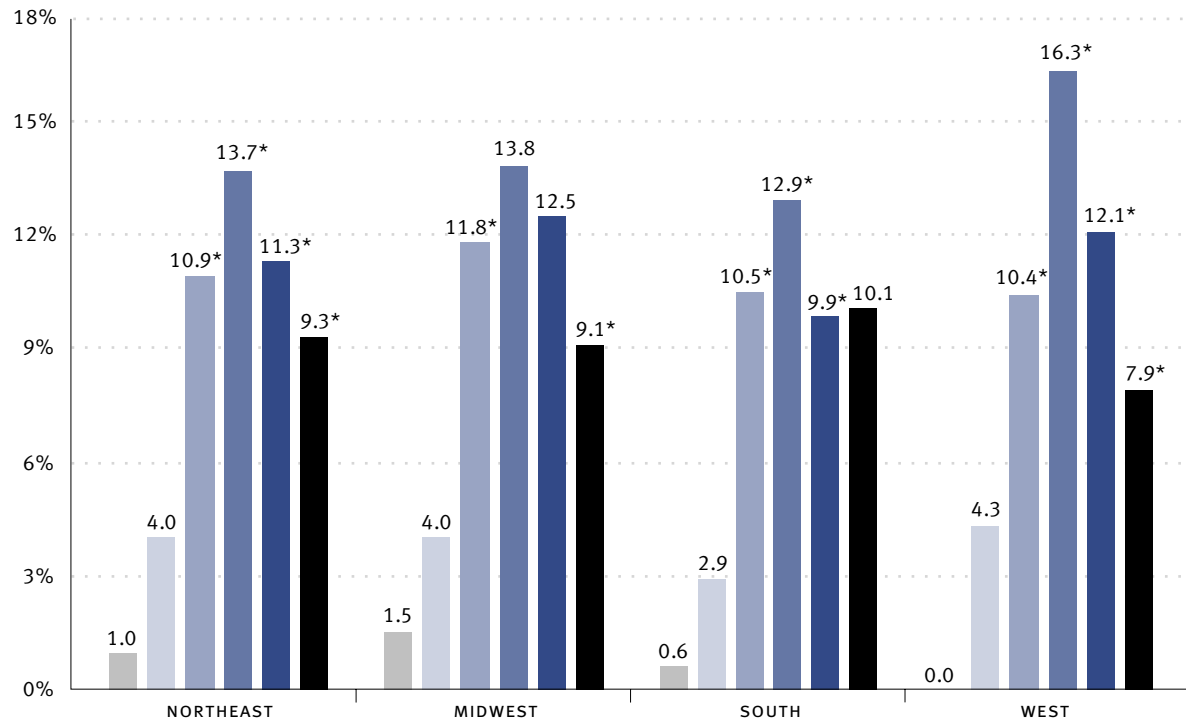


EXHIBIT 1.9

Increases in Health Insurance Premiums, by Region, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999. In 2005, the average premium increase in the West (7.9%) is not significantly different from the average overall increase of 9.2%. Other years were not tested across regions.

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

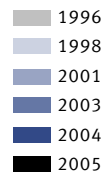
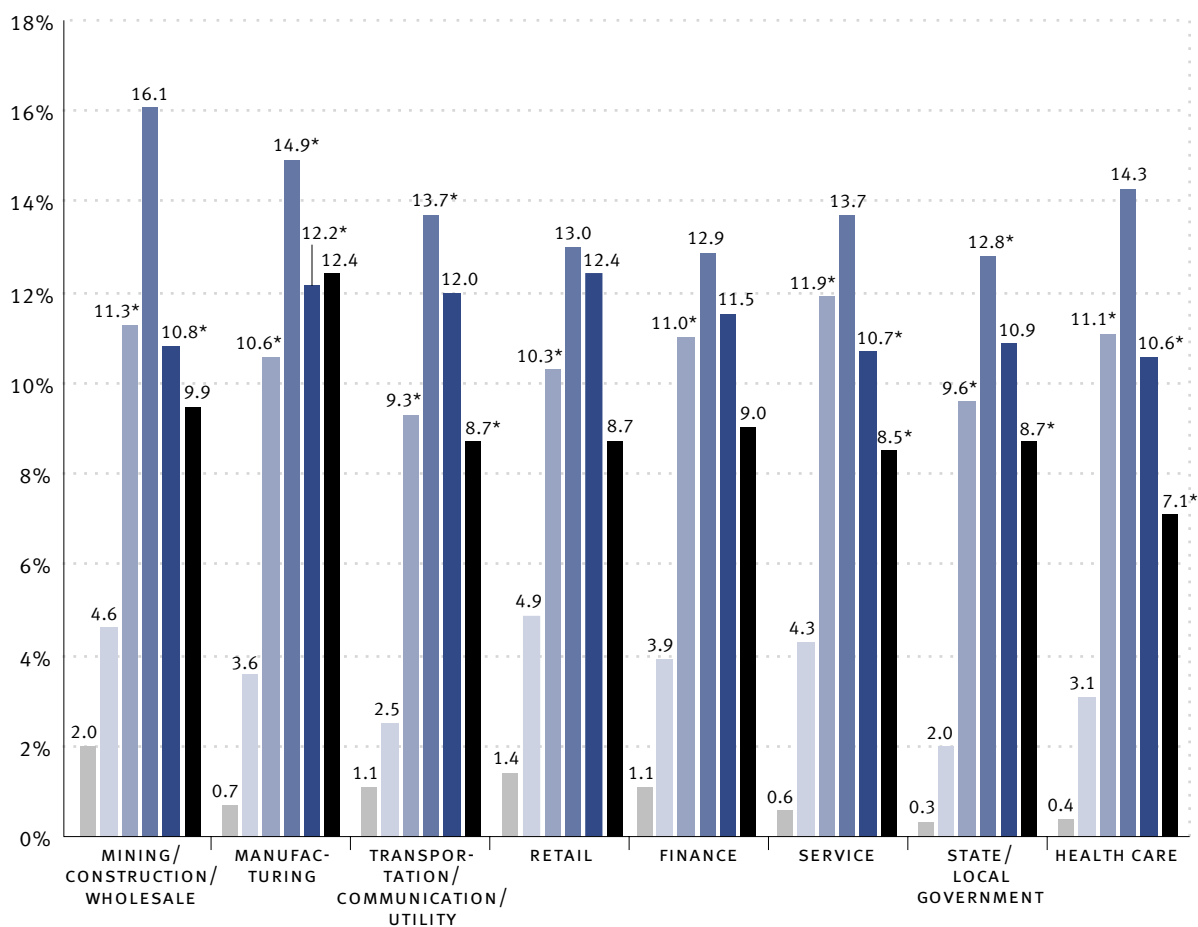


EXHIBIT 1.10

Increases in Health Insurance Premiums, by Industry, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

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

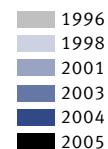
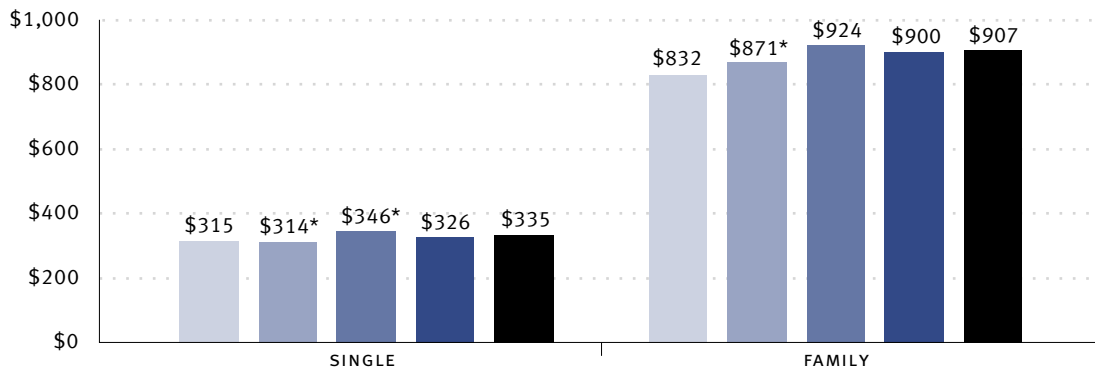


EXHIBIT 1.11

Average Monthly Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Plans at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

CONVENTIONAL
HMO
PPO
POS
ALL PLANS

EXHIBIT 1.12

Distribution of Single and Family Monthly Premiums for Covered Workers, 2001-2005

	2001	2002*	2003*	2004*	2005*
SINGLE PREMIUMS (\$)					
\$0 to \$200	37%	19%	10%	6%	5%
201 to 250	41	36	22	16	8
251 to 300	14	26	38	29	21
301 to 350	4	11	19	29	30
351 to 400	2	3	7	12	21
More than 400	2	5	5	8	15
FAMILY PREMIUMS (\$)					
\$0 to \$550	38%	19%	10%	5%	5%
551 to 650	38	29	13	9	4
651 to 750	15	27	25	17	10
751 to 850	4	14	29	25	21
851 to 950	2	6	13	24	22
More than 950	2	4	10	20	38

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005.

* Distribution is statistically different from the previous year shown within a dollar category at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 1.13

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Firm Size, 2005*

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
All Small Firms (3 - 199 Workers)	\$325	\$830	\$3,895	\$9,963
All Large Firms (200 or More Workers)	309	833	3,709	9,990
ALL FIRM SIZES	\$315	\$832	\$3,782	\$9,979
HMO PLANS				
All Small Firms (3 - 199 Workers)	\$310	\$845	\$3,720	\$10,140
All Large Firms (200 or More Workers)	315	881	3,784	10,574
ALL FIRM SIZES	\$314	\$871	\$3,767	\$10,456
PPO PLANS				
All Small Firms (3 - 199 Workers)	\$349	\$900	\$4,189	\$10,797
All Large Firms (200 or More Workers)	344	935	4,132	11,224
ALL FIRM SIZES	\$346	\$924	\$4,150	\$11,090
POS PLANS				
All Small Firms (3 - 199 Workers)	\$323	\$874	\$3,874	\$10,483
All Large Firms (200 or More Workers)	329	924	3,950	11,083
ALL FIRM SIZES	\$326	\$900	\$3,914	\$10,801
ALL PLANS				
All Small Firms (3 - 199 Workers)	\$336	\$882	\$4,032	\$10,587
All Large Firms (200 or More Workers)	335	919	4,020	11,025
ALL FIRM SIZES	\$335	\$907	\$4,024	\$10,880

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Tests found no statistically different estimates from All Firm Sizes within a plan type at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 1.14

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Region, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Northeast	\$269	\$712	\$3,227	\$8,544
Midwest	271	790	3,250	9,476
South	330	868	3,955	10,420
West	NSD	NSD	NSD	NSD
ALL REGIONS	\$315	\$832	\$3,782	\$9,979
HMO PLANS				
Northeast	\$328	\$909	\$3,932	\$10,903
Midwest	323	883	3,880	10,592
South	329	896	3,950	10,754
West	285*	817	3,421*	9,809
ALL REGIONS	\$314	\$871	\$3,767	\$10,456
PPO PLANS				
Northeast	\$359	\$995*	\$4,313	\$11,938*
Midwest	353	946	4,235	11,354
South	333	877	3,998	10,526
West	348	918	4,177	11,012
ALL REGIONS	\$346	\$924	\$4,150	\$11,090
POS PLANS				
Northeast	\$342	\$961*	\$4,105	\$11,528*
Midwest	317	900	3,809	10,806
South	310	845	3,726	10,142
West	338	913	4,059	10,958
ALL REGIONS	\$326	\$900	\$3,914	\$10,801
ALL PLANS				
Northeast	\$346	\$959*	\$4,147	\$11,504*
Midwest	342	926	4,103	11,115
South	329	876*	3,950	10,507*
West	328	886	3,937	10,638
ALL REGIONS	\$335	\$907	\$4,024	\$10,880

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Regions within a plan type at $p < .05$.

NSD: Not Sufficient Data

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 1.15

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Industry, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Mining/Construction/Wholesale	NSD	NSD	NSD	NSD
Manufacturing	NSD	NSD	NSD	NSD
Transportation/Communications/Utility	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	297	745	3,563	8,942
State/Local Government	NSD	NSD	NSD	NSD
Health Care	NSD	NSD	NSD	NSD
ALL INDUSTRIES	\$315	\$832	\$3,782	\$9,979
HMO PLANS				
Mining/Construction/Wholesale	\$302	\$858	\$3,619	\$10,301
Manufacturing	317	898	3,800	10,772
Transportation/Communications/Utility	332	936	3,979	11,232
Retail	301	869	3,607	10,433
Finance	314	869	3,769	10,434
Service	303	836	3,636	10,029
State/Local Government	335	881	4,016	10,572
Health Care	319	896	3,827	10,749
ALL INDUSTRIES	\$314	\$871	\$3,767	\$10,456
PPO PLANS				
Mining/Construction/Wholesale	\$328	\$916	\$3,933	\$10,994
Manufacturing	330	903	3,964	10,831
Transportation/Communications/Utility	321	890	3,858	10,684
Retail	309*	824*	3,712*	9,893*
Finance	371	987	4,451	11,843
Service	347	912	4,161	10,949
State/Local Government	381*	922	4,576*	11,069
Health Care	389*	1045*	4,662*	12,544*
ALL INDUSTRIES	\$346	\$924	\$4,150	\$11,090

Continued on page 29

EXHIBIT 1.15 Continued from page 28

Monthly and Annual Average Premiums for Covered Workers, by Plan Type and Industry, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
POS PLANS				
Mining/Construction/Wholesale	\$305	\$826	\$3,666	\$9,911
Manufacturing	352	1,004*	4,230	12,045*
Transportation/Communications/Utility	NSD	NSD	NSD	NSD
Retail	301	831	3,616	9,976
Finance	NSD	NSD	NSD	NSD
Service	324	902	3,887	10,826
State/Local Government	372*	947	4,463*	11,365
Health Care	325	865	3,895	10,382
ALL INDUSTRIES	\$326	\$900	\$3,914	\$10,801
ALL PLANS				
Mining/Construction/Wholesale	\$318	\$892	\$3,819	\$10,702
Manufacturing	329	910	3,948	10,925
Transportation/Communications/Utility	328	914	3,941	10,963
Retail	309*	833*	3,704*	9,992*
Finance	349	940	4,186	11,279
Service	331	889	3,977	10,672
State/Local Government	365*	915	4,377*	10,974
Health Care	366*	991*	4,393*	11,887*
ALL INDUSTRIES	\$335	\$907	\$4,024	\$10,880

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Industries within a plan type at $p < .05$.

NSD: Not Sufficient Data

Note: Family coverage is defined as health coverage for a family of four.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Health
Benefits
Offer Rates

SECTION

2

HEALTH BENEFITS OFFER RATES

ALTHOUGH NEARLY ALL LARGE FIRMS (200 OR MORE WORKERS) OFFER HEALTH BENEFITS, FIRMS WITH FEWER THAN 200 WORKERS ARE SIGNIFICANTLY LESS LIKELY TO DO SO.

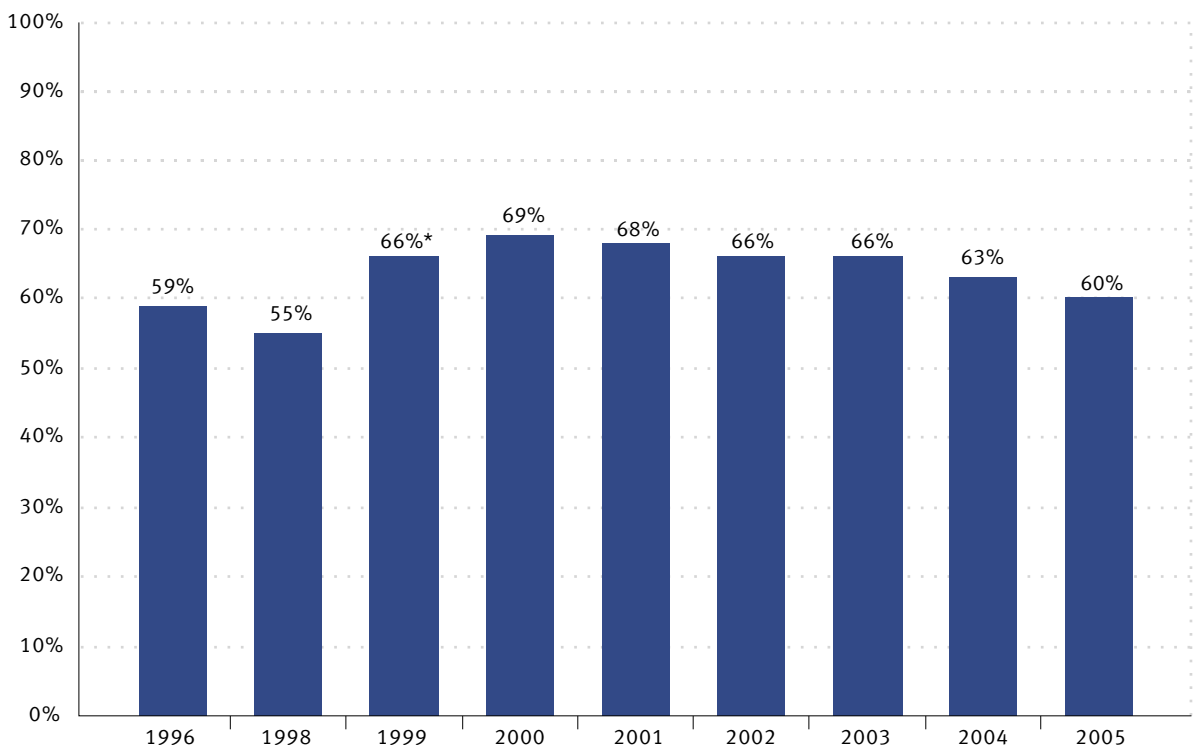
SINCE 2000, THE PERCENTAGE OF FIRMS OFFERING HEALTH BENEFITS HAS DROPPED BY 9 PERCENTAGE POINTS. WHILE THE YEAR-TO-YEAR CHANGES HAVE BEEN RELATIVELY SMALL AND NOT STATISTICALLY SIGNIFICANT, THE CUMULATIVE EFFECT HAS BEEN A LARGE AND STATISTICALLY SIGNIFICANT CHANGE OVER THIS FIVE-YEAR PERIOD. THIS CHANGE IS DRIVEN LARGELY BY A DECREASE IN THE PERCENTAGE OF SMALL FIRMS (3-199 WORKERS) OFFERING COVERAGE, AND MAY REFLECT SEVERAL YEARS OF HIGH PREMIUM GROWTH COMBINED WITH A SLUGGISH JOB MARKET.

- ▶ Ninety-eight percent of large firms (200 or more workers) offer health benefits in 2005, essentially unchanged from 2004. In contrast, only 59% of small firms (3-199 workers) offer health benefits. This is comparable to the offer rate among all small firms in 2004, but represents a drop in the offer rate for small firms from 68% in 2000. Driven largely by this decline among small firms, the offer rate among all firms has dropped from 69% to 60% over the same time period (EXHIBIT 2.2).
- ▶ The likelihood that a firm offers health benefits to its workers varies considerably with the firm's characteristics, such as firm size, whether the firm is higher wage, the proportion of part-time workers in the firm, and whether workers are unionized (EXHIBIT 2.3).
 - *The smallest firms are least likely to offer health insurance. Only 47% of firms with 3-9 workers offer coverage, compared to 72% of firms with 10-24 workers and 87% of firms with 25-49 workers. Nearly all firms with 50 or more employees offer health insurance coverage (EXHIBIT 2.2).*
 - *Higher wage firms – where fewer than 35% of workers earn \$20,000 or less annually – are more likely to offer health insurance than lower wage firms – where 35% or more of workers earn \$20,000 or less annually. Sixty-five percent of higher wage firms offer health benefits compared to 43% of lower wage firms (EXHIBIT 2.3).*
 - *Firms with fewer part-time workers – where less than 35% of employees work part-time – are also more likely to offer coverage to their workers than firms with many part-time workers. Among firms with fewer part-time workers, 68% offer health insurance, compared to 36% of firms with a higher percentage of part-time workers (EXHIBIT 2.3).*
 - *Firms that employ union workers are much more likely than firms without union workers to offer health benefits to their employees. Ninety percent of firms with union workers offer health benefits, whereas only 59% of firms that do not have union employees offer health coverage (EXHIBIT 2.3).*
- ▶ Among firms offering health benefits, few offer benefits to their part-time and temporary workers. Twenty-eight percent of firms offer health benefits to part-time workers and 3% of firms offer benefits to temporary workers (EXHIBITS 2.4, 2.5).
 - *In 2005, 28% of all firms that offer health benefits offer them to part-time workers. Larger firms are more likely than smaller firms to do so. Only 27% of firms with 3-24 workers that offer health benefits offer them to part-time workers, while 61% of jumbo firms (5,000 or more workers) do so. (EXHIBIT 2.4).*

- *Regardless of firm size, very few firms that offer health benefits (3%) offer them to temporary workers. The percentage of firms offering health benefits to temporary workers has remained Exhibit unchanged over the last several years (EXHIBIT 2.5).*
- ▶ Despite a slowing of health insurance cost growth in 2005, the cost of health insurance remains the main reason cited by firms for not offering health benefits.
- *Of firms not offering health benefits, 73% cite high premiums as a “very important” reason for not doing so. Other factors frequently cited by all firms as “very important” reasons for not offering coverage include: employees are covered elsewhere (33%) and firm can attract good employees without offering health insurance (22%) (EXHIBIT 2.6).*
- ▶ Among firms not offering health benefits, 41% report shopping for coverage in the past year. Twenty-three percent of firms not offering coverage report that they have offered coverage at some point in the past five years.
- ▶ Although cost is often identified as the primary reason that many firms do not offer health benefits, their decisions may also reflect their views about their employees’ preferences for higher 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 cost of health insurance per worker) or health benefits, over 70% answered that their employees would prefer higher compensation rather than receiving health benefits (EXHIBIT 2.8).
- ▶ Consistent with past years, very few employers indicate that they are likely to drop coverage in the near future. Three percent of all firms say that they are either “very likely” or “somewhat likely” to drop coverage in the next year. Similarly, just under 2% of employers say that they are “very likely” to restrict eligibility for benefits in the next year, with an additional 9% indicating that they are “somewhat likely” to do so. Responses to these questions vary little by firm size (see Section 12).

EXHIBIT 2.1

Percentage of Firms Offering Health Benefits, 1996-2005



SOURCE:

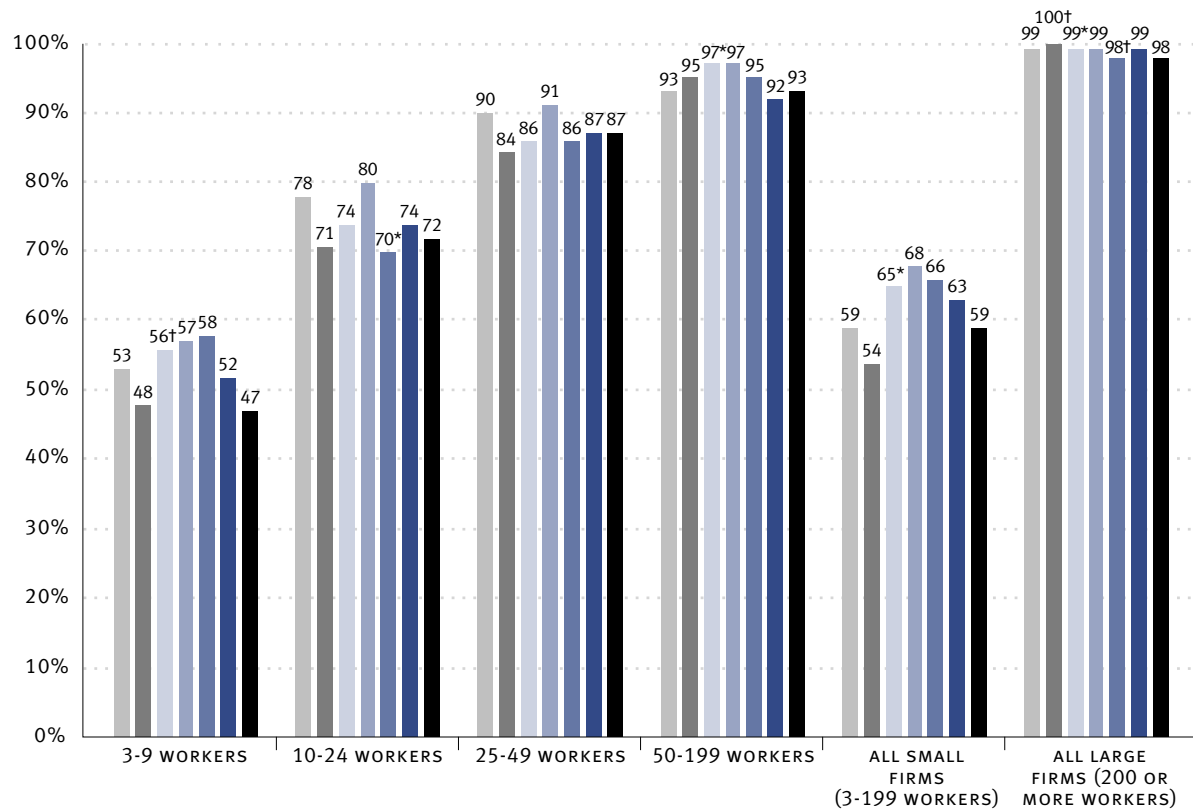
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999 - 2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

Note: Data for years prior to 1999 do not reflect several methodological changes that were made to the survey, including standardizing survey weights to U.S. Census data.

EXHIBIT 2.2

Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998.

* Estimate is statistically different from the previous year shown at $p < .05$.

† Estimate is statistically different from the previous year shown at $p < .10$.

Note: The percentage of all large firms (200 or more workers) offering health benefits in 1999 was 99%, not 100% as reported last year. Data prior to 1999 do not reflect several methodological changes that were made to the survey, including standardizing survey weights to U.S. Census data.

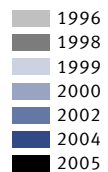
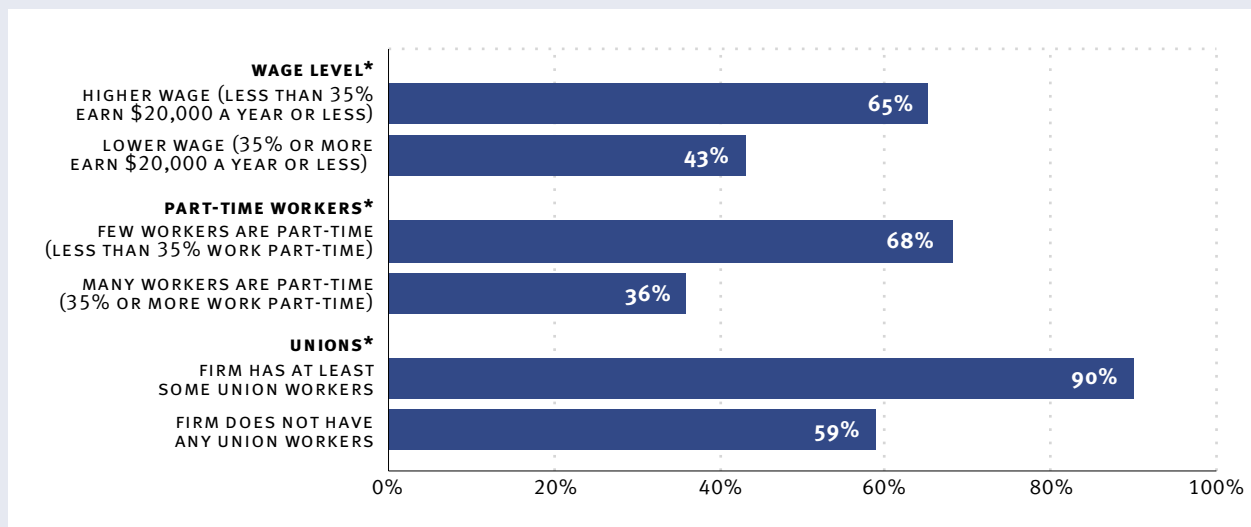


EXHIBIT 2.3

Percentage of Firms Offering Health Benefits, by Firm Characteristics, 2005



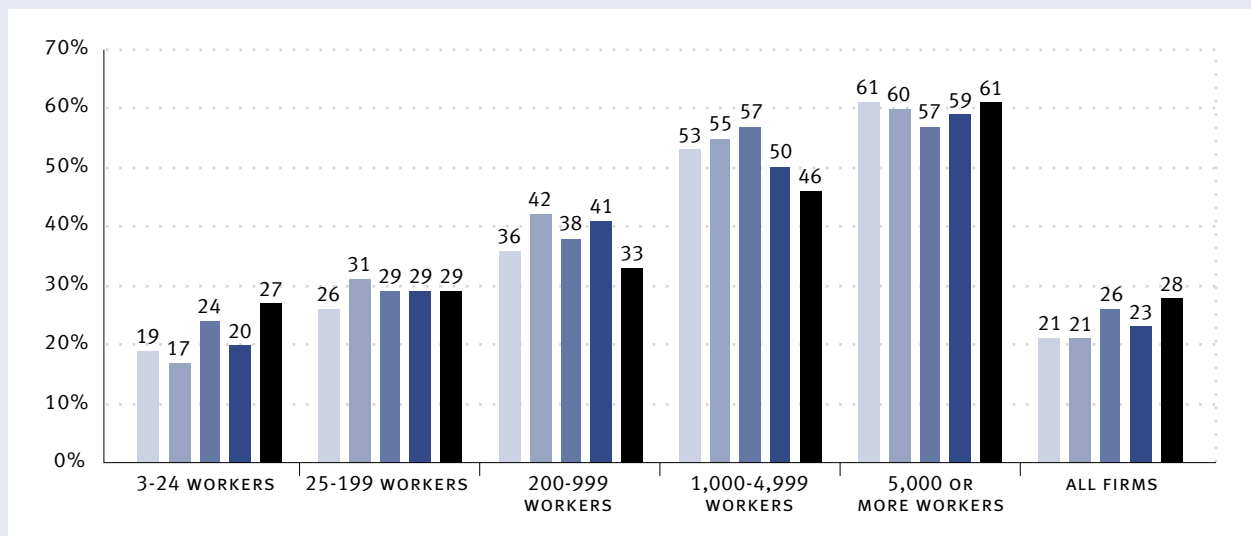
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimates are statistically different from each other within categories at $p < .05$.

EXHIBIT 2.4

Percentage of Firms Offering Health Benefits That Offer Them to Part-Time Workers, by Firm Size, 1999-2005*



SOURCE :

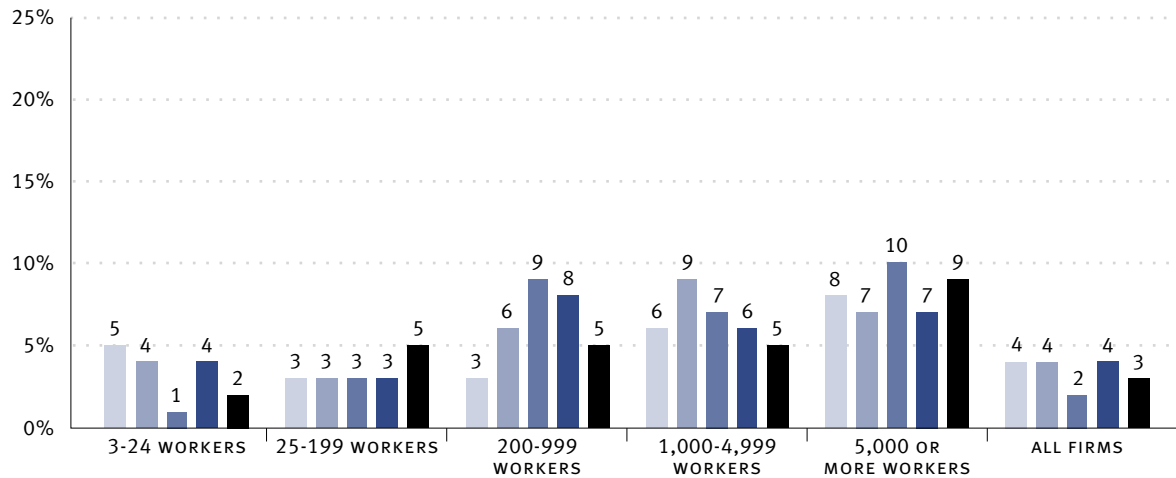
Kaiser/HRET Survey of Employer-Sponsored Insurance, 1999-2005.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

1999
2001
2003
2004
2005

EXHIBIT 2.5

Percentage of Firms Offering Health Benefits That Offer Them to Temporary Workers, by Firm Size, 1999-2005*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Insurance, 1999-2005.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

1999
2001
2003
2004
2005

EXHIBIT 2.6

Among Firms Not Offering Health Benefits, Reasons for Not Offering, 2005

	Very Important	Somewhat Important	Not Too Important	Not At All Important	Don't Know
High Premiums	73%	13%	5%	9%	<1%
Employees Covered Elsewhere	33	26	13	25	3
High Turnover	16	13	23	49	0
Obtain Good Employees Without Offering A Health Plan	22	32	18	27	2
Administrative Hassle	14	29	25	28	3
Firm Too Newly Established	2	9	9	80	0
Firm Is Too Small	52	21	9	19	0
Firm Has Seriously Ill Employee	4	6	5	82	3

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Insurance, 2005.

EXHIBIT 2.7

Distribution of Firms[‡] by the Amounts They Believe They and Their Employees Could Afford to Pay for Health Insurance and by Their Estimate of the Cost of Coverage, Per Month, 2005

Amount Per Month	Distribution of Firms by Amount They Think They Could Afford to Pay for Health Insurance	Distribution of Firms by Amount They Think Their Employees Could Afford to Pay for Health Insurance	Distribution of Firms by Their Estimate of the Cost of Health Insurance
Less than \$100	22%	36%	8%
\$100-\$199	19%	27%	27%
\$200-\$299	23%	16%	23%
\$300-\$399	8%	1%	15%
\$400 or more	4%	3%	22%
Don't Know	24%	17%	5%

SOURCE :

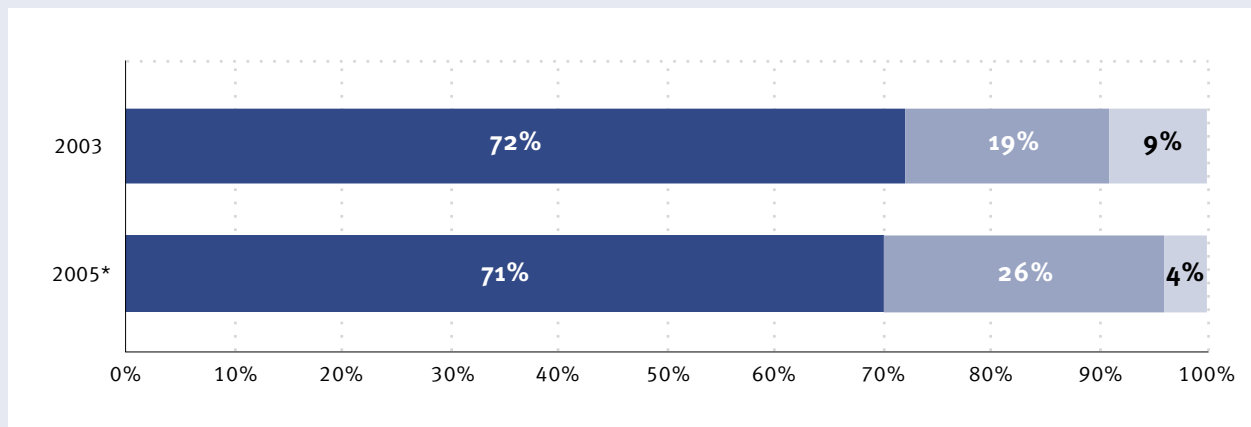
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

[‡] Among firms that do not offer health benefits to active workers.

Note: Average premiums for single coverage in 2005 are \$335 per month, with a monthly worker contribution of \$51. Average premiums for family coverage in 2005 are \$907 per month, with a monthly worker contribution of \$226.

EXHIBIT 2.8

Among Firms Not Offering Health Benefits, Beliefs About Employees' Preferences for Higher Wages or Health Insurance Benefits, 2003 and 2005[‡]



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003, 2005.

[‡] The survey asks firms, "To the best of your knowledge, if your firm could afford to pay your employees an additional \$2 per hour (approximately \$4,000 a year), in which way do you think your employees would prefer to receive the additional funds?"

* Distribution is statistically different from previous year shown at $p < .05$.

EMPLOYEES WOULD PREFER HIGHER WAGES
EMPLOYEES WOULD PREFER HEALTH INSURANCE
DON'T KNOW

EMPLOYER HEALTH BENEFITS
2005 ANNUAL SURVEY

Employee
Coverage,
Eligibility, and
Participation

SECTION

3

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRINCIPAL SOURCE OF HEALTH INSURANCE IN THE UNITED STATES, PROVIDING HEALTH BENEFITS TO OVER 60% OF NONELDERLY PEOPLE IN 2003.³ SIXTY-SIX PERCENT OF EMPLOYEES WORKING IN FIRMS THAT OFFER BENEFITS ARE COVERED BY THEIR FIRMS' HEALTH COVERAGE. MOST WORKERS ARE OFFERED HEALTH COVERAGE AT WORK, AND THE VAST MAJORITY OF WORKERS WHO ARE OFFERED COVERAGE TAKE IT. WORKERS MAY NOT BE COVERED BY THEIR OWN EMPLOYER FOR SEVERAL REASONS: THEIR EMPLOYER MAY NOT OFFER COVERAGE, THEY MAY BE INELIGIBLE FOR BENEFITS OFFERED BY THEIR FIRM, OR THEY MAY REFUSE AN OFFER OF COVERAGE FROM THEIR FIRM.

- ▶ In firms offering health benefits, 66% of workers are covered by their firms' health plan (EXHIBIT 3.2). The rate of coverage varies by certain characteristics of the firm, such as industry and the percentage of part-time and low wage employees.
 - Coverage rates in firms offering health benefits 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 46%, compared to 83% for state and local government workers and 79% for those working in the transportation, communication, and utility industries, and 79% in the manufacturing industry (EXHIBIT 3.2).
 - Among firms offering health benefits, higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—have higher coverage rates than lower wage firms—where 35% or more of workers earn \$20,000 or less annually. Seventy percent of workers in higher wage firms that offer health benefits are covered, compared to 49% of workers in lower wage firms offering benefits.
- ▶ Even in firms that offer coverage, not all employees are eligible for their firm's health benefits. Additionally, not all eligible employees with an offer of health coverage take the offer of coverage. 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.
 - Eligibility for health benefits does not vary by firm size and is unchanged from last year. Overall, 80% of workers in firms offering health benefits are eligible for coverage (EXHIBIT 3.2).
 - Employees who are offered coverage through their employer generally elect to take the offer. Eighty percent of workers in small firms (3-199 workers) and 84% of workers in large firms (200 or more workers) take-up coverage. These numbers are statistically unchanged from 2004 (EXHIBIT 3.2).
 - The likelihood of accepting a firm's offer of coverage varies by firm wage level. Employees in higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—are more likely to take-up coverage (84%) than employees in lower wage firms (74%)—where 35% or more of workers earn \$20,000 or less annually.
- ▶ Most covered workers work in firms that impose a waiting period before coverage is available to new employees. Seventy-five percent of covered workers face a waiting period before coverage is available (EXHIBIT 3.7).
 - The average waiting period among all covered workers is essentially unchanged from last year at 1.7 months (EXHIBIT 3.6).

NOTE :

³ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. *Health Insurance Coverage in America: 2003 Data Update*, November 2004.

EXHIBIT 3.1

Percentage of Workers Covered by Their Employers' Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 2000-2005*

	2000	2001	2002	2003	2004	2005
FIRM SIZE						
3 - 24 Workers	50%	49%	45%	44%	43%	41%
25 - 49 Workers	63	62	57	59	56	55
50 - 199 Workers	62	67	64	61	56	59
200 - 999 Workers	69	71	69	68	69	65
1,000 - 4,999 Workers	68	69	70	69	68	69
5,000 or More Workers	66	69	68	68	67	66
ALL SMALL FIRMS (3 - 199 WORKERS)	57%	58%	54%	53%	50%	50%
ALL LARGE FIRMS (200 OR MORE WORKERS)	67%	69%	69%	68%	68%	66%
ALL FIRMS	63%	65%	63%	62%	61%	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

Note: The total percentage of covered workers in this figure is calculated from the universe of all workers – including those in firms that do not offer coverage.

EXHIBIT 3.2

Eligibility, Take-up Rates, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2005

	<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>
FIRM SIZE			
Small (3 - 24 Workers)	84%	79%	67%
Small (25 - 49 Workers)	84	77*	64
Small (50 - 199 Workers)	78	83	65
ALL SMALL FIRMS (3 - 199 WORKERS)	81%	80%	65%
Midsize (200 - 999 Workers)	78	83	66
Large (1,000 - 4,999 Workers)	81	85*	69
Jumbo (5,000 or More Workers)	78	84	66
ALL LARGE FIRMS (200 OR MORE WORKERS)	79%	84%	67%
REGION			
Northeast	80%	83%	67%
Midwest	80	80	64
South	81	84	68
West	77	84	65
INDUSTRY			
Mining/Construction/Wholesale	80%	81%	64%
Manufacturing	91*	86	79*
Transportation/Communications/Utility	88*	90*	79*
Retail	61*	77*	46*
Finance	87*	83	73*
Service	77	80*	62*
State/Local Government	89*	93*	83*
Health Care	77	84	65
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	80%	83%	66%

SOURCE :

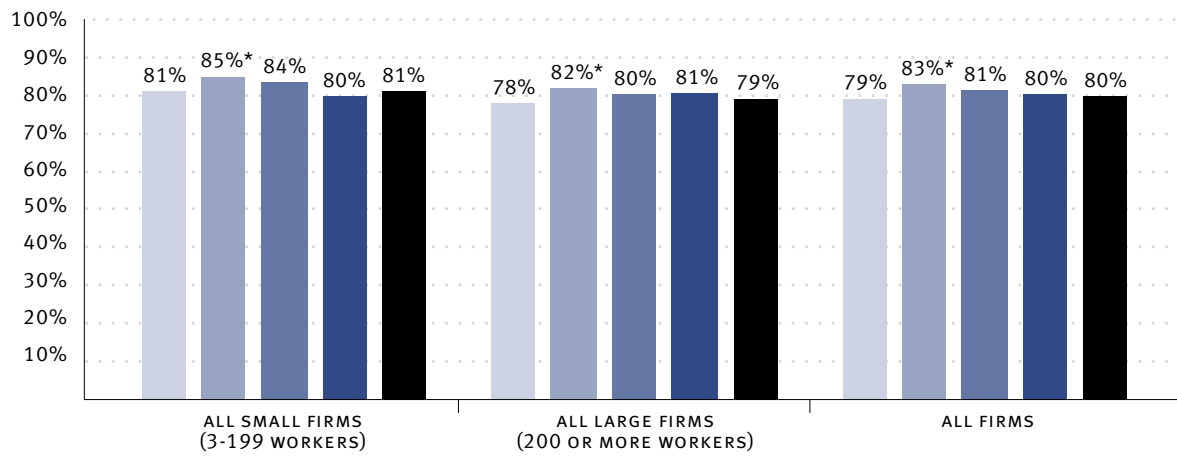
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

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 Eligible For Health Benefits Offered By Their Employer, by Firm Size, 1999-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

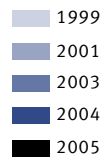
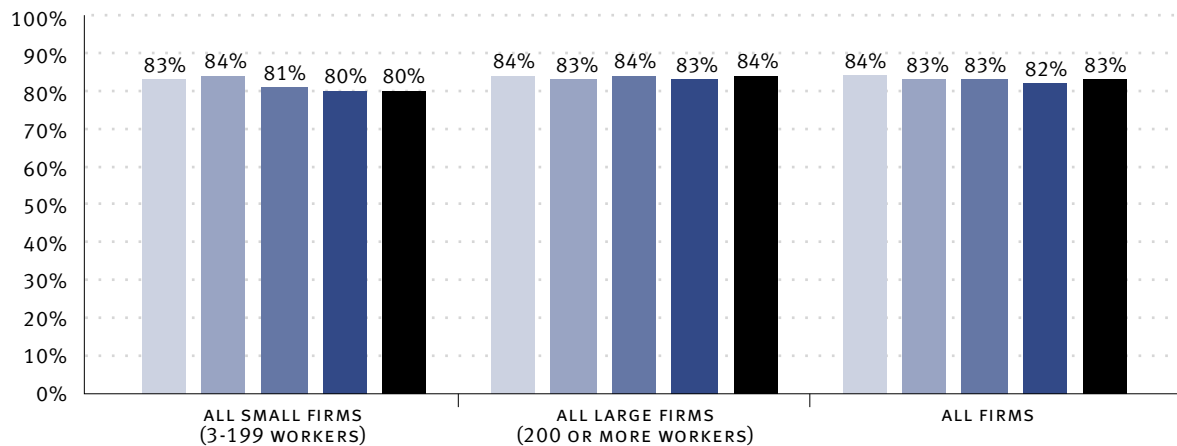
* Estimate is statistically different from the previous year shown at $p < .05$.

EXHIBIT 3.4

Percentage of Workers in Firms Offering Health Benefits Who Participate in (Take-up) Their Employers' Health Plan, by Firm Size, 1999-2005*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

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

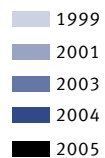
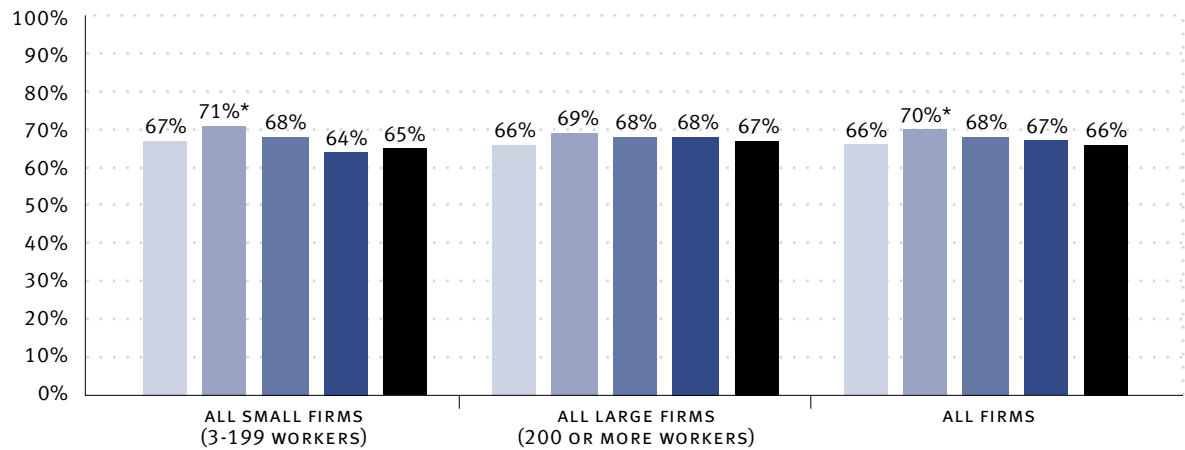


EXHIBIT 3.5

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employers' Health Plan, by Firm Size, 1999-2005



SOURCE :

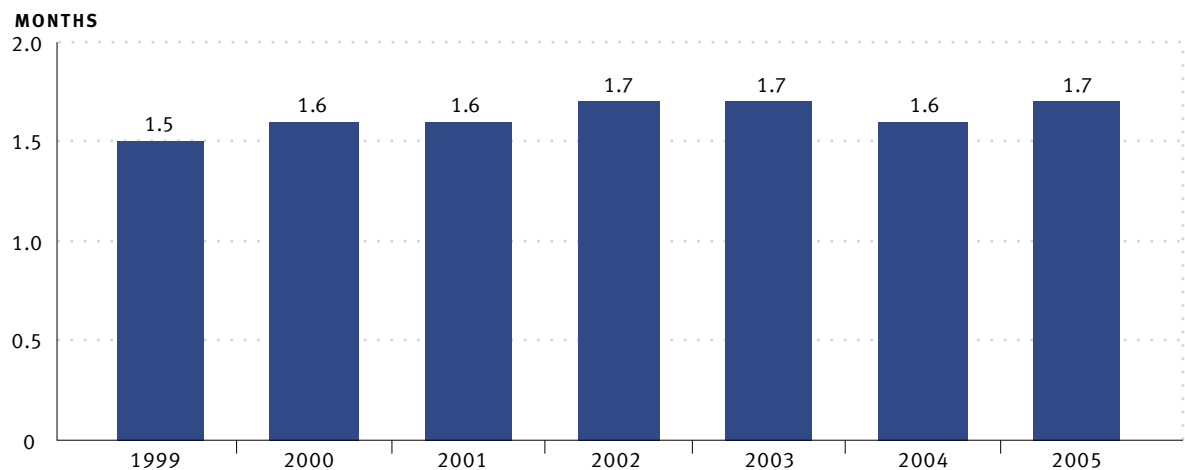
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Estimate is statistically different from the previous years shown at $p < .05$.

1999
2001
2003
2004
2005

EXHIBIT 3.6

Average Waiting Period for New Employees to be Eligible for Health Coverage, 1999-2005*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

Note: Average waiting period includes those who have no waiting period to be eligible for health coverage.

EXHIBIT 3.7

Percentage of Covered Workers in Firms with a Waiting Period for New Employees to Be Covered, by Firm Size, Region, and Industry, 2005

	<i>Percentage of Covered Workers in Firms With Waiting Period</i>
FIRM SIZE	
All Small Firms (3 - 199 Workers)	80%
All Large Firms (200 or More Workers)	72%
REGION	
Northeast	73%
Midwest	74
South	74
West	78
INDUSTRY	
Mining/Construction/Wholesale	84%*
Manufacturing	75
Transportation/Communications/Utility	64
Retail	92*
Finance	71
Service	71
State/Local Government	66
Health Care	81
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	75%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimates are statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

EXHIBIT 3.8

Average Waiting Period For New Employees to be Eligible for Health Coverage, by Firm Size, Region, and Industry, 2005

	<i>Average Wait for Health Coverage (Months)</i>
FIRM SIZE	
ALL SMALL FIRMS (3 -199 WORKERS)	2.0*
Midsize (200 - 999 Workers)	1.7
Large (1,000 - 4,999 Workers)	1.6
Jumbo (5,000 or More Workers)	1.4
ALL LARGE FIRMS (200 OR MORE WORKERS)	1.5
REGION	
Northeast	1.6
Midwest	1.4*
South	1.7
West	2.0
INDUSTRY	
Mining/Construction/Wholesale	2.1*
Manufacturing	1.4
Transportation/Communications/Utility	1.4
Retail	3.0*
Finance	1.4
Service	1.6
State/Local Government	1.2*
Health Care	1.6
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	1.7 MONTHS

SOURCE :

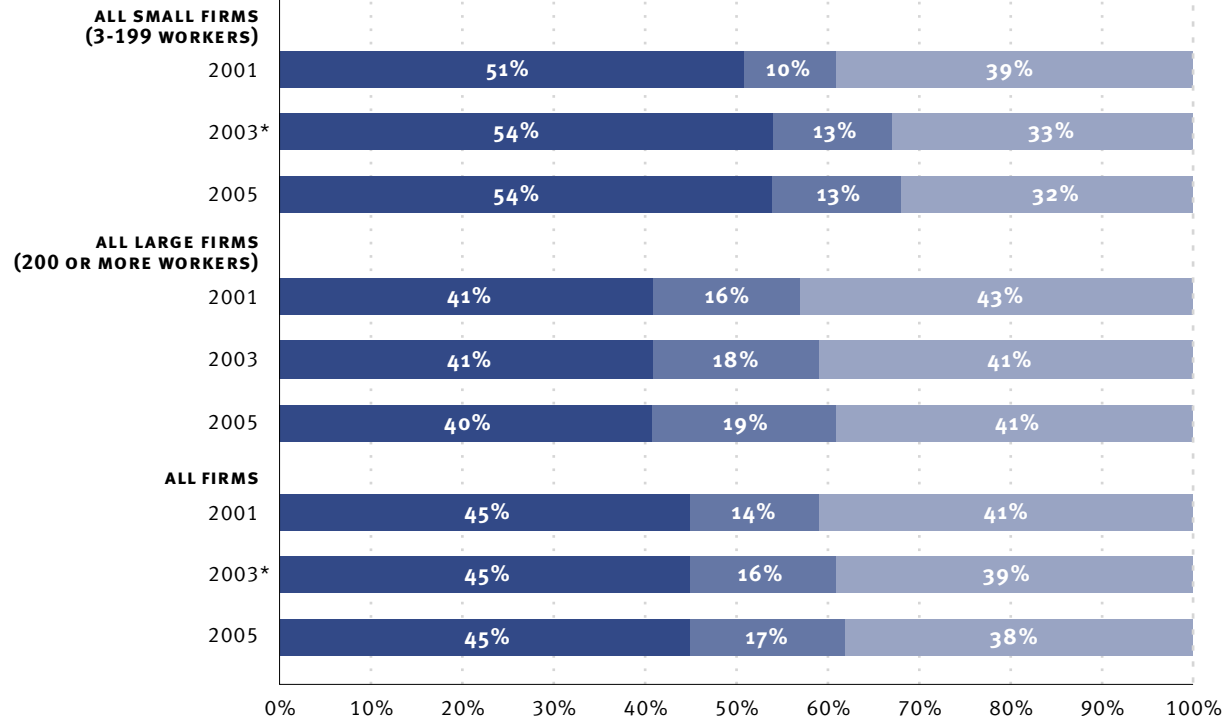
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimates are statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

Note: Average waiting period includes covered workers who have no waiting period to be eligible for health coverage.

EXHIBIT 3.9

Distribution of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005.

* Distribution is statistically different from previous year shown at $p < .05$.

Note: Single Plus One coverage includes either an employee plus a spouse or an employee with a child.

■ SINGLE COVERAGE
 ■ SINGLE PLUS ONE COVERAGE
 ■ FAMILY COVERAGE

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Health
Plan
Choice

SECTION

4

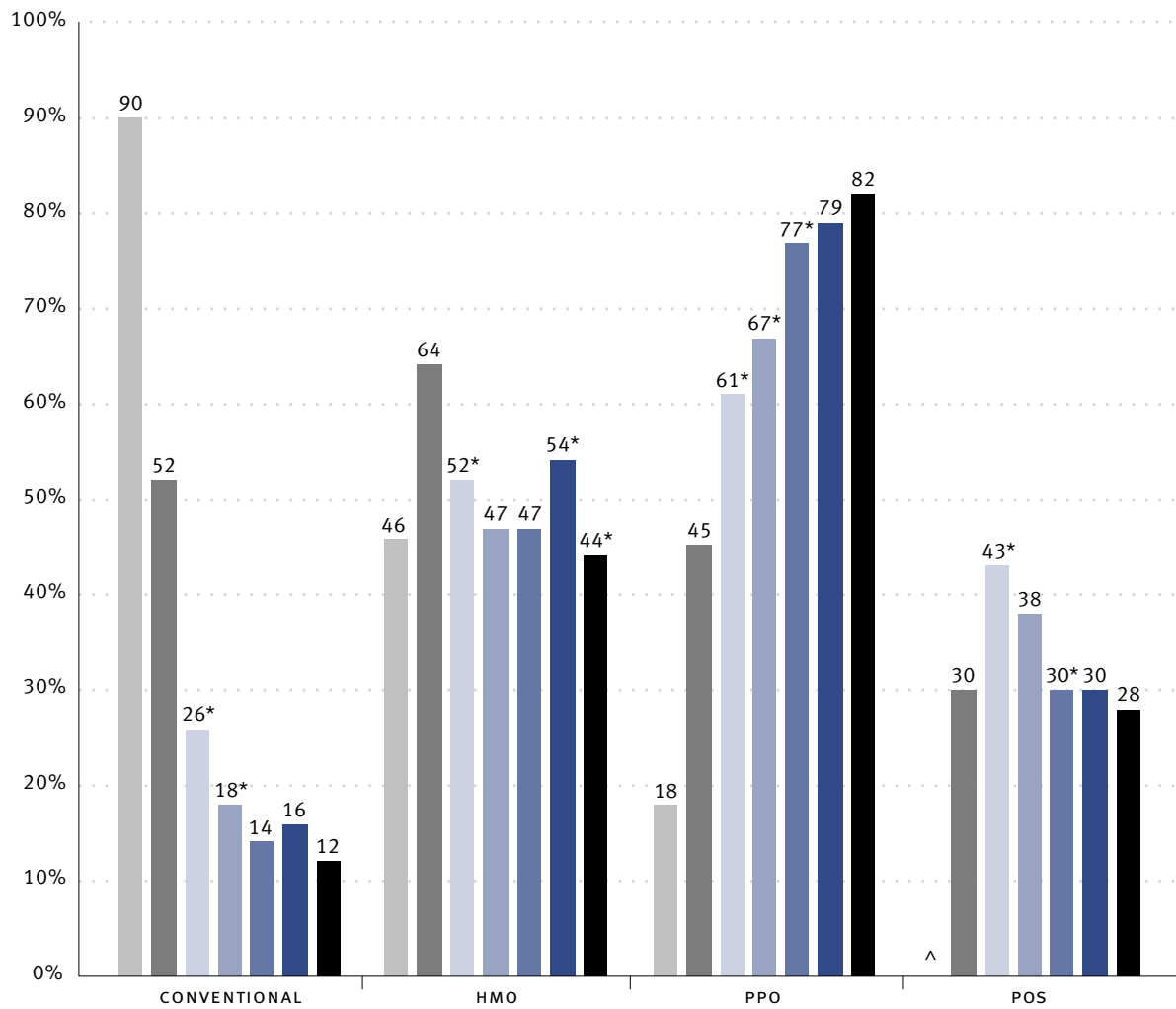
HEALTH PLAN CHOICE

MOST COVERED WORKERS CAN CHOOSE AMONG SEVERAL TYPES OF HEALTH PLANS, INCLUDING CONVENTIONAL, HMO, PPO, AND POS. PPOs REMAIN THE MOST COMMON PLAN TYPE AVAILABLE TO COVERED WORKERS WHO HAVE A CHOICE OF PLANS.

- ▶ PPOs are the most common health plan offered to workers, followed by HMO plans, POS plans, and conventional plans.
 - *The percentage of covered workers that have the option of electing a PPO plan is essentially unchanged from last year at 82%. The percentage of covered workers with the option to enroll in a POS plan (28%) is also similar to last year (EXHIBIT 4.1).*
 - *The option of enrolling in an HMO has decreased slightly since last year. Forty-four percent of covered workers have the option of enrolling in an HMO, compared with 54% in 2004 (EXHIBIT 4.1).*
- ▶ The percentage of covered workers who can choose from multiple health plans (63%) has remained relatively stable since 1996 (EXHIBIT 4.3).
 - *Health plan choice varies by firm size, with covered workers in large firms (200 or more workers) more likely than covered workers in small firms (3-199 workers) to have a choice between two or more health plans. Seventy-eight percent of covered workers in large firms have a choice of health plans, compared with 33% of covered workers in small firms (EXHIBIT 4.4).*

EXHIBIT 4.1

Percentage of Covered Workers With a Choice of Conventional, HMO, PPO, or POS Plans, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

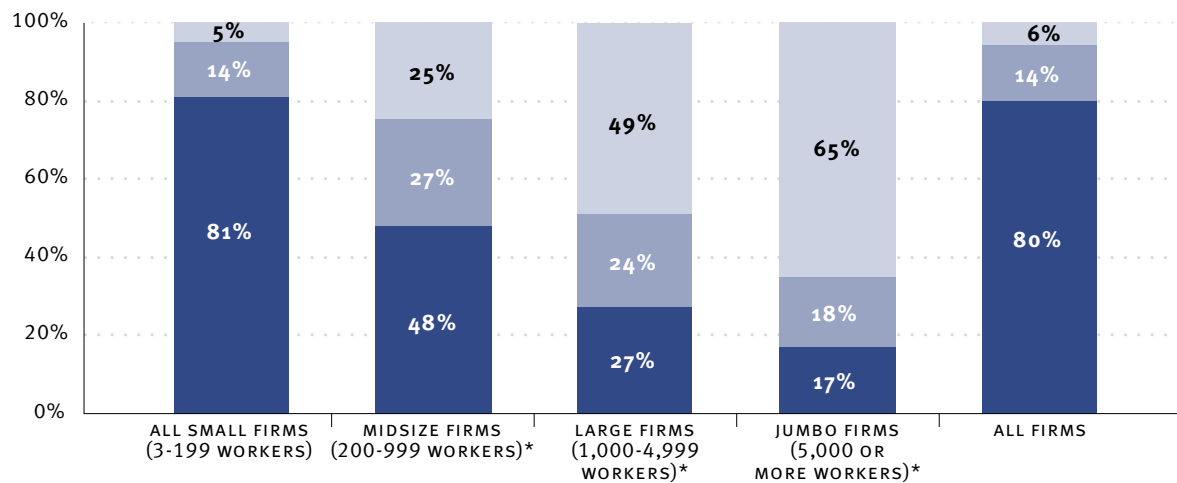
* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

^ Information was not obtained for POS plans in 1988.

1988
1996
1999
2001
2003
2004
2005

EXHIBIT 4.2

Distribution of Firms Providing a Choice of Health Plans, by Firm Size, 2005



SOURCE :

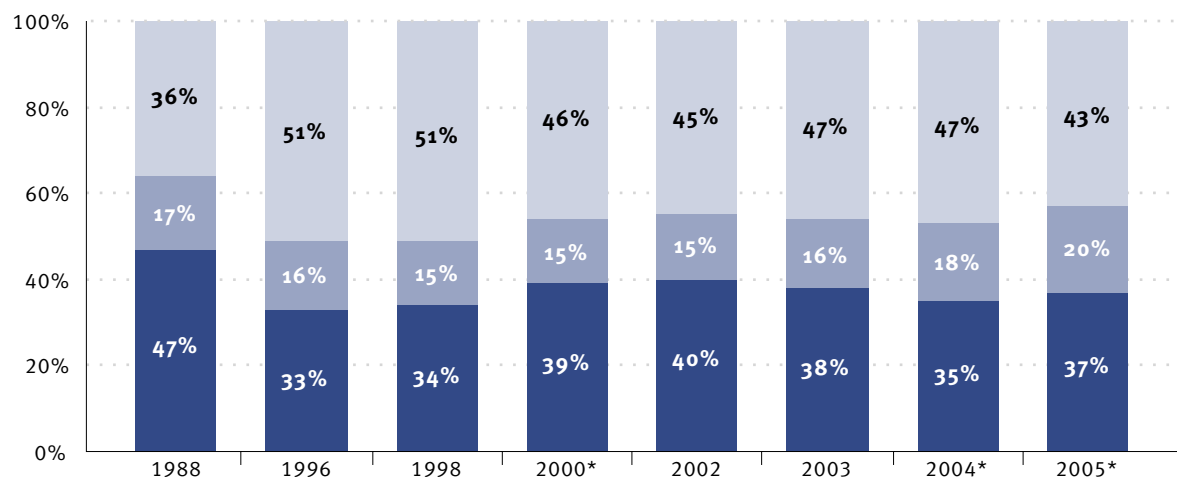
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Distribution is statistically different from All Firms at $p < .05$.

THREE OR MORE PLANS
TWO PLANS
ONE PLAN

EXHIBIT 4.3

Distribution of Covered Workers With a Choice of Health Plans, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996, 1998; The Health Insurance Association of America (HIAA), 1988.

* Distribution is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

THREE OR MORE PLANS
TWO PLANS
ONE PLAN

EXHIBIT 4.4

Distribution of Covered Workers With a Choice of Health Plans, by Firm Size, 1996-2005

	<i>One Plan</i>	<i>Two Plans</i>	<i>Three or More Plans</i>
1996			
All Small Firms (3 - 199 Workers)*	79%	15%	6%
All Large Firms (200 or More Workers)*	21	17	63
ALL FIRM SIZES	33%	16%	51%
1999			
All Small Firms (3 - 199 Workers)*	76%	16%	8%
All Large Firms (200 or More Workers)*	20	18	62
ALL FIRM SIZES	39%	17%	44%
2000			
All Small Firms (3 - 199 Workers)*	77%	14%	9%
All Large Firms (200 or More Workers)*	20	15	65
ALL FIRM SIZES	39%	15%	46%
2001			
All Small Firms (3 - 199 Workers)*	76%	15%	9%
All Large Firms (200 or More Workers)*	23	16	61
ALL FIRM SIZES	41%	16%	43%
2002			
All Small Firms (3 - 199 Workers)*	76%	15%	10%
All Large Firms (200 or More Workers)*	23	15	62
ALL FIRM SIZES	40%	15%	45%
2003			
All Small Firms (3 - 199 Workers)*	62%	17%	21%
All Large Firms (200 or More Workers)*	26	15	59
ALL FIRM SIZES	38%	16%	47%
2004			
All Small Firms (3 - 199 Workers)*	73%	17%	10%
All Large Firms (200 or More Workers)*	18	18	63
ALL FIRM SIZES	35%	18%	47%
2005			
All Small Firms (3 - 199 Workers)*	67%	21%	12%
All Large Firms (200 or More Workers)*	22	19	59
ALL FIRM SIZES	37%	20%	43%

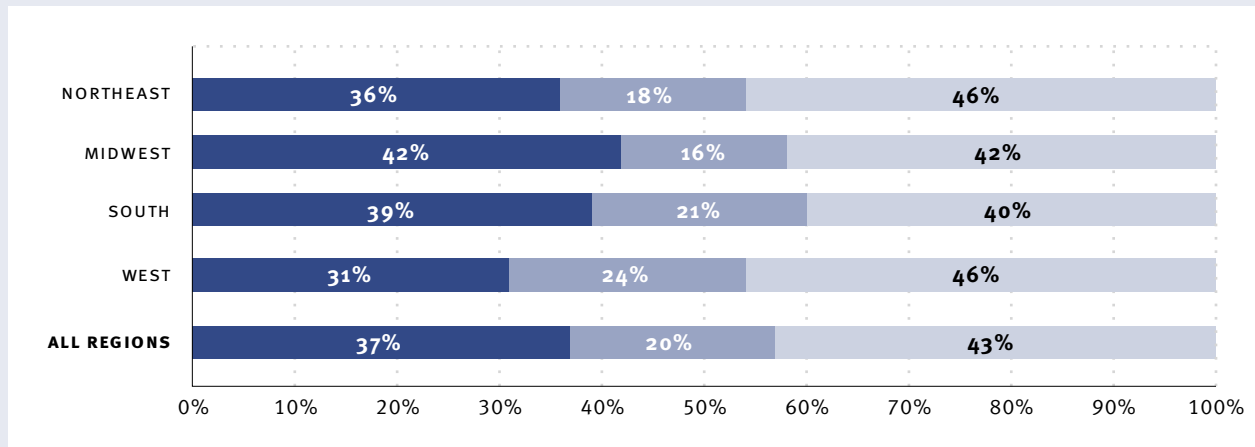
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1996.

* Distribution is statistically different from All Firm Sizes within a year at $p < .05$.

EXHIBIT 4.5

Distribution of Covered Workers With a Choice of Health Plans, by Region, 2005*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Tests found no significantly different distributions from All Regions at $p < .05$.

ONE PLAN
TWO PLANS
THREE OR MORE PLANS

EXHIBIT 4.6

Distribution of Covered Workers With One or More Options of the Same Plan Type, by Firm Size, 2005

	One Plan	Two Plans	Three or More Plans
CONVENTIONAL PLANS			
All Small Firms (3 - 199 Workers)	94%	6%	0%
All Large Firms (200 or More Workers)	71	16	14
ALL FIRM SIZES	80%	12%	8%
HMO PLANS			
All Small Firms (3 - 199 Workers)*	75%	17%	8%
All Large Firms (200 or More Workers)*	31	25	44
ALL FIRM SIZES	43%	22%	34%
PPO PLANS			
All Small Firms (3 - 199 Workers)*	85%	10%	5%
All Large Firms (200 or More Workers)*	54	27	19
ALL FIRM SIZES	64%	21%	15%
POS PLANS			
All Small Firms (3 - 199 Workers)*	88%	8%	4%
All Large Firms (200 or More Workers)	59	22	19
ALL FIRM SIZES	73%	15%	12%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Distribution is statistically different from All Firm Sizes within a plan type at $p < .05$.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Market
Shares of
Health Plans

SECTION

5

MARKET SHARES OF HEALTH PLANS

PPO PLANS ENROLL THREE-IN-FIVE COVERED WORKERS, FOLLOWED BY HMO PLANS, POS PLANS, AND THEN CONVENTIONAL PLANS. ENROLLMENT IN PPO PLANS GREW SIGNIFICANTLY IN 2005, WHILE ENROLLMENT IN HMO PLANS DROPPED BY 4 PERCENTAGE POINTS.

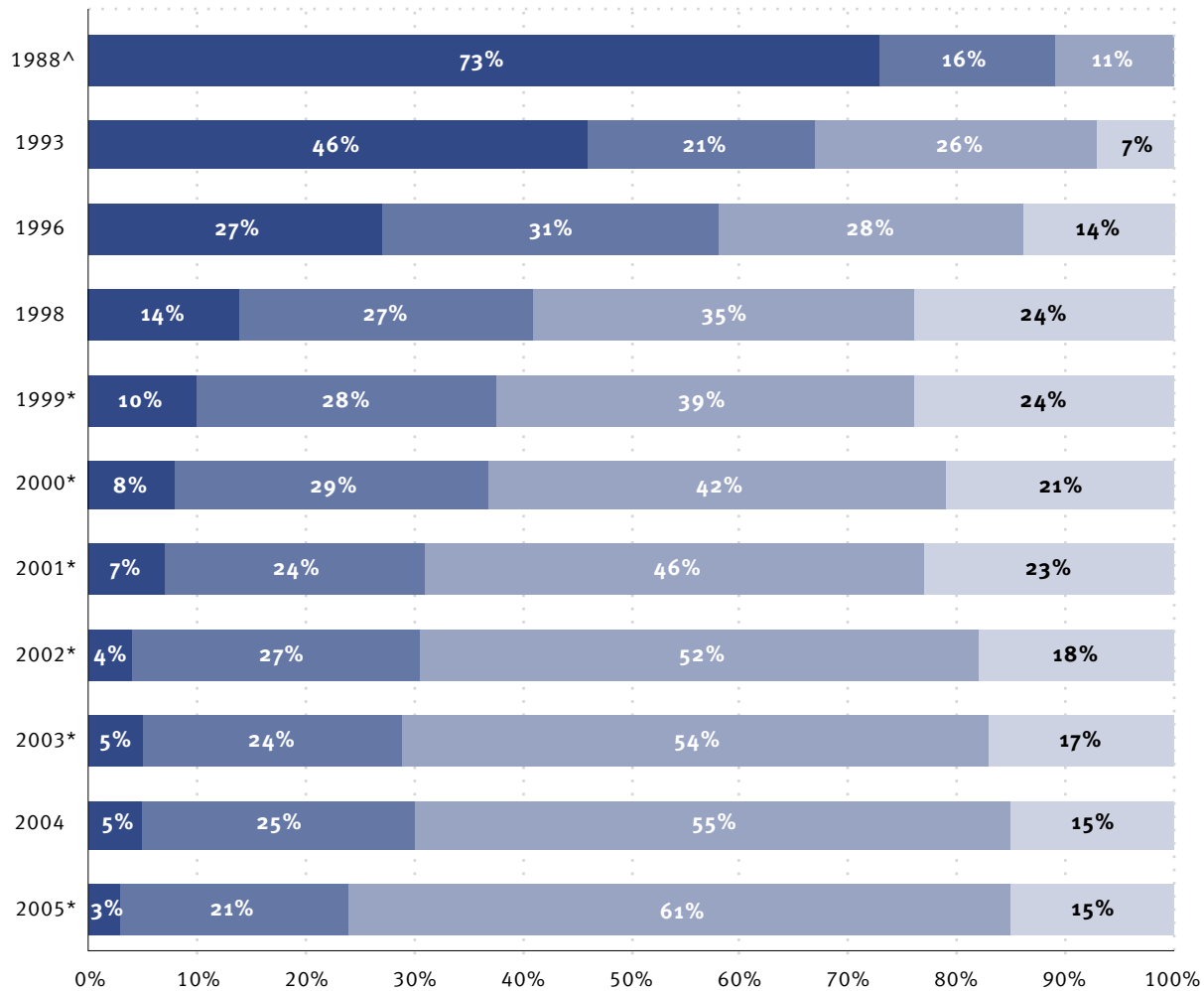
- ▶ With the highest enrollment, PPO plans cover 61% of covered workers, up from 55% in 2004. HMOs, the plan with the second highest enrollment, fell to 21% of total covered workers from 25% last year. Conventional plans remain at the lowest level of enrollment, covering just 3% of covered workers in 2005 (EXHIBIT 5.1).⁴
- ▶ There are slight regional differences in plan enrollment. PPO plans have higher enrollment in the Midwest (70%). HMO enrollment is highest in the West (32%) (EXHIBIT 5.2).

NOTE:

⁴ A portion of the change in enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods section for additional information.

EXHIBIT 5.1

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005;
KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996, 1998;
The Health Insurance Association of America (HIAA), 1988.

* Distribution is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

[^] Information was not obtained for POS plans in 1988.

Note: A portion of the change in enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods section for additional information.

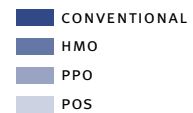


EXHIBIT 5.2

Health Plan Enrollment, by Firm Size, Region, and Industry, 2005

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>
FIRM SIZE				
Small (3 - 24 Workers)	4%	13%*	57%	26%*
Small (25 - 49 Workers)	4	22	48*	26*
Small (50 - 199 Workers)	3	19	65	14
ALL SMALL FIRMS (3 - 199 WORKERS)	3%	18%	58%	21%*
Midsize (200 - 999 Workers)	3	20	66	11
Large (1,000 - 4,999 Workers)	1*	23	67*	9*
Jumbo (5,000 or More Workers)	3	24	60	13
ALL LARGE FIRMS (200 OR MORE WORKERS)	3%	23%	63%	12%
REGION				
Northeast	4%	23%	54%*	19%
Midwest	3	16*	70*	11
South	3	17*	66	14
West	2	32*	51*	15
INDUSTRY				
Mining/Construction/Wholesale	5%	13%*	66%	16%
Manufacturing	3	19	66	12
Transportation/Communications/Utility	3	20	71	6*
Retail	4	19	56	22
Finance	3	22	64	11
Service	2	22	56	20*
State/Local Government	3	35*	52	11
Health Care	2	20	69	10
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	3%	21%	61%	15%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005.

* Estimate is statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

EMPLOYER HEALTH BENEFITS
2005 ANNUAL SURVEY

Employee Contributions for Premiums

SECTION

6

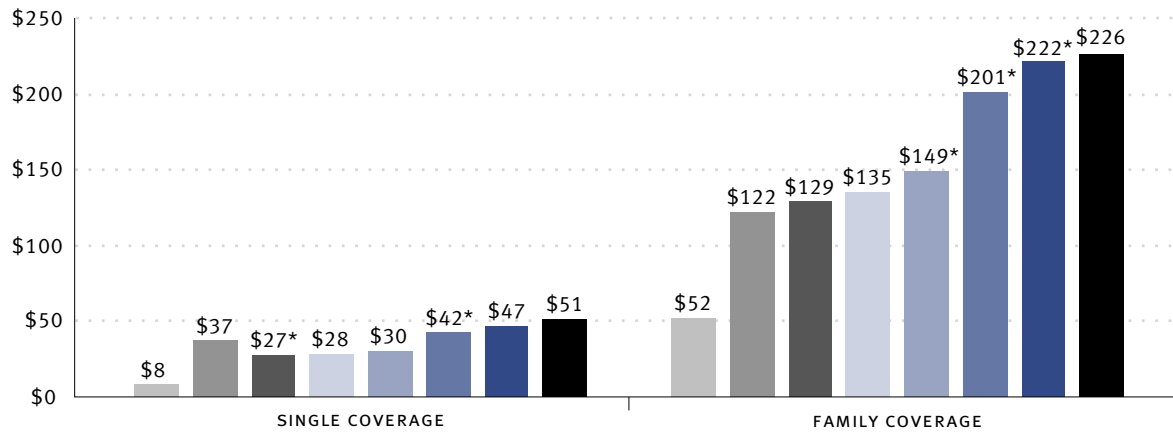
EMPLOYEE CONTRIBUTIONS FOR PREMIUMS

THE SHARE OF TOTAL PREMIUMS PAID BY COVERED WORKERS IS ESSENTIALLY UNCHANGED IN 2005. ACROSS ALL PLAN TYPES, ON AVERAGE, WORKERS PAY 16% OF PREMIUMS FOR SINGLE COVERAGE AND 26% OF PREMIUMS FOR FAMILY COVERAGE. THE AVERAGE MONTHLY WORKER CONTRIBUTION FOR SINGLE COVERAGE IS \$51 IN 2005. FOR FAMILY COVERAGE, THE AVERAGE MONTHLY WORKER CONTRIBUTION IS \$226.

- ▶ The average percentage of total premiums that workers pay is essentially unchanged from last year: 16% across plan types for single coverage and 26% for family coverage. Percentage contributions for family coverage have been stable over time, while those for single coverage declined between 1996 and 1999 (from 21% to 14%) and have been stable since that time (EXHIBIT 6.2).
- ▶ The average monthly worker contribution for single coverage is \$51 in 2005. For family coverage, the average monthly worker contribution is \$226 (EXHIBIT 6.1).
 - On an annual basis, the average worker contribution averages \$610 for single coverage and \$2,713 for family coverage. Workers in small firms (3 to 199 workers) contribute significantly more (\$3,170 annually) on average towards family coverage than workers in large firms (200 or more workers) contribute (\$2,487 annually) (EXHIBIT 6.3, 6.4).
- ▶ Virtually all covered workers receive a premium contribution of 50% or more from their employer. The majority of covered workers receive a premium contribution from their firm of between 75% and 100% for single coverage and between 50% and 100% for family coverage (EXHIBIT 6.8, 6.9).
 - The percentage of covered workers whose employers pay the full cost of single coverage is 21% and the percentage of covered workers whose employers pay the full cost of family coverage is 9% (EXHIBIT 6.8, 6.9).
- Covered workers in small firms (3-199 workers) are more likely to have their employer pay the full cost of coverage than covered workers in large firms (200 or more workers) for both single and family coverage. Forty-one percent of covered workers in small firms have an employer that pays the entire premium for single coverage, compared to 12% of covered workers in large firms. For family coverage, 18% percent of covered workers in small firms have an employer that pays the entire premium for single coverage compared to 5% of covered workers in large firms (EXHIBIT 6.8, 6.9).
- ▶ Covered workers in lower wage firms—where 35% or more earn \$20,000 or less per year—pay a higher percentage of their premium costs than covered workers in higher wage firms—where fewer than 35% earn \$20,000 or less per year. On average, covered workers in low wage firms contribute 20% for single coverage and 36% of the premium for family coverage while covered workers in high wage firms contribute 15% for single coverage and 25% of the family premium. Covered workers in firms that partially or entirely self fund their health benefits pay a higher share of the premium for family coverage (32%) than covered workers in firms that are fully insured (21%) (EXHIBIT 6.10).
- ▶ Just 10% of covered workers are in firms that vary the employee's premium contribution based on the employee's wage level. Small firms (3-199 workers) are much less likely to do so, at 2%, versus 14% for workers in all large firms (200 or more workers). Varying the employee's premium contribution based on participation in a wellness program is even less common, affecting just 3% of covered workers (EXHIBIT 6.16).

EXHIBIT 6.1

Average Monthly Worker Premium Contributions for Single and Family Coverage, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

Note: Family coverage is defined as health coverage for a family of four.

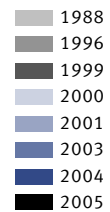
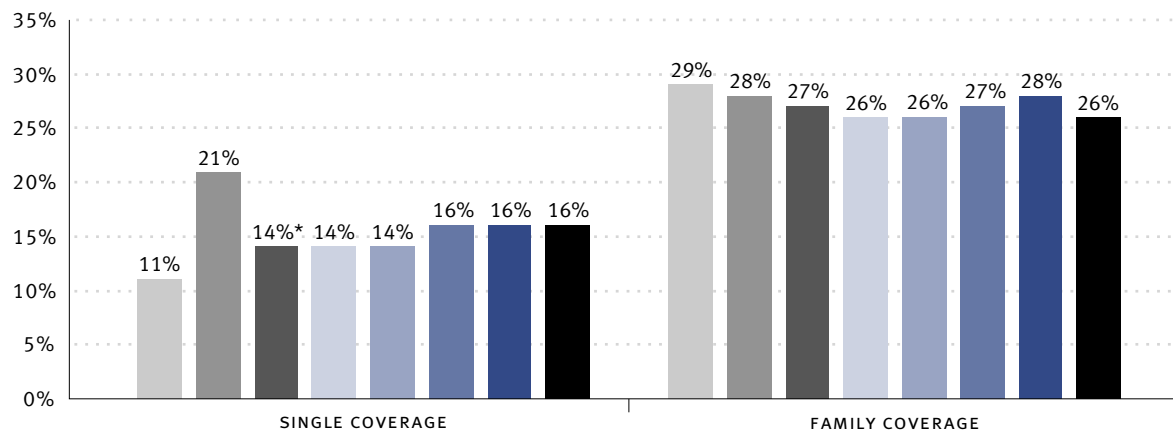


EXHIBIT 6.2

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

Note: Family coverage is defined as health coverage for a family of four.

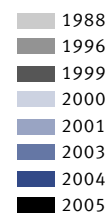
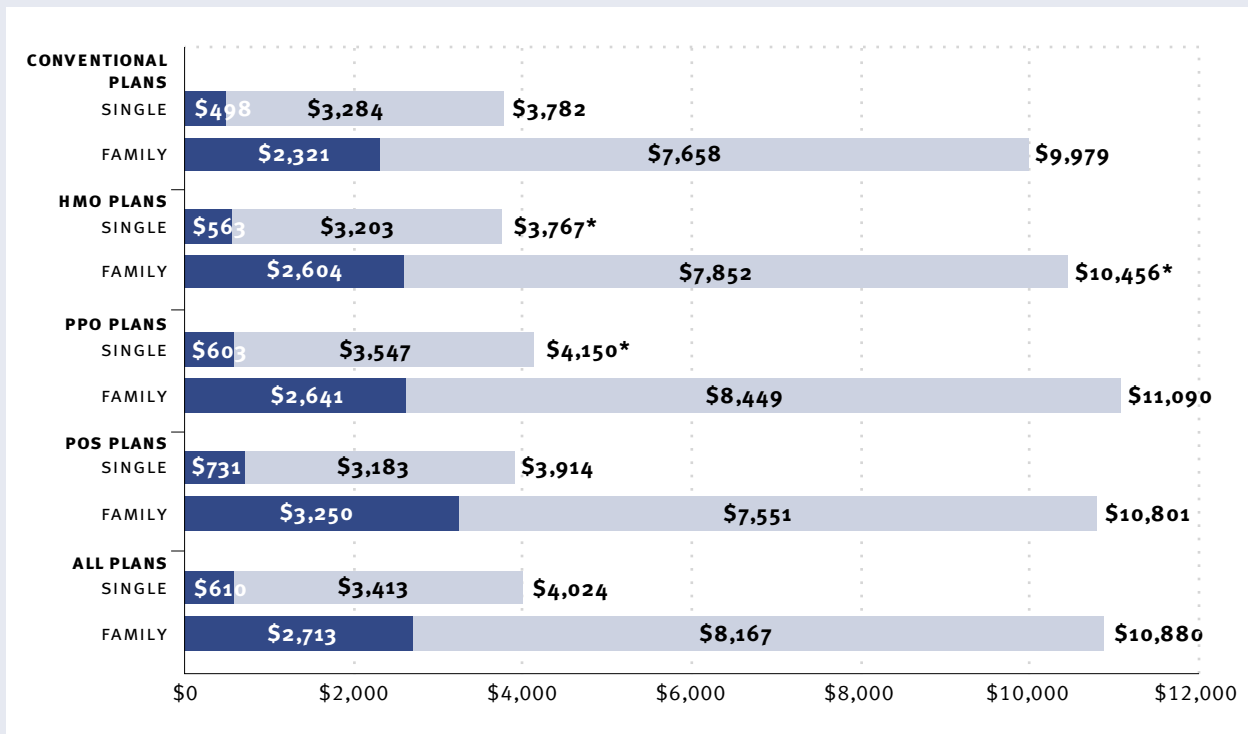


EXHIBIT 6.3

Average Annual Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2005



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

■ WORKER CONTRIBUTION
■ FIRM CONTRIBUTION

* Estimate of total premium is statistically different from All Plans by coverage type shown at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.4

Average Monthly Worker Premium Contributions for Single and Family Coverage, by Plan Type and Firm Size, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
All Small Firms (3 - 199 Workers)	\$37	\$220	\$440	\$2,635
All Large Firms (200 or More Workers)	45	176	535	2,115
ALL FIRM SIZES	\$41	\$193	\$498	\$2,321
HMO PLANS				
All Small Firms (3 - 199 Workers)	\$44	\$269*	\$531	\$3,227*
All Large Firms (200 or More Workers)	48	198	576	2,370
ALL FIRM SIZES	\$47	\$217	\$563	\$2,604
PPO PLANS				
All Small Firms (3 - 199 Workers)	\$40*	\$254*	\$480*	\$3,050*
All Large Firms (200 or More Workers)	55	204	660	2,453
ALL FIRM SIZES	\$50	\$220	\$603	\$2,641
POS PLANS				
All Small Firms (3 - 199 Workers)	\$67	\$296	\$805	\$3,547
All Large Firms (200 or More Workers)	55	249	663	2,988
ALL FIRM SIZES	\$61	\$271	\$731	\$3,250
ALL PLANS				
All Small Firms (3 - 199 Workers)	\$46	\$264*	\$556	\$3,170*
All Large Firms (200 or More Workers)	53	207*	638	2,487*
ALL FIRM SIZES	\$51	\$226	\$610	\$2,713

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes within a plan type at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.5

Average Monthly Worker Premium Contributions for Single and Family Coverage, by Plan Type and Firm Size, 2005

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Northeast	\$20*	\$58*	\$235*	\$695*
Midwest	47	211	567	2,528
South	48	226	576	2,716
West	NSD	NSD	NSD	NSD
ALL REGIONS	\$41	\$193	\$498	\$2,321
HMO PLANS				
Northeast	\$59*	\$203	\$708*	\$2,430
Midwest	49	179	591	2,146
South	55	268*	665	3,210*
West	30*	204	355*	2,444
ALL REGIONS	\$47	\$217	\$563	\$2,604
PPO PLANS				
Northeast	\$54	\$173*	\$648	\$2,073*
Midwest	55	202	660	2,429
South	54	263*	650	3,154*
West	31*	205	367*	2,454
ALL REGIONS	\$50	\$220	\$603	\$2,641
POS PLANS				
Northeast	\$70	\$241	\$837	\$2,895
Midwest	57	226	681	2,707
South	59	346*	703	4,154*
West	57	225	680	2,699
ALL REGIONS	\$61	\$271	\$731	\$3,250
ALL PLANS				
Northeast	\$57	\$188*	\$684	\$2,260*
Midwest	54	201*	649	2,417*
South	55	274*	658	3,294*
West	35*	210	416*	2,514
ALL REGIONS	\$51	\$226	\$610	\$2,713

SOURCE :

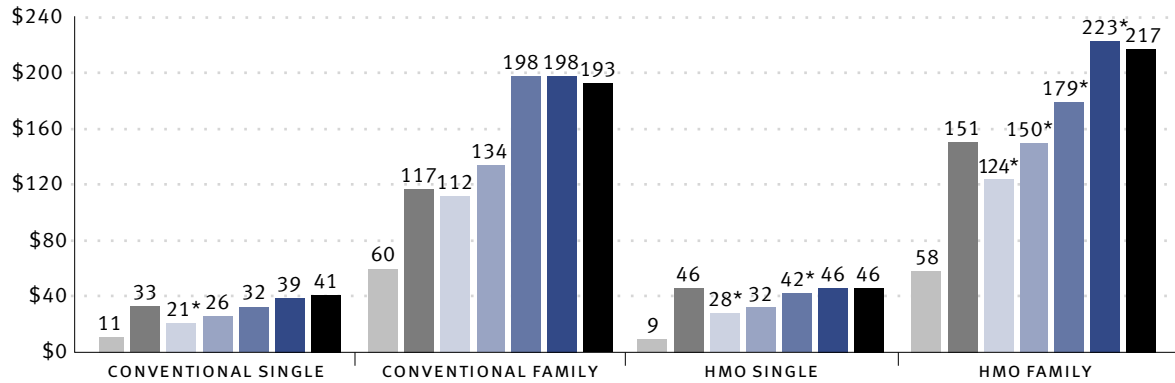
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Regions within a plan type at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.6

Average Monthly Worker Premium Contributions for Single and Family Coverage in Conventional and HMO Plans, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

Note: Family coverage is defined as health coverage for a family of four.

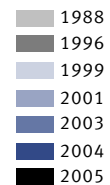
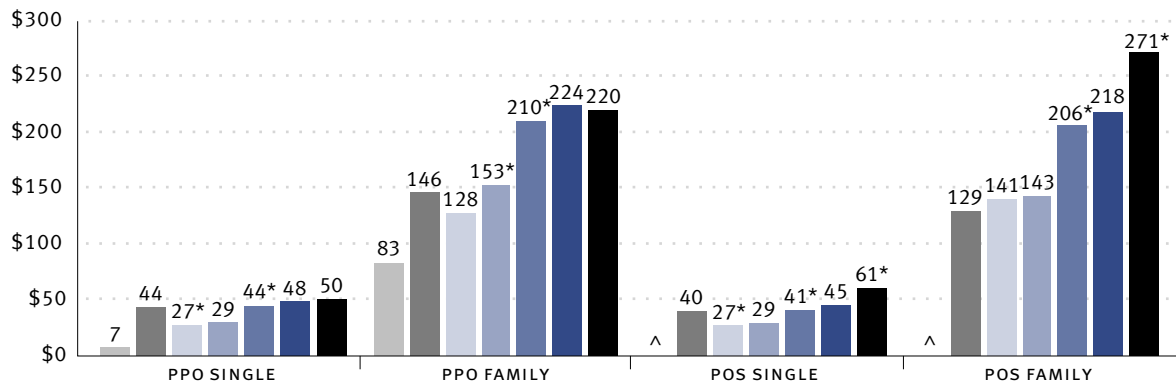


EXHIBIT 6.7

Average Monthly Worker Premium Contributions for Single and Family Coverage in PPO and POS Plans, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

^ Information was not obtained for POS plans in 1988.

Note: Family coverage is defined as health coverage for a family of four.

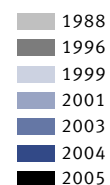
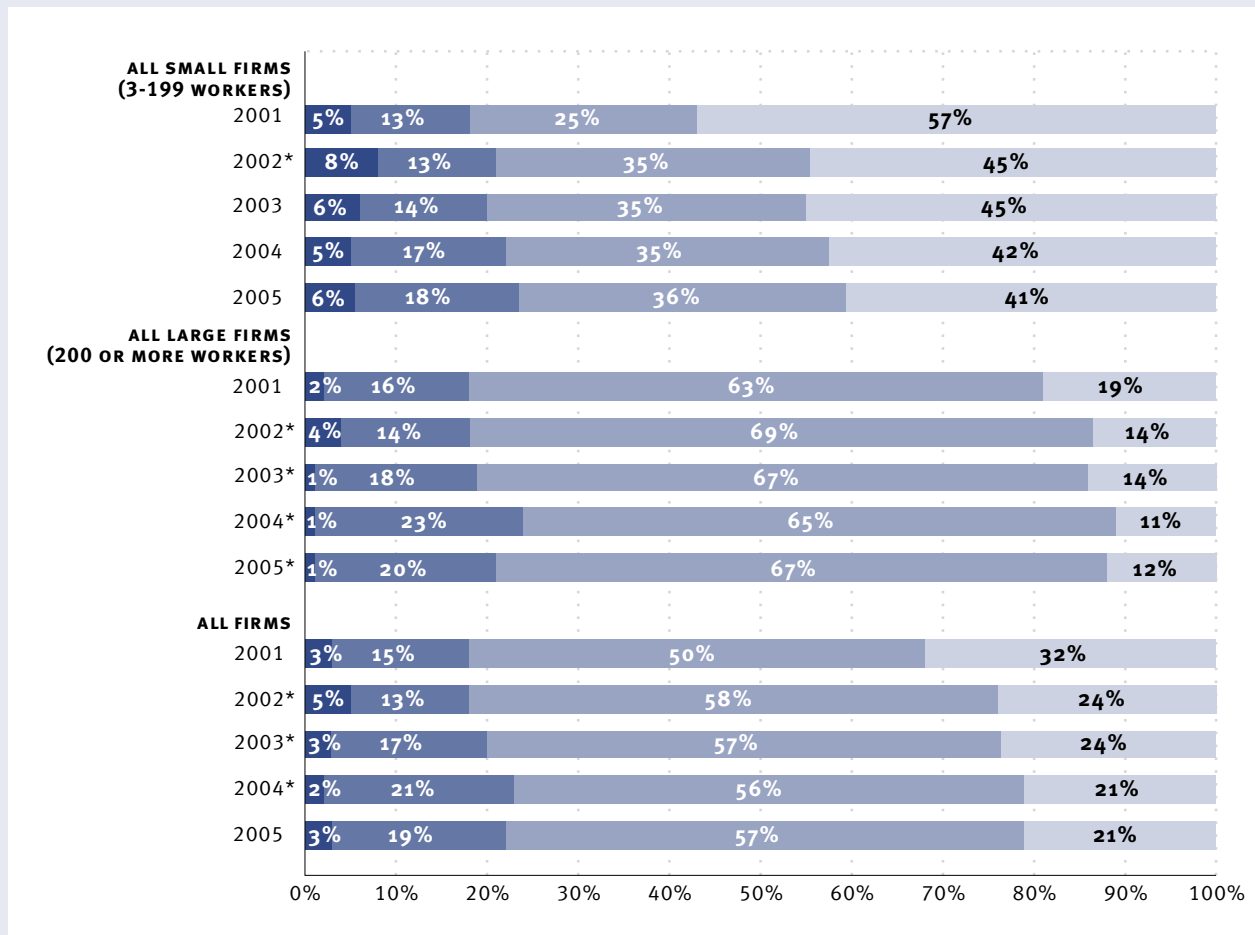


EXHIBIT 6.8

Distribution of Covered Workers by Percentage of Single Premium Contributed by Their Firm,
by Firm Size, 2001-2005



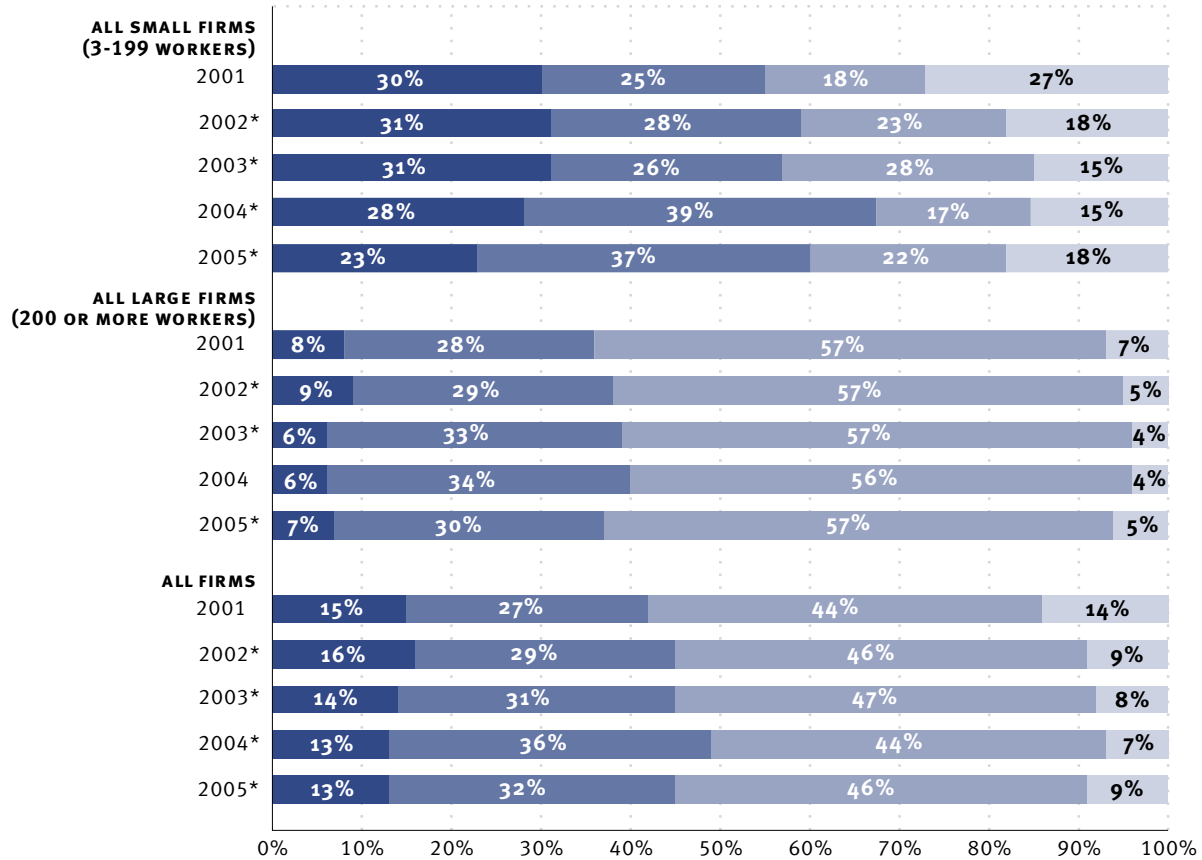
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005.

* Distributions are statistically different from the previous year shown at $p < .05$.

LESS THAN 50%
GREATER THAN OR EQUAL TO 50%, LESS THAN 75%
GREATER THAN OR EQUAL TO 75%, LESS THAN 100%
100%

EXHIBIT 6.9

Distribution of Covered Workers by Percentage of Family Premium Contributed by Their Firm,
by Firm Size, 2005

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2005.

* Distribution is statistically different from the previous year shown at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

LESS THAN 50%
GREATER THAN OR EQUAL TO 50%, LESS THAN 75%
GREATER THAN OR EQUAL TO 75%, LESS THAN 100%
100%

EXHIBIT 6.10

Average Percentage of Single and Family Premiums Paid by Covered Workers, by Firm Characteristics, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
PERCENT OF WORKFORCE EARNING \$20,000 OR LESS PER YEAR		
Less Than 35% (Higher Wage Firms)	15%	25%
35% or More (Lower Wage Firms)	20*	36*
PLAN FUNDING		
Self-Funded	16%	32%*
Fully Insured	16	21*
UNION		
Firm Has At Least Some Union Workers	15%	21%*
Firm Does Not Have Any Union Workers	17	29*
ALL FIRMS	16%	26%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is significantly different from All Firms at $p < .05$.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.11

Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Firm Size, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
All Small Firms (3 - 199 Workers)	88%	74%
All Large Firms (200 or More Workers)	85	78
ALL FIRM SIZES	86%	76%
HMO PLANS		
All Small Firms (3 - 199 Workers)	85%	67%*
All Large Firms (200 or More Workers)	84	77
ALL FIRM SIZES	84%	74%
PPO PLANS		
All Small Firms (3 - 199 Workers)	87%*	70%*
All Large Firms (200 or More Workers)	83	77
ALL FIRM SIZES	85%	75%
POS PLANS		
All Small Firms (3 - 199 Workers)	80%	66%
All Large Firms (200 or More Workers)	82	72
ALL FIRM SIZES	81%	69%
ALL PLANS		
All Small Firms (3 - 199 Workers)	86%	69%*
All Large Firms (200 or More Workers)	83	77*
ALL FIRM SIZES	84%	74%

SOURCE :

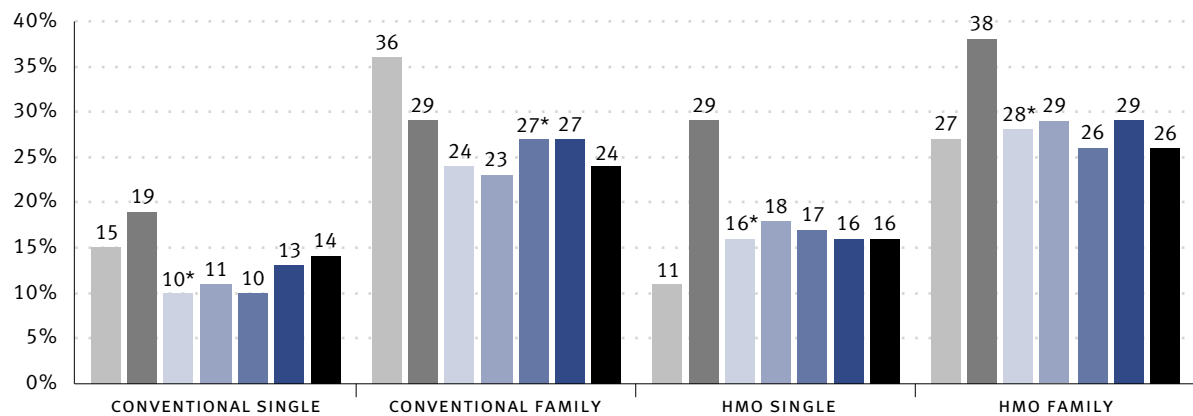
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes within a plan type at $p < .05$.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.12

Average Percentage of Premium Paid by Covered Workers in Conventional and HMO Plans, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

Note: Family coverage is defined as health coverage for a family of four.

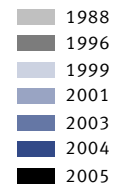
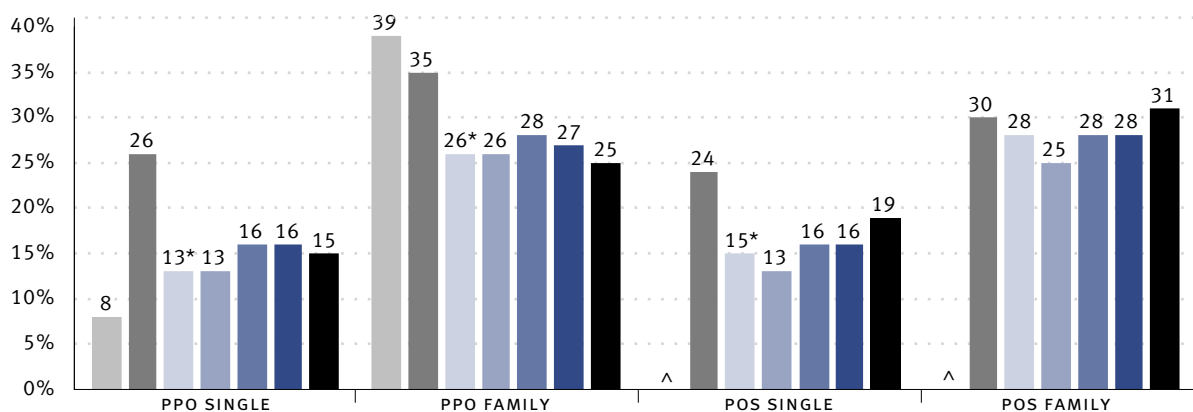


EXHIBIT 6.13

Average Percentage of Premium Paid by Covered Workers in PPO and POS Plans, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

^ Information was not obtained for POS plans in 1988.

Note: Family coverage is defined as health coverage for a family of four.

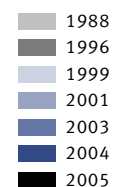


EXHIBIT 6.14

Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Region, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Northeast	92%	91%*
Midwest	80*	86
South	86	73
West	NSD	NSD
ALL REGIONS	86%	76%
HMO PLANS		
Northeast	82%	78%*
Midwest	84	79*
South	82	69*
West	89*	73
ALL REGIONS	84%	74%
PPO PLANS		
Northeast	84%	82%*
Midwest	84	78*
South	83	69*
West	91*	77
ALL REGIONS	85%	75%
POS PLANS		
Northeast	79%	75%*
Midwest	81	73
South	82	59*
West	84	75
ALL REGIONS	81%	69%
ALL PLANS		
Northeast	83%	80%*
Midwest	83	77*
South	83	68*
West	89*	75
ALL REGIONS	84%	74%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005.

* Estimate is statistically different from All Regions within a plan type at $p < .05$.

NSD: Not Sufficient Data.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.15

Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Industry, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Mining/Construction/Wholesale	NSD	NSD
Manufacturing	NSD	NSD
Transportation/Communications/Utility	NSD	NSD
Retail	NSD	NSD
Finance	NSD	NSD
Service	80	67
State/Local Government	NSD	NSD
Health Care	NSD	NSD
ALL INDUSTRIES	86%	76%
HMO PLANS		
Mining/Construction/Wholesale	85%	71%
Manufacturing	83	78
Transportation/Communications/Utility	85	80
Retail	78	68
Finance	80*	74
Service	83	68*
State/Local Government	93*	83*
Health Care	86	77
ALL INDUSTRIES	84%	74%
PPO PLANS		
Mining/Construction/Wholesale	81%	71%
Manufacturing	81*	78
Transportation/Communications/Utility	86	81*
Retail	77*	70
Finance	86	76
Service	87	72
State/Local Government	90*	80*
Health Care	90*	77
ALL INDUSTRIES	85%	75%

Continued on page 73

EXHIBIT 6.15 Continued from page 72

Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Industry, 2005

	Single Coverage	Family Coverage
POS PLANS		
Mining/Construction/Wholesale	86%	80%*
Manufacturing	79	74
Transportation/Communications/Utility	NSD	NSD
Retail	72	66
Finance	NSD	NSD
Service	82	64
State/Local Government	87	78*
Health Care	81	63
ALL INDUSTRIES	81%	69%
ALL PLANS		
Mining/Construction/Wholesale	82%	73%
Manufacturing	81*	78*
Transportation/Communications/Utility	86	80*
Retail	77*	68
Finance	84	75
Service	85	69*
State/Local Government	91*	81*
Health Care	88*	76
ALL INDUSTRIES	84%	74%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005.

* Estimate is statistically different from All Industries within a plan type at $p < .05$.

NSD: Not Sufficient Data.

Note: Family coverage is defined as health coverage for a family of four.

EXHIBIT 6.16

Percentage of Covered Workers in Firms That Vary Worker Premium Contributions by Wage Level or by Participation in Wellness Program, by Firm Size and Region, 2005

	<i>Percentage of Covered Workers in Firms That Vary Worker Premium Contributions by Wage Level</i>	<i>Percentage of Covered Workers in Firms That Vary Worker Premium Contributions by Participation in Wellness Program</i>
FIRM SIZE		
ALL SMALL FIRMS (3 - 199 WORKERS)	2.4%*	1.0%*
Midsize (200 - 999 Workers)	7.7	4.2
Large (1,000 - 4,999 Workers)	15.8	4.8
Jumbo (5,000 or More Workers)	16.3	4.4
ALL LARGE FIRMS (200 OR MORE WORKERS)	14.3%	4.4%
REGION		
Northeast	20.2%*	6.0%
Midwest	9.1	3.9
South	8.1	2.3
West	5.5*	1.4
ALL FIRM SIZES AND REGIONS	10.3%	3.3%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005.

* Distribution is statistically different from All Firm Sizes and Regions at $p < .05$.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Employee Cost Sharing

SECTION

7

EMPLOYEE COST SHARING

WORKERS FACE MANY DIFFERENT FORMS OF COST SHARING. AS REPORTED IN SECTION 6, MORE THAN THREE-IN-FOUR WORKERS (79%) WITH SINGLE COVERAGE AND MORE THAN NINE-IN-TEN WORKERS (91%) WITH FAMILY COVERAGE CONTRIBUTE TO THEIR MONTHLY HEALTH INSURANCE PREMIUM. IN ADDITION, MANY COVERED WORKERS FACE COST SHARING SUCH AS DEDUCTIBLES AND COPAYMENTS AND/OR COINSURANCE FOR PHYSICIAN OFFICE VISITS, HOSPITAL CARE, AND PRESCRIPTION DRUGS. RESEARCH HAS DEMONSTRATED THAT HIGHER COST SHARING REDUCES SPENDING ON HEALTH CARE, BUT MAY ALSO DISCOURAGE USE OF NEEDED SERVICES, PARTICULARLY AMONG LOWER INCOME INDIVIDUALS.⁵

AS IN PREVIOUS YEARS, COVERED WORKERS IN SMALL FIRMS (3-199 WORKERS) FACE HIGHER AVERAGE ANNUAL DEDUCTIBLES FOR SINGLE COVERAGE THAN WORKERS IN LARGE FIRMS (200 OR MORE WORKERS) ACROSS ALL PLAN TYPES. COPAYMENTS REMAIN MORE COMMON THAN COINSURANCE FOR PHYSICIAN OFFICE VISITS, AND MOST COVERED WORKERS (52%) FACE SEPARATE COST SHARING WHEN ADMITTED TO A HOSPITAL.

PLAN DEDUCTIBLES

- ▶ Average annual deductibles across all plan types have not increased significantly over the past year.
 - Seventy-one percent of covered workers in PPO plans, the plan type with the highest enrollment, face an annual deductible for both single and family coverage (EXHIBIT 7.6). The average annual deductible (including those with a zero deductible) is \$323 for single coverage for in-network services and \$679 for family coverage for in-network services. If covered workers without deductibles were excluded from the average, the PPO deductibles for in-network services would average \$455 for single coverage and \$952 for family coverage (EXHIBITS 7.2, 7.3).
 - Forty-four percent of covered workers in POS plans face a deductible for single coverage and 46% face a deductible for family coverage (EXHIBIT 7.7). The average annual deductible (including those with a zero deductible) for in-network services is \$220 for single coverage and \$494 for family coverage. If covered workers without deductibles were excluded from the average, the POS deductibles for in-network services would average \$495 for single coverage and \$1,065 for family coverage (EXHIBITS 7.2, 7.3).
 - Only a small percentage (13%) of covered workers in HMO plans face an annual deductible for both single and family coverage. The average deductible (including those with a zero deductible) for workers in HMO plans is \$71 for single coverage and \$141 for family coverage. If covered workers without deductibles were excluded from the average, the HMO deductibles for in-network services would average \$568 for single coverage and \$1,105 for family coverage (EXHIBITS 7.2, 7.3).
- ▶ Average annual deductibles are higher for covered workers with single coverage in small firms (3-199 workers) compared to large firms (200 or more workers), across all types of plans. For single coverage in PPO plans, average deductibles for preferred providers are \$469 in small firms and \$254 in large firms (EXHIBIT 7.4).

NOTE :

⁵ Newhouse, Joseph, et. al., *Free for All? Lessons From the RAND Health Insurance Experiment*. Harvard University Press, Cambridge, Massachusetts, 1993.

- ▶ Among covered workers in health plans with a deductible, 63% are in plans where the worker is reimbursed for preventive services without being required to meet the deductible.

COST SHARING FOR PHYSICIAN OFFICE VISITS

- ▶ The vast majority of covered workers (83%) face a fixed dollar copayment rather than a percentage coinsurance (10%) when they visit a physician. (EXHIBIT 7.11).
- ▶ Among covered workers with copayments, around 20% pay a copayment for in-network services of \$5 or \$10 per visit, 61% pay \$15 or \$20 per visit, and 17% pay \$25 or \$30 per visit (EXHIBIT 7.8).

HOSPITAL COST SHARING

- ▶ When admitted to a hospital, the majority of covered workers across all plans (52%) face separate cost sharing in various forms, such as a deductible, copayment, coinsurance, or a per diem charge (EXHIBIT 7.12). The most

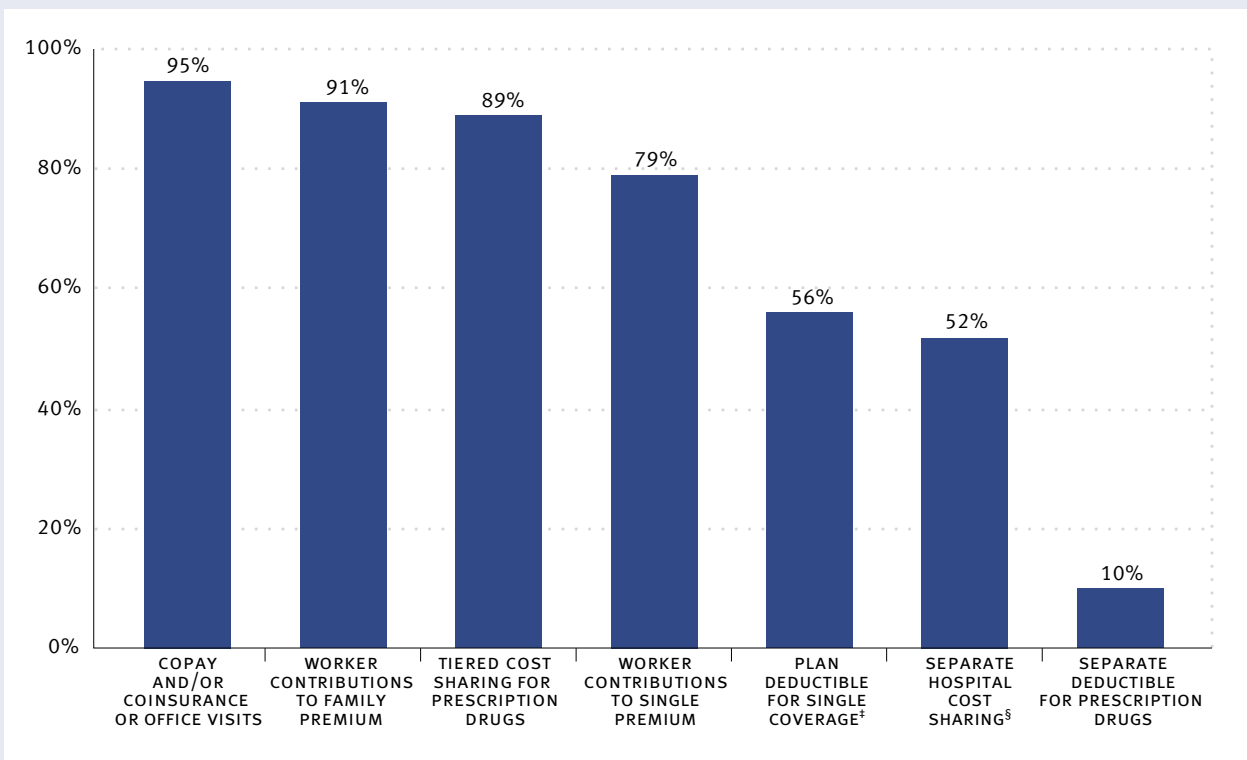
common form of cost sharing for a hospital visit is a per admission copayment or deductible. On average across all plans, covered workers with deductibles or copayments for inpatient hospital admissions pay \$241 per hospital admission (EXHIBIT 7.14). Covered workers facing coinsurance pay an average coinsurance rate of 16% (EXHIBIT 7.14). Two percent of covered workers face a per diem (charge per day) when admitted to a hospital (EXHIBIT 7.12).

TIERED COST SHARING ARRANGEMENTS

- ▶ Tiered cost-sharing arrangements, where the health plan varies enrollee cost sharing for network hospitals or physicians based on their costs and quality, remain relatively uncommon. Eleven percent of workers enrolled in HMO plans have a tiered provider arrangement, 13% of covered workers in a PPO plan have such an arrangement, and 13% of workers enrolled in a POS plan have a tiered provider network arrangement (EXHIBIT 7.15).

EXHIBIT 7.1

Percentage of Covered Workers With the Following Types of Cost Sharing for Health Benefits, 2005



SOURCE :

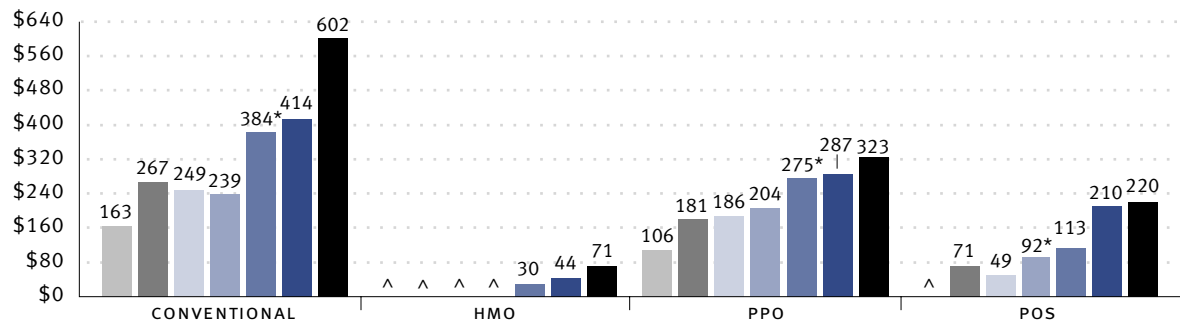
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

[†] The percentage of covered workers with a plan deductible is calculated for workers with single coverage. For PPO and POS plans, deductibles are for in-network services.

[§] Covered workers with separate hospital cost sharing includes those with a hospital deductible or copay, coinsurance, both a coinsurance and a deductible or copay, a charge per day, or an annual deductible.

EXHIBIT 7.2

Average Annual Deductibles for Covered Workers With Single Coverage, by Plan Type, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

^ Information was not obtained for HMO single coverage prior to 2003, or for POS plans in 1988.

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible. If covered workers who do not face a deductible are excluded from the analysis, the average deductibles are higher. The average deductibles for single coverage among covered workers who face a deductible are as follows: conventional - \$671, HMO - \$568, PPO - \$455, POS - \$495.

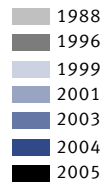
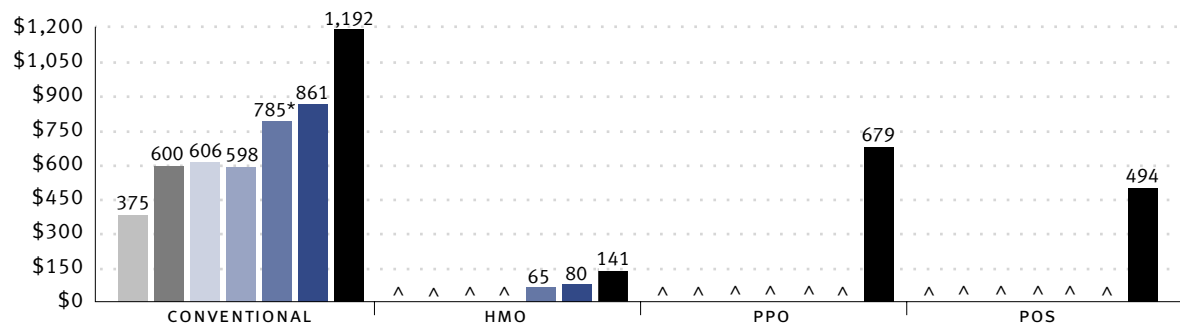


EXHIBIT 7.3

Average Annual Deductibles for Covered Workers With Family Coverage, by Plan Type, 1988-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; The Health Insurance Association of America (HIAA), 1988.

* Estimate is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

^ Information was not obtained for HMO family coverage prior to 2003, or for PPO and POS family coverage prior to 2005.

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible. If covered workers who do not face a deductible are excluded from the analysis, the average deductibles are higher. The average deductibles for family coverage among covered workers who face a deductible are as follows: conventional - \$1,405, HMO - \$1,105, PPO - \$952, POS - \$1,065.

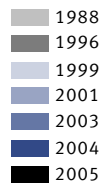


EXHIBIT 7.4

Average Annual Deductibles for Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$997	\$1,737
Midsize (200 - 999 Workers)	219*	554*
Large (1,000 - 4,999 Workers)	188*	421*
Jumbo (5,000 or More Workers)	434	1,022
ALL LARGE FIRMS (200 OR MORE WORKERS)	351	834
ALL FIRM SIZES	\$602	\$1,192
HMO PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$187*	\$360*
Midsize (200 - 999 Workers)	66	135
Large (1,000 - 4,999 Workers)	44	103
Jumbo (5,000 or More Workers)	8*	18*
ALL LARGE FIRMS (200 OR MORE WORKERS)	27*	58*
ALL FIRM SIZES	\$71	\$141
PPO PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$469*	\$893*
Midsize (200 - 999 Workers)	343	770
Large (1,000 - 4,999 Workers)	238*	544*
Jumbo (5,000 or More Workers)	223*	517*
ALL LARGE FIRMS (200 OR MORE WORKERS)	254*	581*
ALL FIRM SIZES	\$323	\$679
POS PLANS		
ALL SMALL FIRMS (3 - 199 WORKERS)	\$287	\$664
Midsize (200 - 999 Workers)	149	332
Large (1,000 - 4,999 Workers)	230	431
Jumbo (5,000 or More Workers)	144	324*
ALL LARGE FIRMS (200 OR MORE WORKERS)	159	344*
ALL FIRM SIZES	\$220	\$494

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes within a plan type at $p < .05$.

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible.

EXHIBIT 7.5

Average Annual Deductibles for Covered Workers for Single and Family Coverage, by Plan Type and Region, 2005

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Northeast	\$630	\$1,061
Midwest	460	861
South	652	1,318
West	641	1,542
ALL REGIONS	\$602	\$1,192
HMO PLANS		
Northeast	\$42	\$97
Midwest	78	154
South	64	124
West	95	178
ALL REGIONS	\$71	\$141
PPO PLANS		
Northeast	\$191*	\$405*
Midwest	316	659
South	358	805
West	395	727
ALL REGIONS	\$323	\$679
POS PLANS		
Northeast	\$104*	\$272*
Midwest	335	638
South	246	609
West	230	462
ALL REGIONS	\$220	\$494

SOURCE :

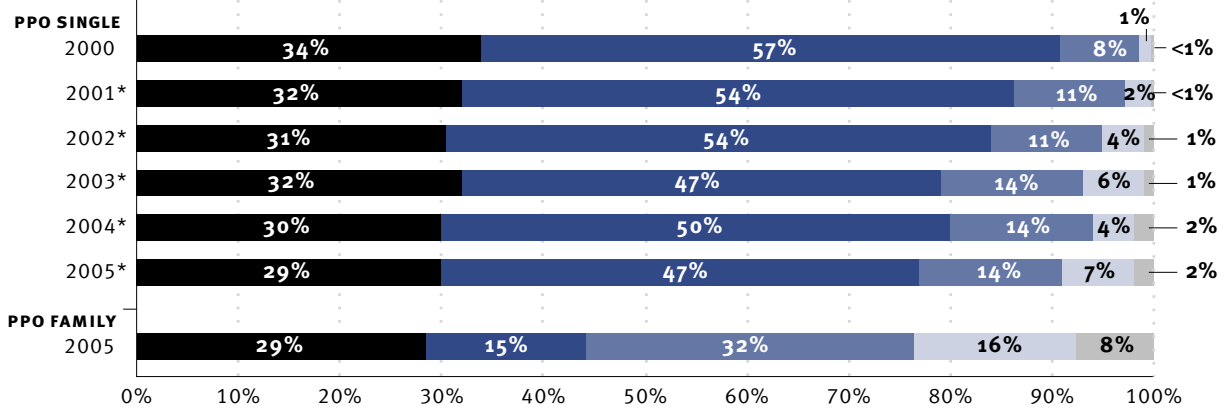
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Regions within a plan type at $p < .05$.

Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible.

EXHIBIT 7.6

Distribution of Covered Workers With the Following Annual Deductibles for PPO Plans, Single and Family Coverage, 2000-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

* Distribution is statistically different from previous year shown at $p < .05$.

Note: Deductibles for PPO plans are for in-network services. We did not ask about deductibles for family coverage prior to 2005.

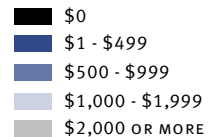
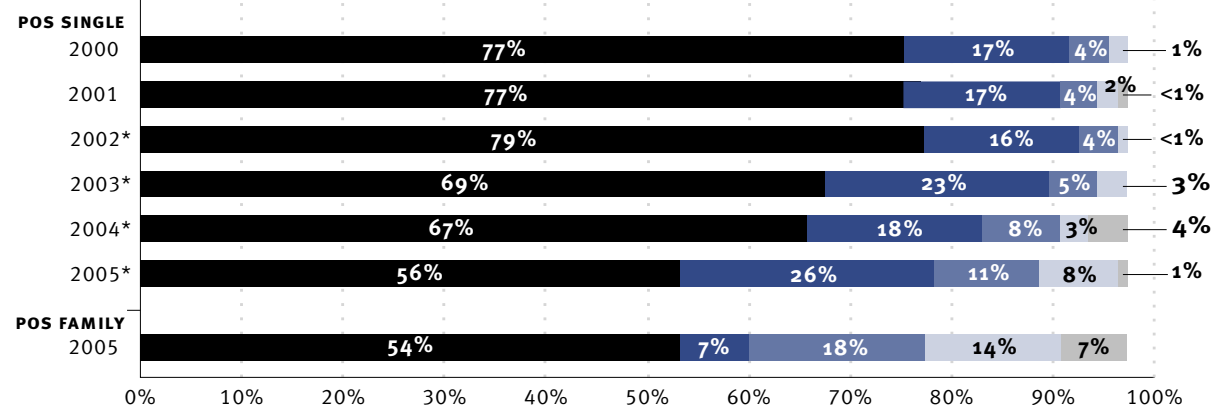


EXHIBIT 7.7

Distribution of Covered Workers With the Following Annual Deductibles for POS Plans, Single and Family Coverage, 2000-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

* Distribution is statistically different from previous year shown at $p < .05$.

Note: Deductibles for POS plans are for in-network services. We did not ask about deductibles for family coverage prior to 2005.

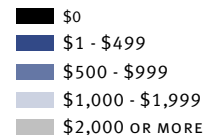
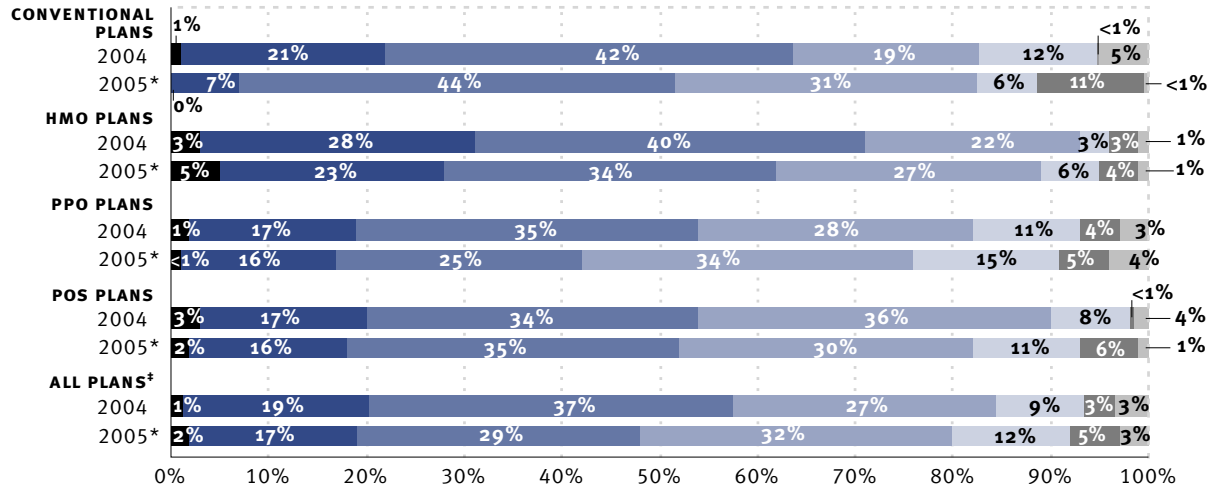


EXHIBIT 7.8

Among Covered Workers Facing Copayments for Physician Office Visits, Distribution of Copayments by Plan Type, 2004-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004-2005.

* Distribution is statistically different from previous year shown at $p < .05$.

† In calculating the distribution of copayments across all plan types, the copayments applicable to in-network services were used for PPO and POS plans.

Note: The distribution of copayments for physician office visits does not include covered workers who do not have a copayment.

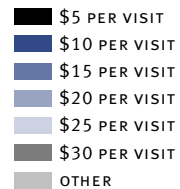
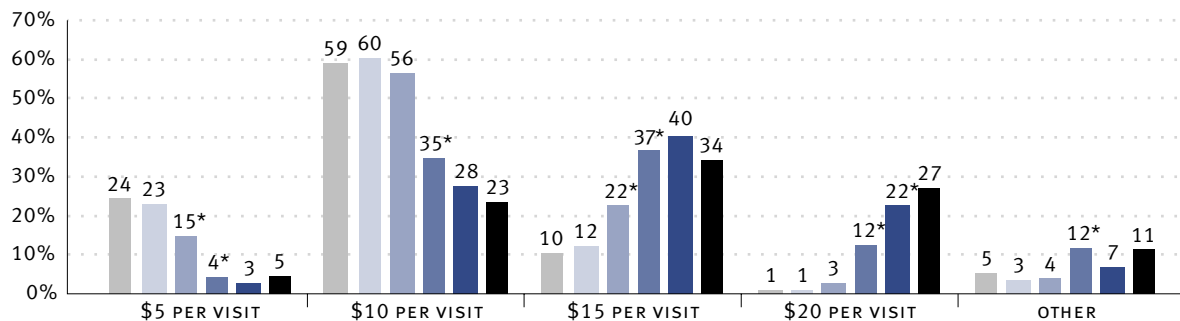


EXHIBIT 7.9

Among Covered Workers in HMOs Facing Copayments for Physician Office Visits, Percentage with Various Copayments, 1996-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.
KPMG Survey of Employer-Sponsored Health Benefits: 1996.* Estimate is statistically different from the previous year shown at $p < .05$.

EXHIBIT 7.10

Among Covered Workers Facing Coinsurance for Physician Office Visits, Average Coinsurance Rates, by Plan Type, 2005

	10% or 15%	20% or 25%	30%	40%	Other
COINSURANCE RATES					
Conventional Plans	5	94	0	0	1
PPO In-network Provider	32	62	3	0	3
PPO Out-of-network Provider	3	29	27	25	15
POS In-network Provider	28	32	0	0	40
POS Out-of-network Provider	3	32	33	16	16

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

Note: HMO coinsurance rates are not included because less than 1% of covered workers in HMOs face coinsurance for office visits.
The distribution of coinsurance rates for physician office visits does not include covered workers who do not have a coinsurance.

EXHIBIT 7.11

Percentage of Covered Workers With the Following Types of Cost Sharing for Physician Office Visits, 2005

	Copay Only	Coinsurance Only	Both Copay and Coinsurance [‡]	Neither
OFFICE VISITS				
Conventional Plans	43%	32%	1%	24%
HMO Plans*	96	<1	1	3
PPO In-network Provider	78	13	2	7
POS In-network Provider	93	1	3	3
ALL PLANS	83%	10%	2%	5%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Distribution is significantly different from All Plans at $p < .05$.

[‡] This category includes less than 0.5% of covered workers who face either a copayment or a coinsurance – whichever is greater.

EXHIBIT 7.12

Distribution of Covered Workers With the Following Types of Cost Sharing for a Hospital Admission, 2005*

	<i>Deductible or Copay Only</i>	<i>Coinsurance Only</i>	<i>Both Copay and Coinsurance</i>	<i>Charge Per Day</i>	<i>Annual Deductible</i>	<i>None</i>
HOSPITAL ADMISSIONS						
Conventional Plans	25%	14%	1%	0%	6%	54%
HMO Plans	55	3	1	4	0	37
PPO Plans	26	13	3	1	1	55
POS Plans	46	6	4	4	0	40
ALL PLANS	36%	10%	3%	2%	1%	48%

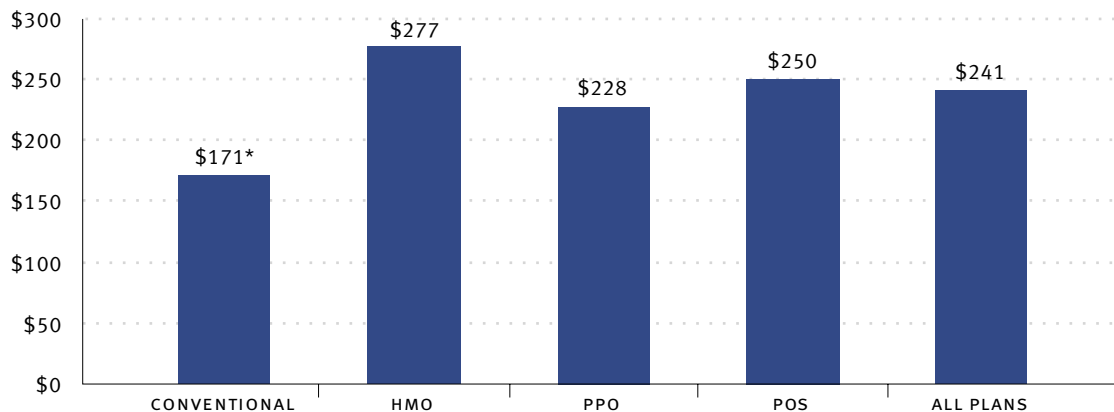
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Tests found no statistically different distributions from All Plans at $p < .05$.

EXHIBIT 7.13

Among Covered Workers with a Separate Hospital Deductible or Copay, the Average Cost Sharing Per Admission, By Plan Type, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Plans at $p < .05$.

Note: Averages do not include covered workers who do not have a separate hospital deductible or copay.

EXHIBIT 7.14

Among Covered Workers with Separate Hospital Cost Sharing, Average Cost Sharing, 2005*

	<i>Average Hospital Deductible/Copay</i>	<i>Average Hospital Coinsurance</i>	<i>Average Hospital Per Diem</i>
ALL SMALL FIRMS (3 - 199 Workers)	\$284	17%	NSD
ALL LARGE FIRMS (200 or More Workers)	224	16	140
ALL FIRMS	\$241	16%	\$163

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

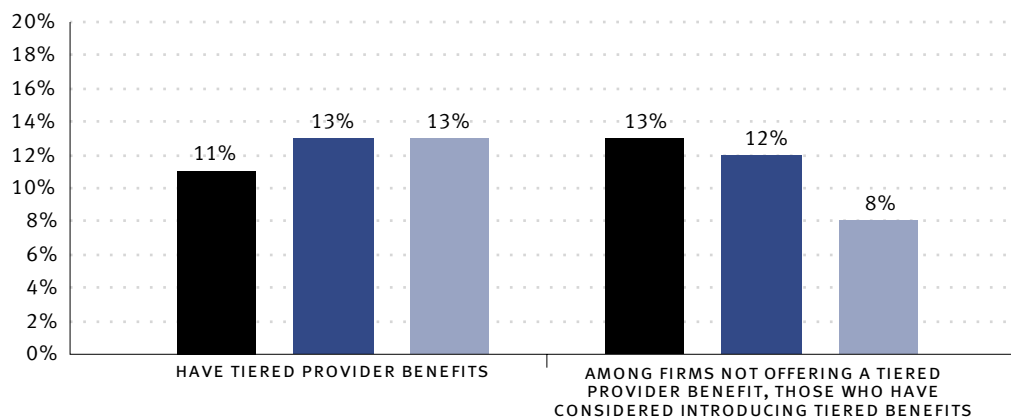
* Tests found no statistically different estimates from All Firms at $p < .05$.

NSD: Not sufficient data.

Note: Averages do not include covered workers who do not have separate hospital cost sharing.

EXHIBIT 7.15

Percentage of Covered Workers in HMO, PPO, and POS Plans Whose Plan Has a Tiered Cost Sharing Arrangement or Has Considered Introducing a Tiered Cost Sharing Arrangement for Physician or Hospital Visits, 2005†



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

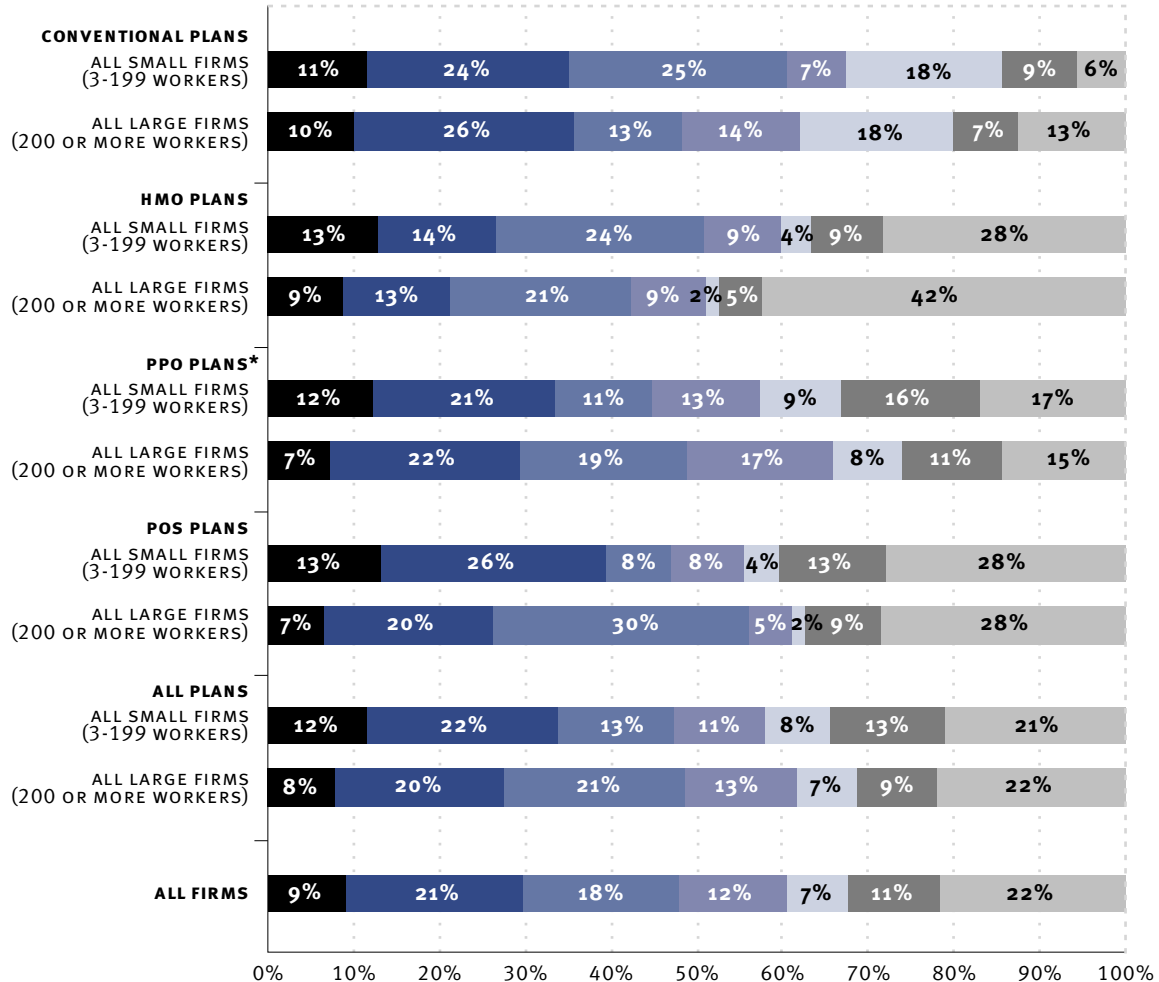
† Firms were not asked about tiered cost sharing for conventional plans.

Tiered cost-sharing arrangement: Health plan varies enrollee cost sharing for network hospitals or physicians based on their costs and quality.

■ HMO
■ PPO
■ POS

EXHIBIT 7.16

Distribution of Covered Workers With the Following Maximum Annual Out-of-Pocket Payment, Single Coverage, by Plan Type and Firm Size, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005

* Distribution is statistically significant between All Small and All Large firms within a plan type at $p < .05$.

† A substantial percentage of covered workers in plans with 'No Limit' on out-of-pocket maximum cost sharing are in plans with no deductibles and may not face large out of pocket cost sharing in their plan designs.

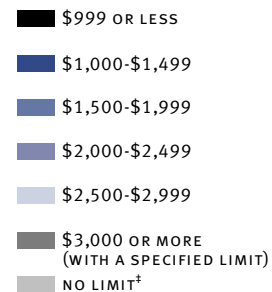
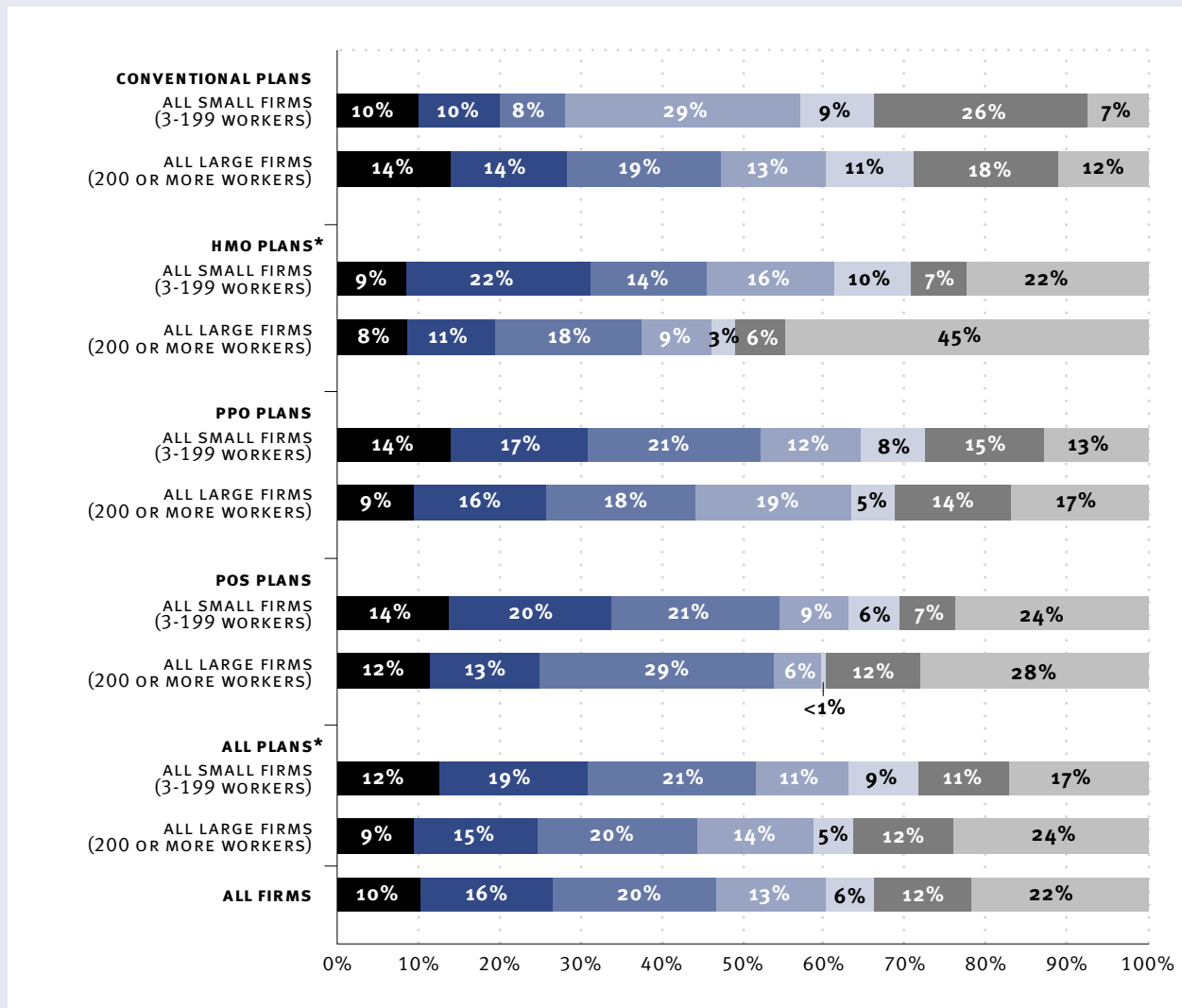


EXHIBIT 7.17

Distribution of Covered Workers With the Following Maximum Annual Out-of-Pocket Payment, Family Coverage, by Plan Type and Firm Size, 2005

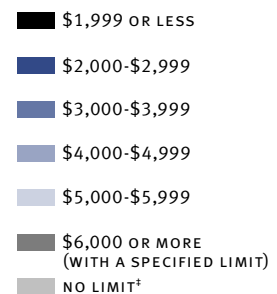


SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005.

* Distribution is significantly different between All Small and All Large firms within a plan type at $p < .05$.

† A substantial percentage of covered workers in plans with 'No Limit' on out-of-pocket maximum cost sharing are in plans with no deductibles and may not face large out of pocket cost sharing in their plan designs.



EMPLOYER HEALTH BENEFITS
2005 ANNUAL SURVEY

High-Deductible Health Plans and Savings Account Options

SECTION

8

HIGH-DEDUCTIBLE HEALTH PLANS AND SAVINGS ACCOUNT OPTIONS

EMPLOYERS APPEAR TO BE EMBRACING HIGHER COST SHARING AS A STRATEGY FOR REDUCING THE GROWTH IN HEALTH CARE COSTS. TWENTY PERCENT OF EMPLOYERS OFFERING HEALTH BENEFITS OFFER A HEALTH PLAN WITH A HIGH-DEDUCTIBLE (I.E., DEFINED AS AT LEAST \$1,000 FOR SINGLE COVERAGE AND \$2,000 FOR FAMILY COVERAGE).⁶ JUMBO EMPLOYERS (5,000 OR MORE WORKERS) ARE MORE LIKELY THAN SMALLER FIRMS TO OFFER SUCH A PLAN.

RECENT CHANGES IN LAW ALSO HAVE PERMITTED THE ESTABLISHMENT OF NEW TYPES OF SAVINGS ARRANGEMENTS FOR HEALTH CARE, THE TWO MOST COMMON BEING HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs) AND HEALTH SAVINGS ACCOUNTS (HSAs). HRAs AND HSAs ARE BOTH FINANCIAL ACCOUNTS THAT WORKERS OR OTHER INDIVIDUALS CAN USE TO PAY FOR HEALTH CARE SERVICES [SEE SIDEBAR]. WHILE THEY SERVE SIMILAR PURPOSES, HSAs AND HRAs ARE SET UP AND OPERATE QUITE DIFFERENTLY. THESE NEW SAVINGS ARRANGEMENTS MAY BE (OR MUST BE IN THE CASE OF HSAs) COMBINED WITH A HIGH-DEDUCTIBLE HEALTH PLAN, OR HDHP (DEFINED IN THIS SURVEY AS HAVING A DEDUCTIBLE OF AT LEAST \$1,000 FOR SINGLE COVERAGE AND \$2,000 FOR FAMILY COVERAGE). IN THE SURVEY, WE FOCUSED SPECIFICALLY ON HRAs THAT ARE OFFERED ALONG WITH AN HDHP. FOR CONVENIENCE, WE WILL REFER TO AN HDHP OFFERED WITH AN HRA AS AN “HDHP/HRA” AND TO A HDHP THAT MEETS THE LEGAL REQUIREMENTS TO PERMIT A PERSON TO ESTABLISH AN HSA AS AN “HSA QUALIFIED HDHP”.

ALMOST FOUR PERCENT OF EMPLOYERS THAT OFFER HEALTH BENEFITS IN 2005 OFFER THEIR WORKERS AN HDHP/HRA OR AN HSA QUALIFIED HDHP. ABOUT 2.4 MILLION WORKERS ARE ENROLLED IN AN HDHP/HRA OR AN HSA QUALIFIED HDHP. THIS ESTIMATE OF THE NUMBER OF WORKERS ENROLLED IN AN HDHP/HRA OR AN HSA QUALIFIED HDHP DOES NOT INCLUDE FEDERAL WORKERS BECAUSE THE FEDERAL GOVERNMENT IS NOT INCLUDED IN THE SURVEY.

NOTE :

⁶ In 2003 and 2004, the survey used a different definition and asked firms if they offered a health plan with a deductible of more than \$1,000 for single coverage. The 2003 and 2004 surveys did not specify a minimum deductible for family coverage. Some of the change in the prevalence of HDHPs may result from the change in the HDHP definition (e.g., a firm with a single deductible of exactly \$1,000 may have reported not having a HDHP in 2003 or 2004).

⁷ See IRS Publication 969 (2004) *Health Savings Accounts and Other Tax-Favored Health Plans*.

HRAs are medical care reimbursement plans established by employers that can be used by employees to pay for health care. HRAs are funded solely by employers. Employers typically commit to make up to a specified amount of money available in the HRA for expenses incurred by employees or their dependents. HRAs are accounting devices, and employers are not required to expend funds until an employee incurs expenses that would be covered by the HRA.

Employees may use the HRA to pay for medical expenses and premiums. Unspent funds in the HRA usually can be carried over to the next year (sometimes with a limit). Employees cannot take their HRA balances with them if they leave their job, although an employer can choose to make the remaining balance available to former employees to pay for health care.

HRAs often are offered along with a HDHP. In such cases, the employee pays for health care first out of his or her HRA and then out-of-pocket until the health plan deductible is met. Sometimes certain preventive services are paid for by the plan before the employee meets the deductible.

HSAs are savings accounts created by individuals to pay for health care. An individual may establish an HSA if he or

she is covered by a “qualified health plan” which is a plan with a high-deductible (i.e., a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage) that also meets other requirements.⁷ Employers can encourage their employees to create HSAs by offering an HDHP that meets federal requirements. Employers in some cases also may assist their employees by identifying HSA options, facilitating applications, or negotiating favorable fees from HSA vendors.

Both employers and employees can contribute to an HSA, up to an annual limit equal to the lesser of the deductible in the HSA qualified health plan or a statutory cap. Employee contributions to the HSA are made on a pre-income tax basis, and some employers arrange for their employees to fund their HSAs through payroll deduction. Employers are not required to contribute to employee established HSAs, but if they elect to do so their contributions are not taxable to the employee. Interest and other earnings on amounts in an HSA are not taxable. Withdrawals from the HSA by the account owner to pay for qualified health care expenses are not taxed. The savings account is owned by the individual who creates the account, so employees retain their HSA balances if they leave their job.

PERCENT OFFERING HDHPS AND SAVINGS ACCOUNT OPTIONS

- ▶ Twenty percent of firms offering health benefits offer an HDHP to at least some their workers. The prevalence of HDHPs is up from 10% in 2004 and 5% in 2003, although we note that the definition of a HDHP changed somewhat for the 2005 survey (see Footnote 6). This estimate is of all HDHPs, regardless of whether they are offered with an HRA, are HSA qualified, or neither. Jumbo firms (5,000 or more workers) are the most likely to offer an HDHP: 33% of jumbo firms offering health benefits offer such a plan to at least some of their workers (EXHIBIT 8.1).
- ▶ About 4% of all firms offering health benefits offer an HDHP/HRA, an HSA qualified HDHP, or both (EXHIBIT 8.2).
- Among firms offering health benefits, 1.9% offer an HDHP/HRA and 2.3% offer an HSA qualified HDHP. About 1.6 million workers are enrolled in an HDHP/HRA and about 810,000 workers are enrolled in an HSA qualified HDHP (EXHIBIT 8.2).
- Large firms (1,000 or more workers) are more likely to offer one of these arrangements than firms overall (10% compared to 4%).
- ▶ About 25% of workers offered an HDHP/HRA and about 15% of workers offered an HSA qualified HDHP participate in the arrangement that is offered (EXHIBIT 8.4). About half of the workers enrolled in an HDHP/HRA or an HSA qualified HDHP had the option of another health plan.

DEDUCTIBLE LEVELS AND OUT-OF-POCKET LIMITS

- ▶ Average annual deductibles in these arrangements, as expected, are relatively high when compared to the average annual deductibles for health plans generally.
- In HDHP/HRAs, the average annual deductible is \$1,870 for single coverage and \$3,686 for family coverage. Workers in HDHP/HRAs on average face a maximum annual out-of-pocket liability for cost-sharing of \$2,859 for single coverage and \$5,075 annually for family coverage (EXHIBIT 8.4).⁸
- In HSA qualified HDHPs, the average annual deductible is \$1,901 for single coverage and \$4,070 for family coverage. Workers in HSA qualified HDHPs on average face an annual maximum out-of-pocket liability for cost-sharing of \$2,551 for single coverage and \$4,661 for family coverage (EXHIBIT 8.4).⁹

PREMIUMS AND FIRM CONTRIBUTIONS TO THE HSA OR HRA

- ▶ As expected, average premiums for HDHP/HRAs and HSA qualified HDHPs are lower than average premiums in the market.
- Annual premiums for HDHP/HRAs average \$3,503 for single coverage and \$8,530 for family coverage. When employer contributions to HRAs are added to the premiums for the HDHPs plans offered with HRAs, the annual “total cost” for HDHP/HRAs averages \$4,295 for single coverage and \$10,193 for family coverage. If these total costs for HDHP/HRAs are compared to the average single and family annual premiums for all health plans (\$4,024 for single coverage and \$10,880 for family coverage), the differences are not statistically significant (Exhibit 8.5).

- Annual premiums in HSA qualified HDHPs average \$2,700 for single coverage and \$7,909 for family coverage. When employer contributions to HSAs are added to the premiums for the HSA qualified HDHP, the annual “total cost” for HSA qualified HDHPs averages \$3,280 for single coverage and \$9,001 for family coverage. These amounts are significantly lower than the average annual single and family premiums in health plans overall (\$4,024 and \$10,880) (EXHIBIT 8.5).

WORKER CONTRIBUTIONS TO PREMIUMS

- ▶ Average annual employee premium contributions to HSA qualified HDHPs for single coverage (\$431) are not significantly lower than average annual employee contributions for single coverage in health plans overall (\$610). Average annual employee premium contributions to HSA qualified HDHPs for family coverage, however, are significantly lower than average annual employee contributions to family coverage overall (\$1,664 compared to \$2,713). Employee contributions to HDHP/HRAs are nominally lower than employee contributions to health plans overall, but the differences are not statistically significant (EXHIBIT 8.5).

WHAT EMPLOYERS CONTRIBUTE

- ▶ Employers contribute to these new arrangements in two ways: through their contributions toward the premium for the HDHP and through their contribution (if any) to the savings account option. When these contributions are added together for each employer offering such an arrangement, the average total employer contribution provided for covered workers in these arrangements is generally similar to the average employer contribution provided for covered workers for health plans overall.

NOTE :

⁸ Employers reported no annual maximum out-of-pocket limits for 3% of workers enrolled in HDHP/HRAs; these workers are excluded from the calculation.

⁹ For HSA qualified HDHPs, we excluded cases where employers reported annual out-of-pocket limits that exceeded the legal maximums (\$5,100 for single coverage and \$10,200 for family coverage for 2005).

- Covered workers in HDHP/HRAs on average have an employer that contributes (premium and HRA contribution combined) \$3,872 toward single coverage and \$7,538 towards family coverage. The \$3,872 average contribution for single coverage is significantly higher than the average contribution covered workers have from their employers for single coverage overall (\$3,413). The average contribution for family coverage (\$7,538) is not statistically different than the average contribution that covered workers have from their employers for family coverage overall (\$8,167) (EXHIBIT 8.5).
- As noted above, HRAs are structured in such a way that employers may not actually spend the whole amount that they make available to their employees' HRAs.¹⁰ Funds the employee does not use generally roll over and can be used in future years and the balance may revert back to the employer if the employee leaves his or her job (REFER BACK TO SIDEBAR FOR DETAILS). Thus, the employer contribution amounts to HRAs that we capture in the survey may exceed the amount that employers will actually spend (EXHIBIT 8.4).
- Covered workers in HSA qualified HDHPs on average have an employer that contributes (premium and HSA contribution combined) \$2,850 toward single coverage and \$7,337 towards family coverage annually. Neither the \$2,850 average total annual contribution for single coverage nor the \$7,337 average total annual contribution toward family coverage is statistically different than the average annual contribution covered workers have from their employers for single or family coverage overall. We note that approximately one in three firms offering an HSA qualified HDHP (covering about 35% of workers in such plans) make no contribution to their employees' HSA for either single or family coverage (EXHIBIT 8.5).
- ▶ Covered workers in HDHP/HRAs on average have an annual employer contribution to their HRA of \$792 for single coverage and

\$1,556 for family coverage. Covered workers in HSA qualified HDHPs on average have an annual employer contribution to their HSA of \$553 for single coverage and \$1,185 for family coverage (Exhibit 8.4). The average annual contribution to HSAs includes the cases where workers receive no employer contribution for their HSA. We note that the average HRA and HSA contribution shown in Exhibit 8.4 are different from the amounts that can be calculated by subtracting the average employer contribution toward single and family premiums for each arrangement from the average total employer contributions (premium plus account contribution) for single and family coverage for the same arrangements (see EXHIBIT 8.5). This is due to missing data for some questions for several firms in the sample. In other words, different sample sizes are used to generate average values for total premium, worker contribution to premium, employer contribution to premium, and employer contribution to the spending account.

FUTURE PLANS

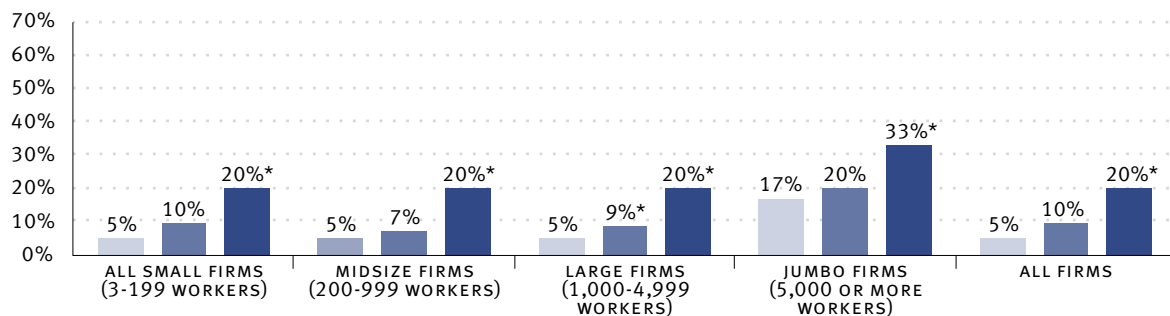
- ▶ The number of employers offering HDHP/HRAs and HSA qualified HDHPs appears likely to grow over the next year.
- Four percent of firms not currently offering an HDHP/HRA report that they are "very likely" to offer an HDHP/HRA in the next year, and another 22% of such firms report that they are "somewhat likely" to do so (Exhibit 8.6). Two percent of firms not currently offering a HSA qualified HDHPs report that they are very likely to offer an HSA qualified HDHPs within the next year, with another 25% reporting that they are "somewhat likely" to do so. Large firms (200 or more workers), which provide coverage to more than one-half of covered workers, have a greater interest in these plans than firms overall, with 7% of large firms not currently offering a HSA qualified HDHP reporting that they are very likely to offer such a plan in the next year (EXHIBIT 8.7).

NOTE :

¹⁰ In the survey, we ask firms, "Up to what dollar amount does your firm promise to contribute each year to an employee's HRA?" We refer to the amount that the employer commits to make available to an HRA as a contribution for ease of discussion. As discussed above, HRAs are notional accounts, and employers are not required to actually transfer funds until an employee incurs expenses. Employers may not expend the entire amount that they make available to their employees through an HRA.

EXHIBIT 8.1

Among Firms Offering Health Benefits, Percentage That Offer an HDHP, by Firm Size, 2003-2005



SOURCE :

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003-2005.

2003
2004
2005

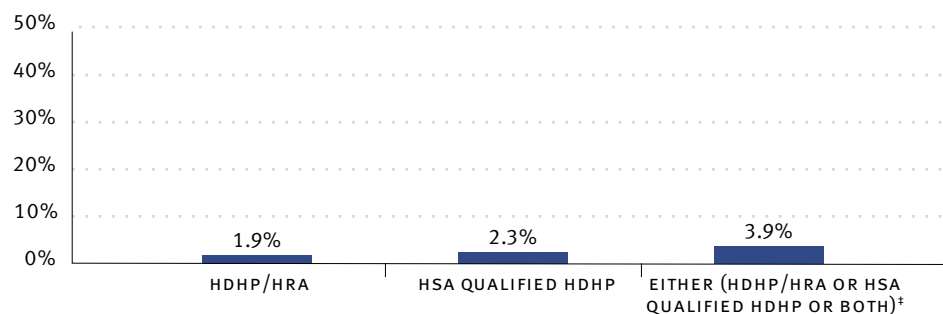
* Estimate is statistically different from previous year shown at $p < .05$.

High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage. In 2003 and 2004 the survey used a different definition and asked firms if they offered a health plan with a deductible of more than \$1,000 for single coverage. The 2003 and 2004 surveys did not specify a minimum deductible for family coverage. Some of the change in the HDHP prevalence may be the result of a change in the HDHP definition for 2005.

Note: The prevalence shown above is for all HDHPs, regardless of whether they are offered with an HRA, are HSA qualified, or neither.

EXHIBIT 8.2

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* This includes 0.3% of all firms offering health benefits that offer both an HDHP/HRA and HSA qualified HDHP.

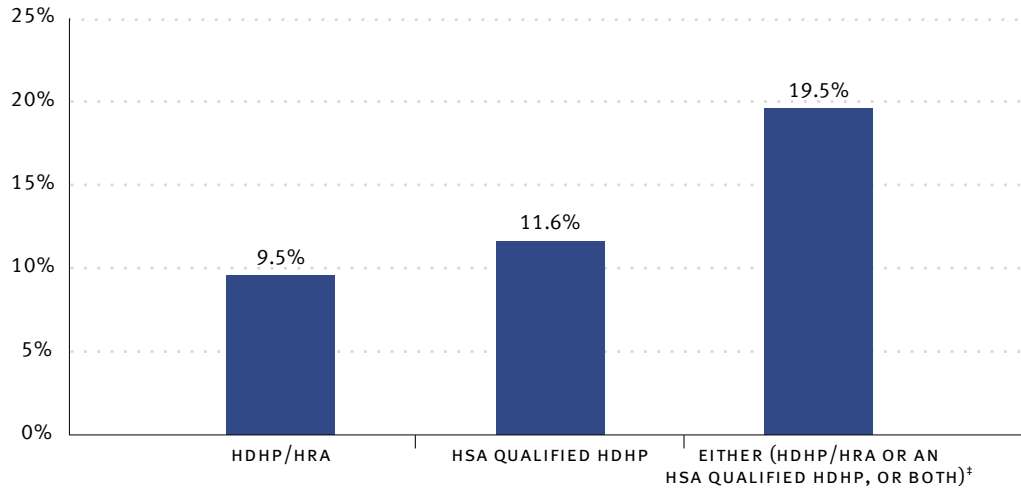
High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

HDHP/HRA: The survey asks about health reimbursement arrangements (HRAs) that are offered with a high-deductible health plan (HDHP). An HRA is a medical care reimbursement plan sponsored by an employer. HRAs are funded on a pre-tax basis ONLY by an employer, not the worker (see section 8 text for additional information about HRAs).

HSA qualified HDHP: The survey asks about high-deductible health plans that are health savings account (HSA) qualified. An HSA qualified HDHP includes an annual deductible of at least \$1,000 for single coverage (\$2,000 for family coverage) and maximum out-of-pocket cost-sharing of \$5,100 for single coverage (\$10,200 for family coverage) for 2005 (see section 8 text for additional information about HSAs).

EXHIBIT 8.3

Among All Firms Offering an HDHP, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

[†] This includes 1.6% of firms offering an HDHP that offer both an HDHP/HRA and an HSA qualified HDHP.

High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

HDHP/HRA: The survey asks about health reimbursement arrangements (HRAs) that are offered with a high-deductible health plan (HDHP). An HRA is a medical care reimbursement plan sponsored by an employer. HRAs are funded on a pre-tax basis ONLY by an employer, not the worker (see section 8 text for additional information about HRAs).

HSA qualified HDHP: The survey asks about high-deductible health plans that are health savings account (HSA) qualified. An HSA qualified HDHP includes an annual deductible of at least \$1,000 for single coverage (\$2,000 for family coverage) and maximum out-of-pocket cost-sharing of \$5,100 for single coverage (\$10,200 for family coverage) for 2005 (see section 8 text for additional information about HSAs).

EXHIBIT 8.4

HDHP/HRA and HSA Qualified HDHP Features, for Single and Family Coverage, by Plan Type, 2005

Average Enrollment (Among Firms Offering Plan Type)	HDHP/HRA		HSA QUALIFIED HDHP	
	25%		15%	
ANNUAL PLAN AVERAGES FOR:	<i>Single</i>	<i>Family</i>	<i>Single</i>	<i>Family</i>
Premium	\$3,503	\$8,530	\$2,700	\$7,909
Worker Contribution to Premium	\$423	\$2,654	\$431	\$1,664
Deductible	\$1,870	\$3,686	\$1,901	\$4,070
Out-of-Pocket Maximum Liability [‡]	\$2,859	\$5,075	\$2,551	\$4,661
Firm Contribution to HSA or HRA	\$792	\$1,556	\$553	\$1,185

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

[‡] Employers reported no maximum out-of-pocket limits for 3% of workers enrolled in HDHP/HRAs; these workers are excluded from the calculation. For HSA qualified HDHPs, we excluded cases where employers reported out-of-pocket limits that exceeded the legal maximums (\$5,100 for single coverage and \$10,200 for family coverage).

High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

HDHP/HRA: The survey asks about health reimbursement arrangements (HRAs) that are offered with a high-deductible health plan (HDHP). An HRA is medical care reimbursement plan sponsored by an employer. HRAs are funded on a pre-tax basis ONLY by an employer, not the worker (see section 8 text for additional information about HRAs).

HSA qualified HDHP: The survey asks about high-deductible health plans that are health savings account (HSA) qualified. An HSA qualified HDHP includes an annual deductible of at least \$1,000 for single coverage (\$2,000 for family coverage) and maximum out-of-pocket cost-sharing of \$5,100 for single coverage (\$10,200 for family coverage) for 2005 (see section 8 text for additional information about HSAs).

Note: The average firm contributions to HSAs for single coverage (\$553) and family coverage (\$1,185) include covered workers whose firm makes no contribution to the account. Average Firm Contributions to the HSA or HRA cannot be calculated by subtracting the average Total Annual Premium from the average Total Annual Spending (see Exhibit 8.5) due to varying sample sizes. Some firms provided data for premiums and worker contributions that were inconsistent with other data they provided about their HDHP/HRA or HSA qualified HDHP. These data were excluded from estimates of the average premium, worker contribution, and firm contribution for the HDHP; therefore there are fewer cases used in calculating those averages than for the average firm contribution to the HSA or HRA.

EXHIBIT 8.5

Average Annual Premiums and Contributions to Spending Accounts For Covered Workers in HDHP/HRAs and HSA Qualified HDHPs Compared to All Plans, 2005

	HDHP/HRA		HSA QUALIFIED HDHP		ALL PLANS*	
	<i>Single</i>	<i>Family</i>	<i>Single</i>	<i>Family</i>	<i>Single</i>	<i>Family</i>
TOTAL ANNUAL PREMIUM	\$3,503*	\$8,530*	\$2,700*	\$7,909*	\$4,024	\$10,880
<i>Worker Contribution to Premium</i>	\$423	\$2,654	\$431	\$1,664*	\$610	\$2,713
<i>Firm Contribution to Premium</i>	\$3,080	\$5,876*	\$2,270*	\$6,245*	\$3,413	\$8,167
TOTAL ANNUAL FIRM CONTRIBUTION (FIRM SHARE OF PREMIUM PLUS FIRM CONTRIBUTION TO HRA OR HSA)	\$3,872*	\$7,538	\$2,850	\$7,337	\$3,413	\$8,167
TOTAL ANNUAL SPENDING (TOTAL PREMIUM PLUS FIRM CONTRIBUTION TO HRA OR HSA)	\$4,295	\$10,193	\$3,280*	\$9,001*	\$4,024	\$10,880

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Plans by coverage type at $p < .05$.

‡ All Plans refers to all conventional, HMO, PPO, and POS plans in the survey, not just HDHP/HRAs or HSA qualified HDHPs. Average firm contributions to the premium are the same as those shown in Exhibit 6.3.

High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

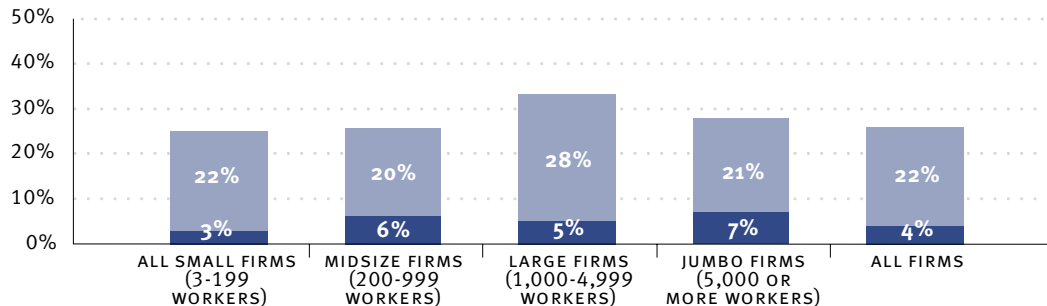
HDHP/HRA: The survey asks about health reimbursement arrangements (HRAs) that are offered with a high-deductible health plan (HDHP). An HRA is medical care reimbursement plan sponsored by an employer. HRAs are funded on a pre-tax basis ONLY by an employer, not the worker (see section 8 text for additional information about HRAs).

HSA qualified HDHP: The survey asks about high-deductible health plans that are health savings account (HSA) qualified. An HSA qualified HDHP includes an annual deductible of at least \$1,000 for single coverage (\$2,000 for family coverage) and maximum out-of-pocket cost-sharing of \$5,100 for single coverage (\$10,200 for family coverage) for 2005 (see section 8 text for additional information about HSAs).

Note: Average Firm Contributions to the HSA or HRA (see Exhibit 8.4) cannot be calculated by subtracting the average Total Annual Premium from the average Total Annual Spending due to varying sample sizes. Some firms provided data for premiums and worker contributions that were inconsistent with other data they provided about their HDHP/HRA or HSA qualified HDHP. These data were excluded from estimates of the average premium, worker contribution, and firm contribution for the HDHP; therefore there are fewer cases used in calculating those averages than for the average firm contribution to the HSA or HRA.

EXHIBIT 8.6

Among Firms Not Currently Offering an HDHP/HRA, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HDHP/HRA in the Next Year, 2005*



SOURCE :

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

VERY LIKELY
SOMEWHAT LIKELY

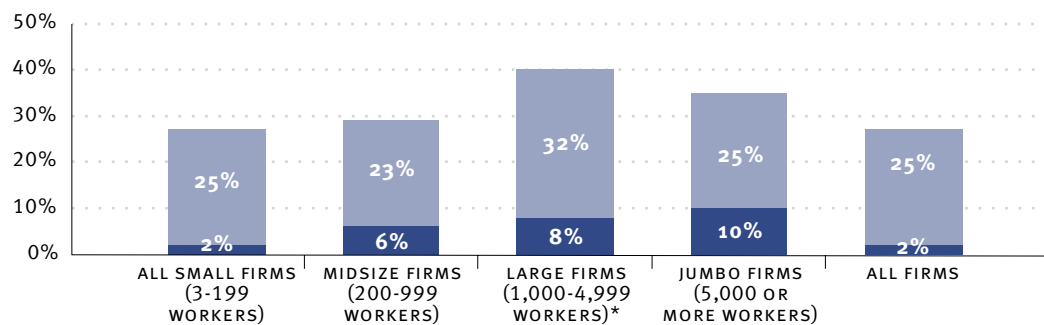
* Tests found no statistically different estimates from All Firms at $p < .05$.

High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

HDHP/HRA: The survey asks about health reimbursement arrangements (HRAs) that are offered with a high-deductible health plan (HDHP). An HRA is a medical care reimbursement plan sponsored by an employer. HRAs are funded on a pre-tax basis ONLY by an employer, not the worker (see section 8 text for additional information about HRAs).

EXHIBIT 8.7

Among Firms Not Currently Offering an HSA Qualified HDHP, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HSA Qualified HDHP in the Next Year, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

SOMEWHAT LIKELY
VERY LIKELY

* Estimate is statistically different from All Firms at $p < .05$.

High-deductible health plan (HDHP): A plan with an annual deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

HSA qualified HDHP: The survey asks about high-deductible health plans that are health savings account (HSA) qualified. An HSA qualified HDHP includes an annual deductible of at least \$1,000 for single coverage (\$2,000 for family coverage) and maximum out-of-pocket cost-sharing of \$5,100 for single coverage (\$10,200 for family coverage) for 2005 (see section 8 text for additional information about HSAs).

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Prescription
Drug
Benefits

SECTION

9

9 PRESCRIPTION DRUG BENEFITS

IN RESPONSE TO RAPID GROWTH IN PRESCRIPTION DRUG COSTS OVER THE PAST FEW YEARS, EMPLOYERS AND HEALTH PLANS HAVE IMPLEMENTED CHANGES AND STRATEGIES IN AN EFFORT TO CONSTRAIN DRUG SPENDING. THE MOST PROMINENT STRATEGY ADOPTED BY EMPLOYERS IS THE USE OF TIERED COST SHARING ARRANGEMENTS, WHICH GIVE WORKERS A FINANCIAL INCENTIVE TO CHOOSE LESS EXPENSIVE DRUGS. ALMOST THREE IN FOUR COVERED WORKERS ARE IN PLANS WITH A THREE-TIER OR FOUR-TIER COST SHARING ARRANGEMENT. SOME COVERED WORKERS WITH DRUG BENEFITS (10%) MUST ALSO MEET A SEPARATE PRESCRIPTION DRUG DEDUCTIBLE.

- ▶ As in prior years, nearly all (98%) covered workers in employer-sponsored plans have a prescription drug benefit.
 - A majority of covered workers (89%) in 2005 have some sort of tiered cost sharing formula for prescription drugs (EXHIBIT 9.4). Cost sharing tiers generally are associated with the placement by a health plan of a drug on a formulary or preferred drug list. The formulary or drug list generally classifieds drugs as a generic, a preferred brand named, or a nonpreferred brand named drug. Recently, a few plans have created a fourth tier of cost sharing, which is used in some cases for lifestyle drugs or expensive biologics. Seventy-four percent of covered workers are enrolled in plans with three or four tiers of cost sharing for prescription drugs (EXHIBIT 9.1).
 - The majority of covered workers with tiered benefits face copayments rather than coinsurance for generic, preferred, and nonpreferred drugs. Average drug copayments increased slightly over the last year. The average drug copayments for preferred (\$22), nonpreferred (\$35), and fourth-tier (\$74) drugs increased slightly over their level in 2004, while the average copayment for generic drugs is statistically unchanged from last year at \$10 (EXHIBIT 9.2).¹¹
 - For workers with coinsurance rather than copayments for prescription drugs, cost sharing levels average 20% for generic drugs, 25% for preferred drugs, 33% for nonpreferred drugs, and 43% for fourth-tier drugs (EXHIBIT 9.3).¹²
- ▶ Other strategies used by firms and health plans to curb the rising cost of prescription drug coverage include a separate prescription drug deductible. Among covered workers with a drug benefit, 10% face a separate prescription drug deductible in 2005. The average annual deductible faced by covered workers for prescription drugs is \$122 (EXHIBIT 9.5).

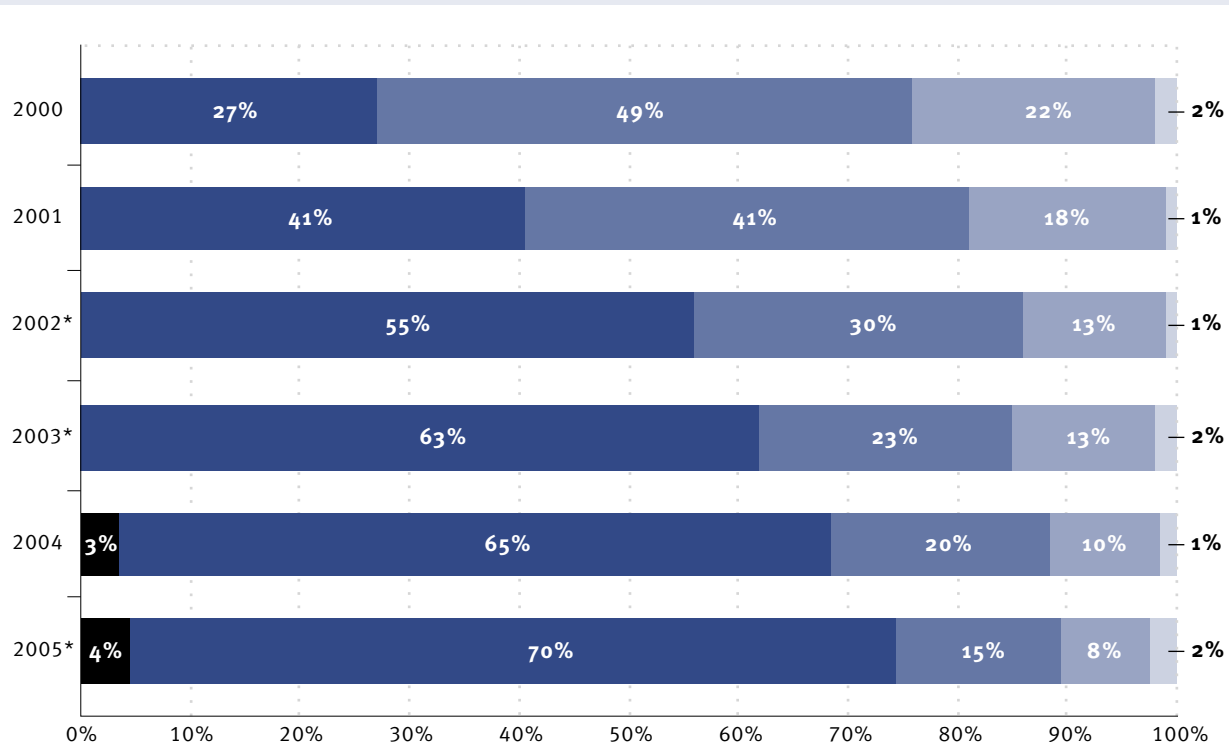
NOTE:

¹¹ The average copayments for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average copayments for those types of drugs among firms with a single copayment amount or a multi-tier cost sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

¹² The average coinsurance rates for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average coinsurance for those types of drugs among firms with a single coinsurance amount or a multi-tier cost sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average coinsurance for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier coinsurance amount.

EXHIBIT 9.1

Distribution of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drug Benefits, 2000-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

* Distribution is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted between 2003 and 2004 due to the addition of a new category.

Note: Fourth-tier drug copay information was not obtained prior to 2004.

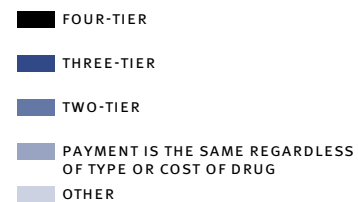
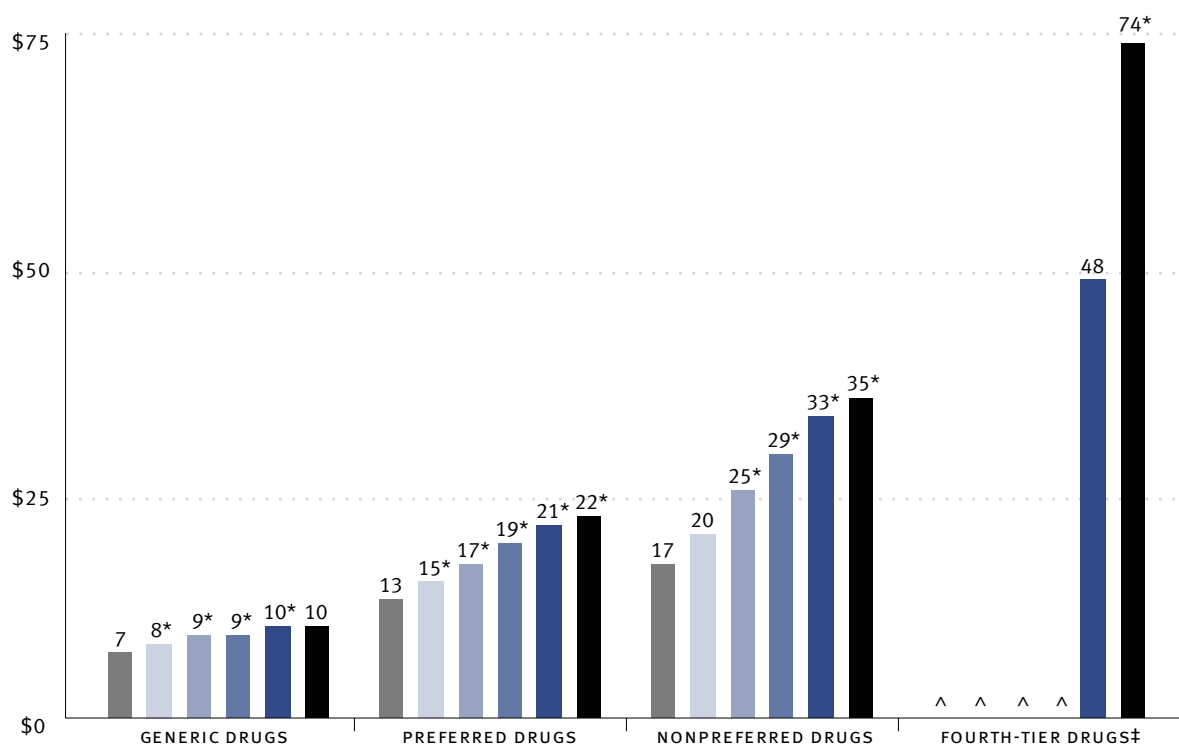


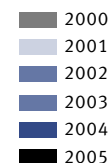
EXHIBIT 9.2

Among Covered Workers Facing Prescription Drug Copayments, Average Copayments, 2000-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

* Estimate is statistically different from previous year shown at $p < .05$.

^ Fourth-tier drug copay information was not obtained prior to 2004.

† The average copayments for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average copayments for those types of drugs among firms with a single copayment amount or a multi-tier cost sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

Note: Average copayments for generic drugs are \$7.42 in 2000, \$8.05 in 2001, \$8.74 in 2002, \$9.07 in 2003, \$10.46 in 2004, and \$10.33 in 2005.

Generic drugs: A drug product that is no longer covered by patent protection and thus may be produced and/or distributed by multiple drug companies.

Preferred drugs: Drugs included on a formulary or preferred drug list; for example, a brand name drug without a generic substitute.

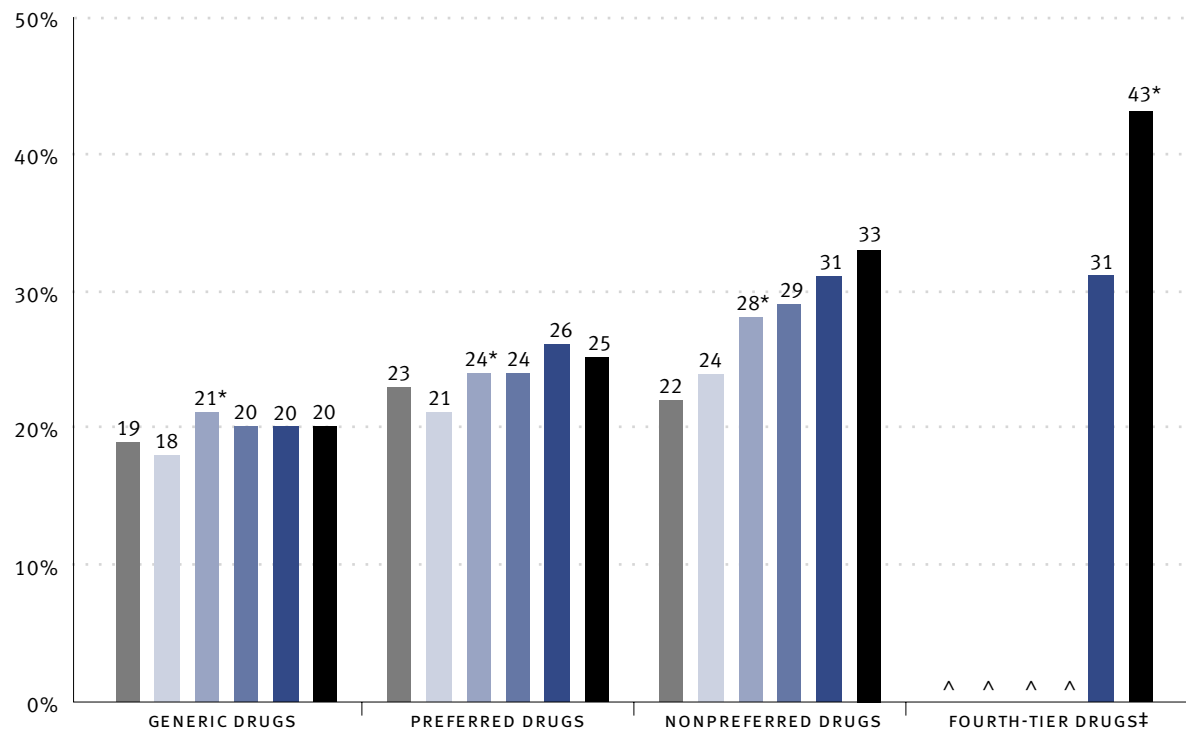
Nonpreferred drugs: Drugs not included on a formulary or preferred drug list; for example, a brand name drug with a generic substitute.

Brand name drugs: Generally, a drug product that is covered by a patent and is thus manufactured and sold exclusively by one firm. Cross-licensing occasionally occurs, allowing an additional firm to market the drug. After the patent expires, multiple firms can produce the drug product, but the brand name or trademark remains with the original manufacturer's product.

Fourth-tier drugs: New types of cost sharing arrangements that typically build additional layers of higher copayments or coinsurance for specifically identified types of drugs, such as lifestyle drugs or biologics.

EXHIBIT 9.3

Among Covered Workers Facing Coinsurance for Prescription Drugs, Average Coinsurance, 2000-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005.

* Estimate is statistically different from previous year shown at $p < .05$.

^ Fourth-tier drug copay information was not obtained prior to 2004.

‡ The average coinsurance for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average coinsurance for those types of drugs among firms with a single coinsurance amount or a multi-tier cost sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average coinsurance for fourth-tier drugs is calculated using information from only those plans who have a fourth tier coinsurance amount.

Generic drugs: A drug product that is no longer covered by patent protection and thus may be produced and/or distributed by multiple drug companies.

Preferred drugs: Drugs included on a formulary or preferred drug list; for example, a brand name drug without a generic substitute.

Nonpreferred drugs: Drugs not included on a formulary or preferred drug list; for example, a brand name drug with a generic substitute.

Brand name drugs: Generally, a drug product that is covered by a patent and is thus manufactured and sold exclusively by one firm. Cross-licensing occasionally occurs, allowing an additional firm to market the drug. After the patent expires, multiple firms can produce the drug product, but the brand name or trademark remains with the original manufacturer's product.

Fourth-tier drugs: New types of cost sharing arrangements that typically build additional layers of higher copayments or coinsurance for specifically identified types of drugs, such as lifestyle drugs or biologics.

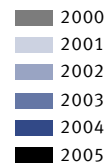
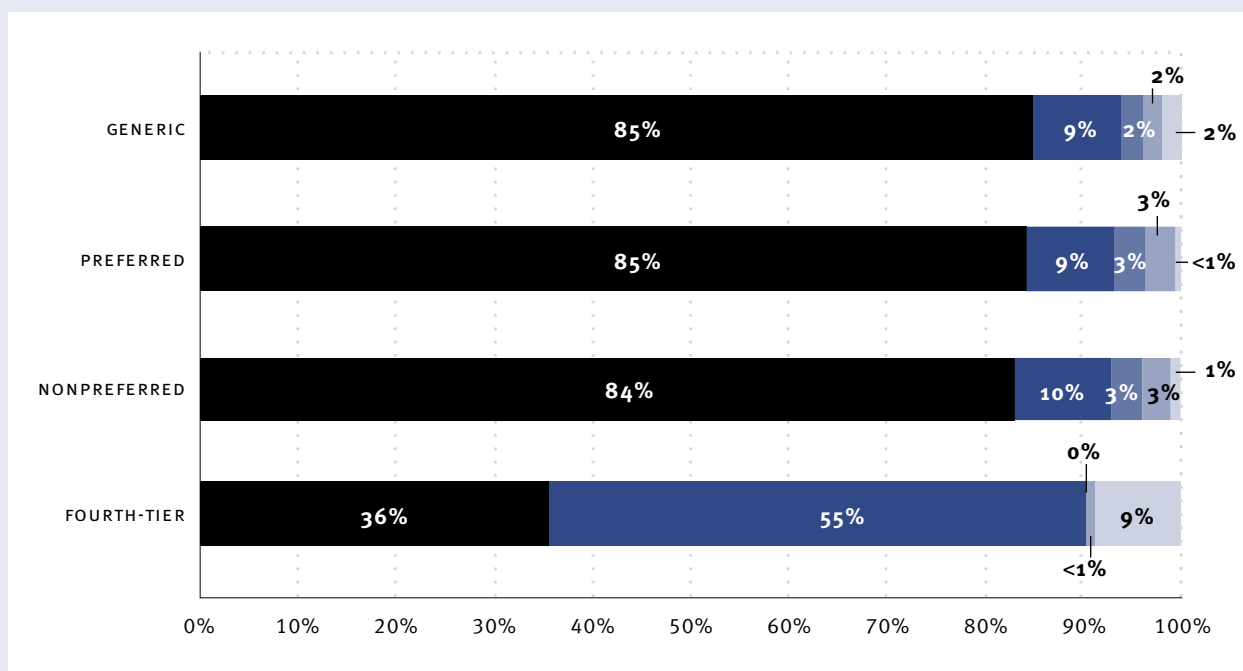


EXHIBIT 9.4

Distribution of Covered Workers With the Following Types of Cost Sharing for Prescription Drugs, by Drug Type, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

Generic drugs: A drug product that is no longer covered by patent protection and thus may be produced and/or distributed by multiple drug companies.

Preferred drugs: Drugs included on a formulary or preferred drug list; for example, a brand name drug without a generic substitute.

Nonpreferred drugs: Drugs not included on a formulary or preferred drug list; for example, a brand name drug with a generic substitute.

Brand name drugs: Generally, a drug product that is covered by a patent and is thus manufactured and sold exclusively by one firm. Cross-licensing occasionally occurs, allowing an additional firm to market the drug. After the patent expires, multiple firms can produce the drug product, but the brand name or trademark remains with the original manufacturer's product.

Fourth-tier drugs: New types of cost sharing arrangements that typically build additional layers of higher copayments or coinsurance for specifically identified types of drugs, such as lifestyle drugs or biologics.

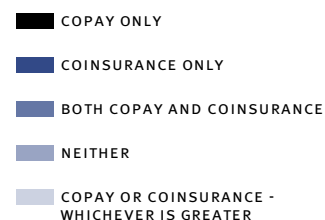
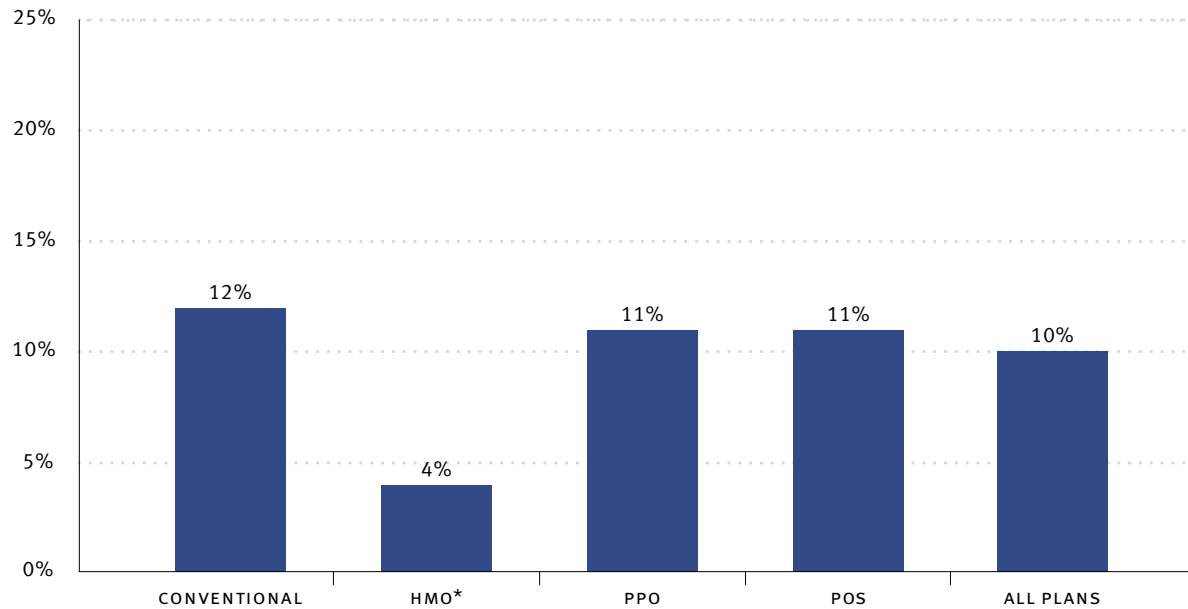


EXHIBIT 9.5

Percentage of Covered Workers with Drug Coverage Who Face a Separate Drug Deductible, by Plan Type, 2005[‡]



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Plans at $p < .05$.

‡ Prevalence is among 98% of covered workers who have a prescription drug benefit.

Note: The average annual prescription drug deductible among covered workers facing a deductible is \$122.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Plan
Funding

SECTION

10

PLAN FUNDING

THE EMPLOYEE RETIREMENT INCOME AND SECURITY ACT (ERISA) OF 1974 EXEMPTS SELF-FUNDED PLANS FROM STATE INSURANCE AND OTHER LAWS, INCLUDING RESERVE REQUIREMENTS, MANDATED BENEFITS, PREMIUM TAXES, AND CONSUMER PROTECTION REGULATIONS.¹³ BECAUSE LARGER FIRMS HAVE MORE EMPLOYEES OVER WHOM TO SPREAD THE RISK OF COSTLY CLAIMS, SELF-FUNDING IS MORE COMMON AND LESS RISKY AMONG LARGER FIRMS THAN AMONG SMALLER ONES.

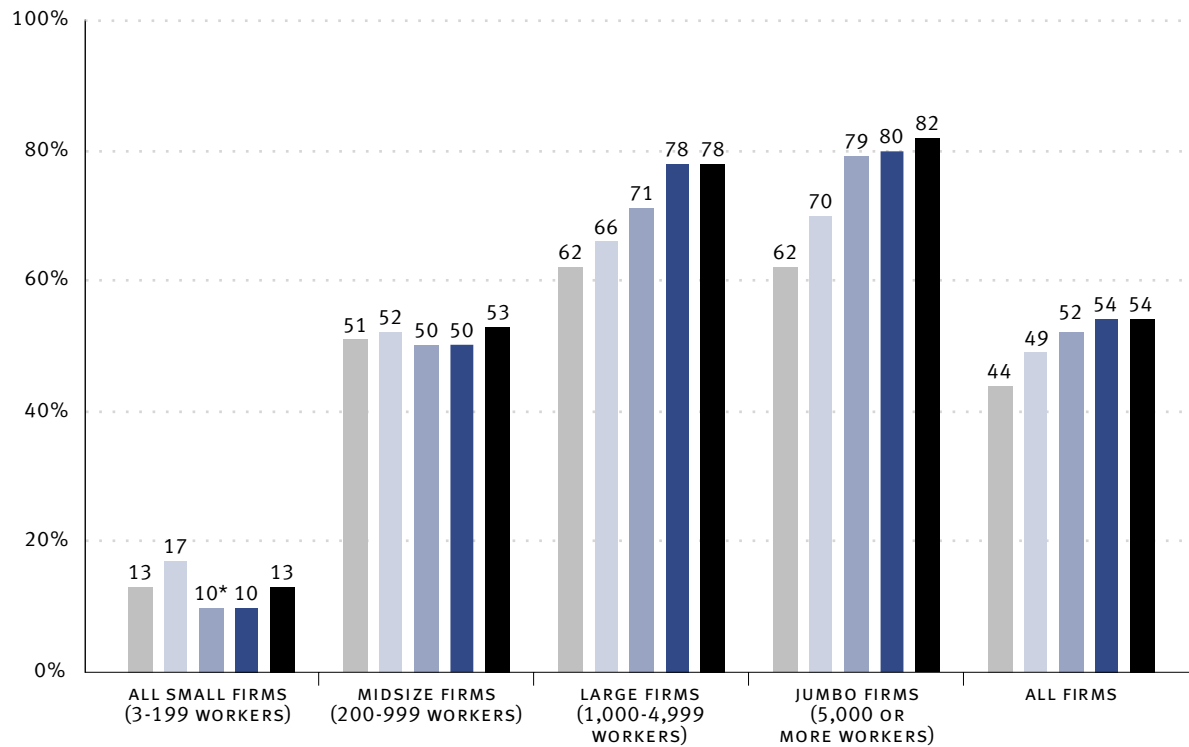
- ▶ Similar to last year, 54% of covered workers in 2005 are in a plan that is completely or partially self-funded (EXHIBIT 10.1).
- ▶ Covered workers in smaller firms are less likely to be in a self-funded plan compared to covered workers in larger firms. On average, 13% of covered workers in small firms (3-199 workers) are in a self-funded plan, compared with 53% of covered workers in midsize firms (200-999 workers), 78% in large firms (1,000-4,999 workers), and 82% in jumbo firms (5,000 or more workers) (EXHIBIT 10.1).
- ▶ The prevalence of self-funding is relatively high in PPO plans (65% of covered workers in PPOs are in a self-funded plan) compared to HMO plans (32%) and POS plans (36%) (EXHIBIT 10.2).

NOTE :

¹³ A self-funded plan is one in which the employer assumes direct responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

EXHIBIT 10.1

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999-2005



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Estimate is statistically different from the previous year shown at $p < .05$.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

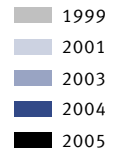
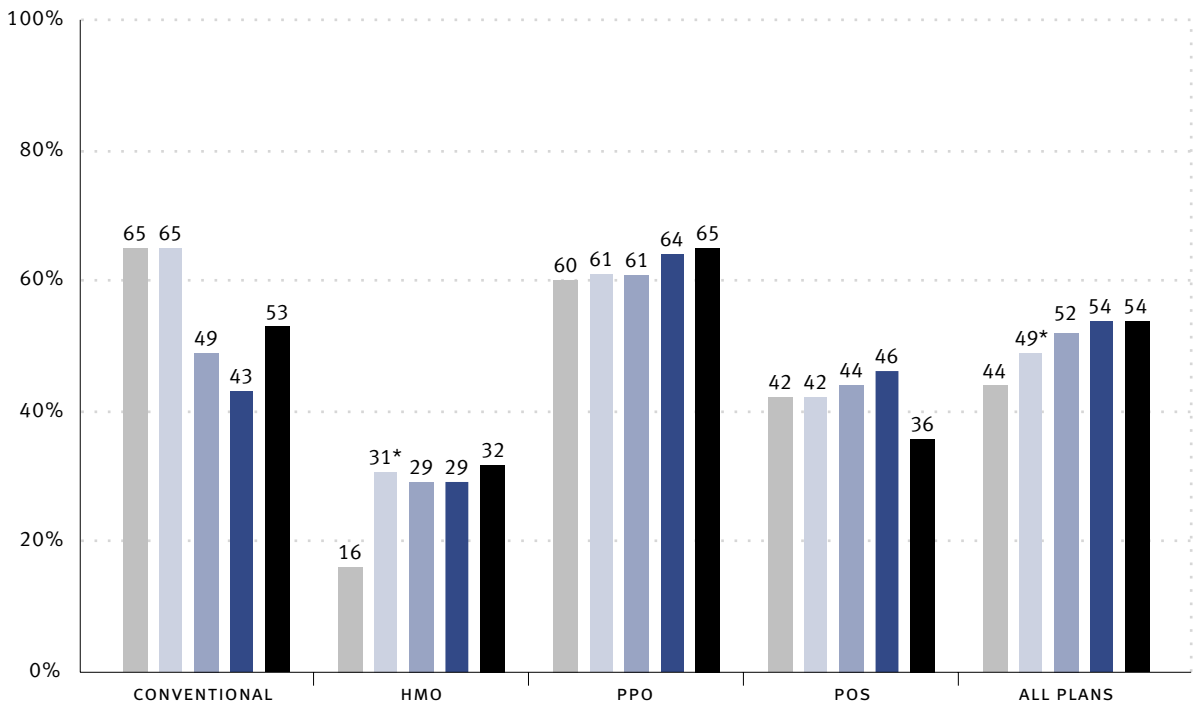


EXHIBIT 10.2

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type, 1999-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Estimate is statistically different from the previous year shown at $p < .05$.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

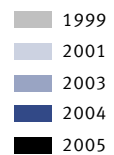
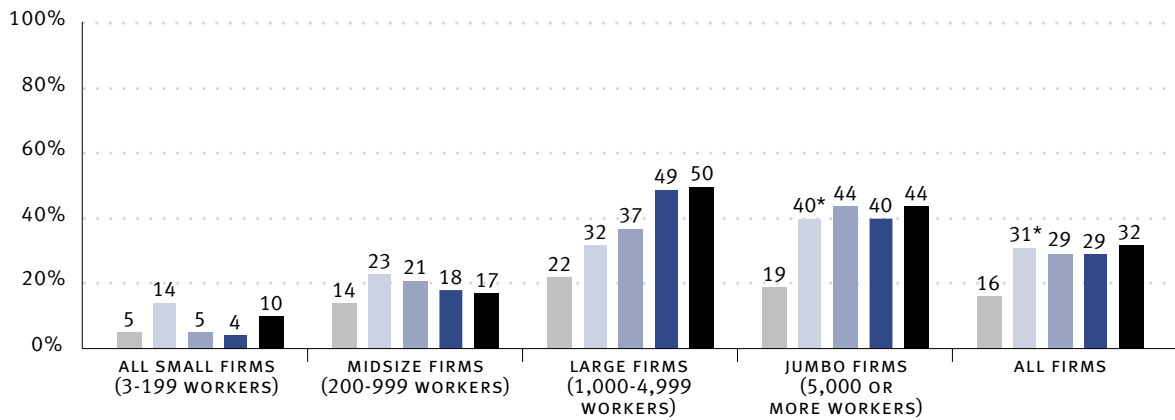


EXHIBIT 10.3

Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Estimate is statistically different from the previous year shown at $p < .05$.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

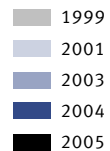
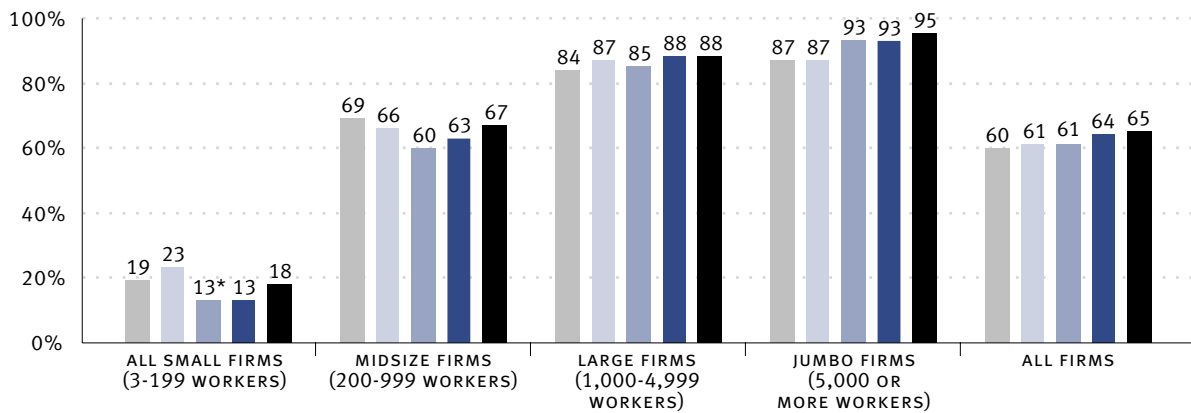


EXHIBIT 10.4

Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999-2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Estimate is statistically different from the previous year shown at $p < .05$.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

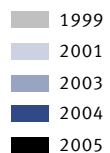
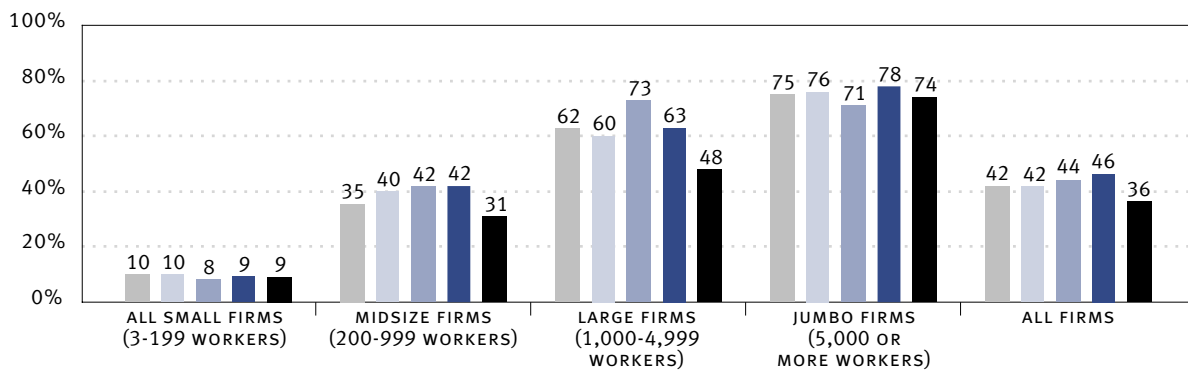


EXHIBIT 10.5

Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999-2005*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Tests found no statistically different estimates from the prior year shown at $p < .05$.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

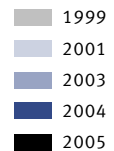


EXHIBIT 10.6

Percentage of Covered Workers With Different Funding Arrangements, by Industry, 2005

	Fully Insured (Coverage Underwritten by an Insurer)	Self-Funded (Employer Bears Some or All of Financial Risk)
ALL PLANS		
Mining/Construction/Wholesale	60%*	40%*
Manufacturing	26*	74*
Transportation/Communications/Utility	28*	72*
Retail	46	54
Finance	49	51
Service	61*	39*
State/Local Government	39	61
Health Care	35*	65*
ALL INDUSTRIES	46%	54%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005.

* Estimates are statistically different from All Industries at $p < .05$.

Fully insured plan: An insurance arrangement in which the employer contracts with a health plan to assume financial responsibility for the costs of enrollees' medical claims.

Self-funded plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Retiree
Health
Benefits

SECTION

11

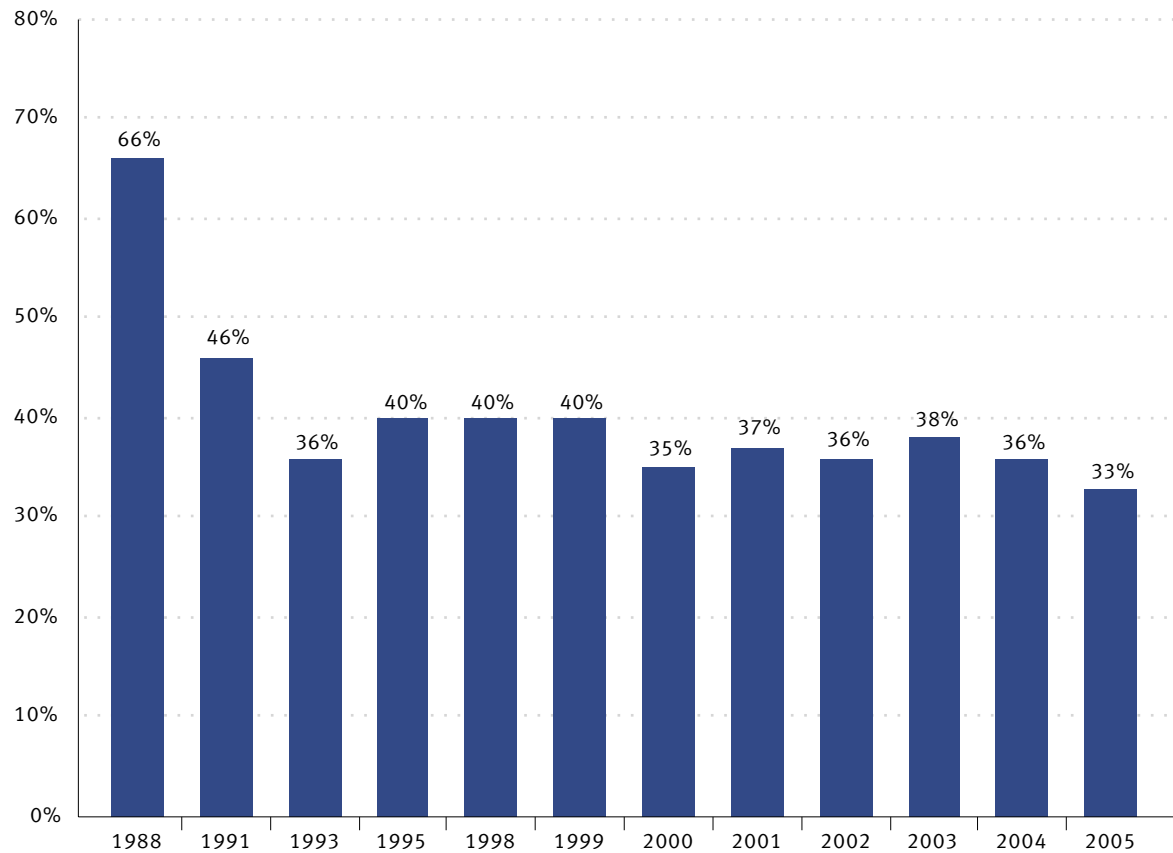
RETIREE HEALTH BENEFITS

RETIREE HEALTH BENEFITS ARE AN IMPORTANT CONSIDERATION FOR OLDER WORKERS MAKING THEIR DECISIONS ABOUT RETIREMENT. HEALTH BENEFITS FOR RETIREES ALSO PROVIDE AN IMPORTANT SUPPLEMENT TO MEDICARE FOR RETIREES AGE 65 AND OVER. LARGE FIRMS (200 OR MORE WORKERS) ARE MUCH MORE LIKELY THAN SMALL FIRMS (3-199 WORKERS) TO OFFER RETIREE HEALTH BENEFITS. AFTER FALLING DRAMATICALLY IN THE LATE 1980S AND EARLY 1990S, THE PERCENTAGE OF LARGE FIRMS (200 OR MORE WORKERS) OFFERING RETIREE HEALTH BENEFITS HAS REMAINED RELATIVELY CONSTANT.

AVAILABILITY OF RETIREE BENEFITS

- ▶ Thirty-three percent of large firms (200 or more workers) offer retiree coverage in 2005, similar to 36% in 2004 but down from 66% in 1988 (EXHIBIT 11.1).
- ▶ Retiree benefits vary substantially by firm size, industry, and the presence of union workers.
 - *Large firms (200 or more workers) are much more likely to offer retiree benefits than small firms (3-199 workers). Thirty-three percent of large firms offer retiree benefits, compared to just 7% percent of small firms (EXHIBIT 11.2).*
 - *Among large firms (200 or more workers), state and local governments are more likely than other firms in other industries to offer retiree benefits (84% vs. 33%) (EXHIBIT 11.2).*
- *Large firms (200 or more workers) with union workers are significantly more likely to offer retiree health benefits than large firms without union workers—49% of all large firms with union employees offer retiree benefits, compared with 24% for all large firms that do not have union employees (EXHIBIT 11.3).*
- ▶ Virtually all large firms (200 or more workers) that offer retiree benefits offer them to early retirees under the age of 65 (94%). A lower percentage (81%) of large firms offering retiree benefits offer them to Medicare-age retirees (EXHIBIT 11.4).

EXHIBIT 11.1

Percentage of All Large Firms[‡] (200 or More Workers) Offering Retiree Health Benefits, 1988-2005*

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

* Tests found no statistically different estimates from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999.

‡ Among firms that offer health benefits to active workers.

EXHIBIT 11.2

Percentage of Firms Offering Retiree Health Benefits[‡], by Firm Size, Region, and Industry, 2005

	All Small Firms (3 - 199 Workers)	All Large Firms (200 or More Workers)
FIRM SIZE		
Small (3 - 24 Workers)	6%	—
Small (25 - 49 Workers)	6	—
Small (50 - 199 Workers)	18*	—
Midsized (200 - 999 Workers)	—	28%
Large (1,000 - 4,999 Workers)	—	43*
Jumbo (5,000 or More Workers)	—	55*
REGION		
Northeast	8%	34%
Midwest	10	42
South	4	33
West	7	21*
INDUSTRY		
Mining/Construction/Wholesale	9%	20%*
Manufacturing	8	40
Transportation/Communications/Utility	15	45
Retail	1*	6*
Finance	6	40
Service	6	29
State/Local Government	41*	84*
Health Care	5	22*
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	7%	33%

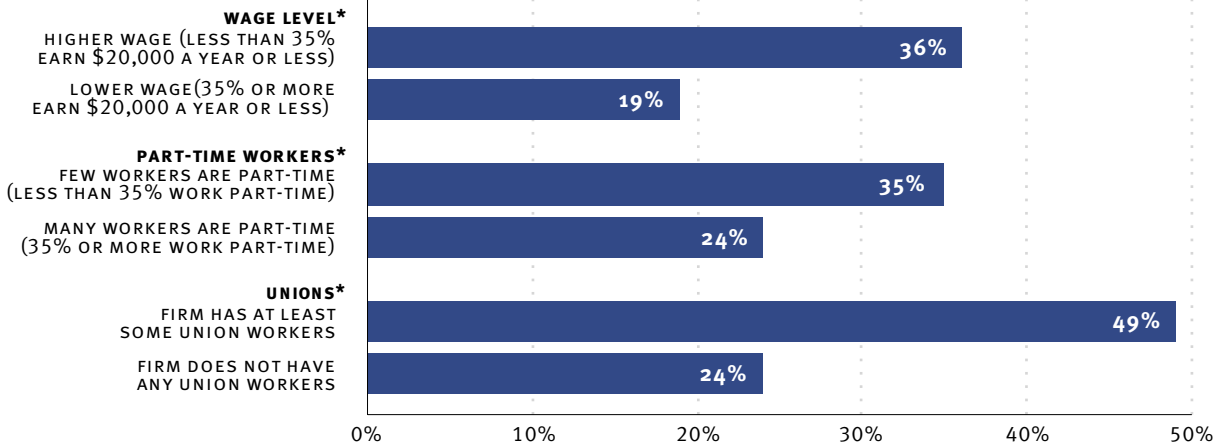
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

‡ Among firms that offer health benefits to active workers.

EXHIBIT 11.3

Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, by Firm Characteristics, 2005[‡]

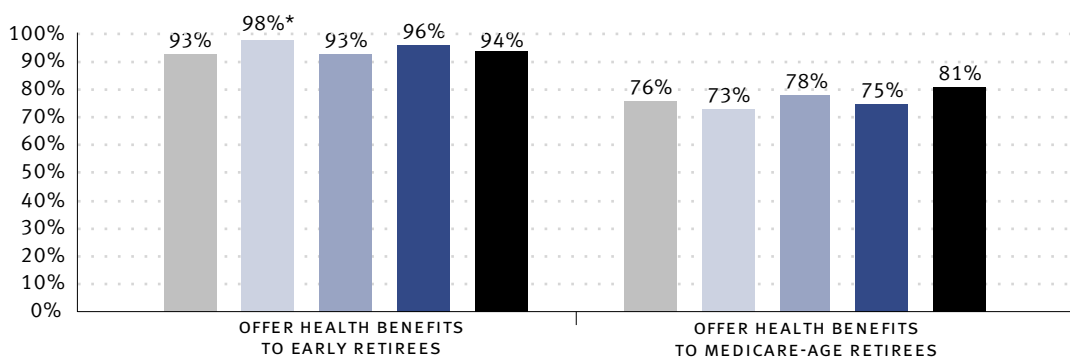
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimates are statistically different from each other within categories at $p < .05$.

Among firms that offer health benefits to active workers.

EXHIBIT 11.4

Among All Large Firms (200 or More Workers) Offering Retiree Coverage, Percentage Offering Health Benefits to Early and Medicare-Age Retirees, 1999-2005[‡]

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.

* Estimate is statistically different from the previous year shown at $p < .05$.

‡ Among firms that offer health benefits to active workers.

Early retiree: Workers retiring before age 65.

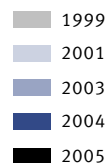


EXHIBIT 11.5

Among All Large Firms (200 or More Workers) Offering Retiree Health Coverage, Percentage Offering Retiree Benefits to Early and Medicare-Age Retirees, by Firm Size, Region, and Industry, 2005[‡]

	<i>Percentage of Employers Offering Retiree Health Benefits to Early Retirees</i>	<i>Percentage of Employers Offering Retiree Health Benefits to Medicare-Age Retirees</i>
FIRM SIZE		
Midsize (200 - 999 Workers)	94%	78%
Large (1,000 - 4,999 Workers)	94	83
Jumbo (5,000 or More Workers)	96	86
REGIONS		
Northeast	95%	87%
Midwest	97	85
South	94	74
West	85	78
INDUSTRY		
Mining/Construction/Wholesale	99%*	90%
Manufacturing	93	84
Transportation/Communications/Utility	99*	82
Retail	NSD	NSD
Finance	99*	83
Service	93	74
State/Local Government	95	81
Health Care	88	69
ALL LARGE FIRMS, REGIONS, AND INDUSTRIES	94%	81%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Large Firms, Regions, and Industries at $p < .05$.

‡ Among firms that offer health benefits to active workers.

Early retiree: Workers retiring before age 65.

NSD: Not Sufficient Data.

EMPLOYER HEALTH BENEFITS

2005 ANNUAL SURVEY

Employer
Opinions
and Health
Management
Programs

SECTION

12

EMPLOYER OPINIONS AND HEALTH MANAGEMENT PROGRAMS

EMPLOYERS PLAY A SIGNIFICANT ROLE IN THE HEALTH INSURANCE COVERAGE OF AMERICANS — PROVIDING HEALTH BENEFITS TO MORE THAN THREE OUT OF EVERY FIVE OF THE NONELDERLY¹⁴ — SO THEIR ATTITUDES, KNOWLEDGE, AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS.

THIS YEAR'S SURVEY ASKED EMPLOYERS A NUMBER OF QUESTIONS ABOUT THEIR OPINIONS ON VARIOUS ISSUES AND ON POSSIBLE FUTURE CHANGES IN HEALTH BENEFITS, INCLUDING WHETHER THEY SHOPPED FOR NEW COVERAGE, HOW THEY VIEW DIFFERENT APPROACHES TO CONTAINING COST INCREASES, AND HOW THEY PLAN TO CHANGE THEIR HEALTH BENEFIT PLANS IN THE NEAR FUTURE. A LARGE SHARE OF FIRMS SHOPPED FOR A NEW PLAN OR HEALTH INSURANCE CARRIER IN THE PAST YEAR AND RELATIVELY FEW FIRMS THINK THAT ANY OF THE CURRENTLY AVAILABLE COST-CONTAINMENT STRATEGIES ARE "VERY EFFECTIVE".

THIS YEAR, FOR THE FIRST TIME IN SEVERAL YEARS, WE ASKED EMPLOYERS ABOUT THE USE OF 3 UTILIZATION MANAGEMENT PROVISIONS AND 4 DISEASE MANAGEMENT PROGRAMS. WE FIND THAT A SUBSTANTIAL PERCENTAGE OF WORKERS ARE ENROLLED IN A HEALTH PLAN WITH A UTILIZATION MANAGEMENT PROVISION AND/OR A DISEASE MANAGEMENT PROGRAM.

- ▶ Overall, 60% of firms offering health benefits say that they shopped for a new plan or insurance carrier in the past year (EXHIBIT 12.1).
 - Among firms offering health benefits that shopped, 24% say that they switched carriers within the past year and 30% report that they changed the type of health plan they offer.¹⁵ Although less likely to have shopped for a new plan or insurance carrier, jumbo firms (5,000 or more workers) that shopped are more likely than all firms that shopped to report switching carriers (45% vs. 24%) (EXHIBIT 12.1).
 - Jumbo firms (5,000 or more workers) are less likely than all firms to report that they shopped for a new plan or insurance carrier in the past year (EXHIBIT 12.1).
- ▶ All firms, including both those that offer and do not offer health benefits, were asked to rate how effective several different strategies are in reducing the growth of health care costs. Few firms rated any one strategy as "very effective" at controlling costs.
 - Consumer-driven health plans are rated as "very effective" at reducing cost growth by 16% of firms, 14% of firms report that disease management is "very effective", 12% say that higher employee cost sharing is "very effective" and 7% report that tighter managed care networks are "very effective". Around 45% of firms report that consumer-driven health plans and higher cost sharing are "somewhat effective" at controlling costs (EXHIBIT 12.5).

NOTE :

¹⁴ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. Health Insurance Coverage in America 2003, Data Update November 2004.

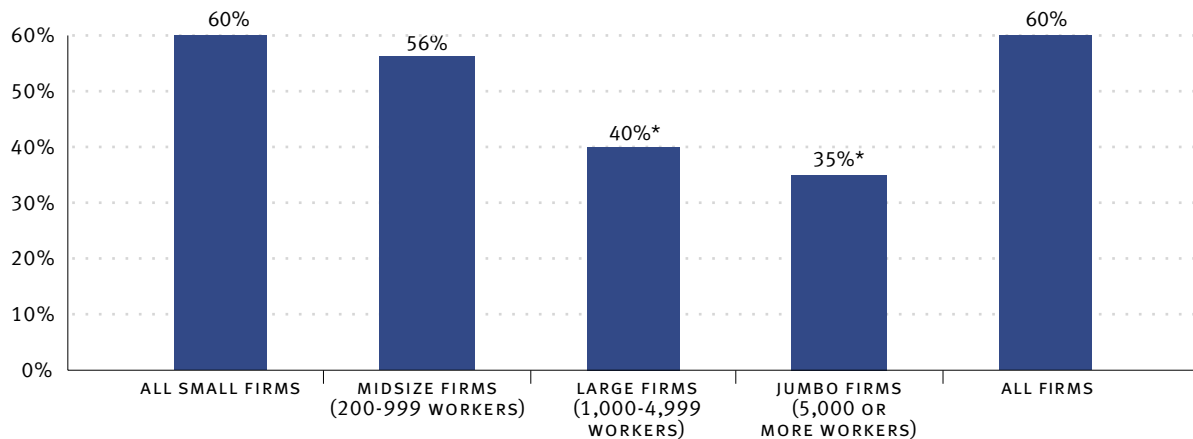
¹⁵ These answers are not exclusive: 10% of firms that shopped switched both carrier and type of health plan offered.

- ▶ Ninety-three percent of all covered workers are enrolled in health plan with at least one of the following utilization management provisions: case management for large claims, pre-admission certification for hospital care, or pre-admission certification for outpatient surgery.
 - Among covered workers, 81% have case management for large claims, 75% have pre-admission certification for inpatient hospital care, and 55% have pre-admission certification for outpatient surgery (EXHIBIT 12.3).
- ▶ Over half of all covered workers (56%) are enrolled in a health plan with a disease management program (EXHIBIT 12.4).
 - Among covered workers in plans with a disease management program, 99% have a diabetes program, 86% have an asthma program, 82% have a hypertension program, and 66% have a high cholesterol program (EXHIBIT 12.4).
- ▶ Each year we ask employers whether they expect to change the contributions, cost sharing, or eligibility for health benefits in the next year. Generally, large firms (200 or more workers) are more likely than small firms (3-199 workers) to say that they intend to increase employee costs (EXHIBIT 12.6).
 - Almost half (43%) of large firms (200 or more workers) say that they are “very likely” to increase the amount employees pay for health insurance next year, compared to 15% of small firms (3-199 workers) (EXHIBIT 12.6).
 - Employer interest in tiered cost sharing for physician or hospital services remains limited: less than 0.5% of employers say that they are “very likely” to offer a tiered network, while 14% say that they are “somewhat likely” to offer tiered cost sharing.
 - As observed in previous years, relatively small percentages of employers report that they are likely to restrict eligibility or drop coverage altogether (EXHIBIT 12.6).

EXHIBIT 12.1

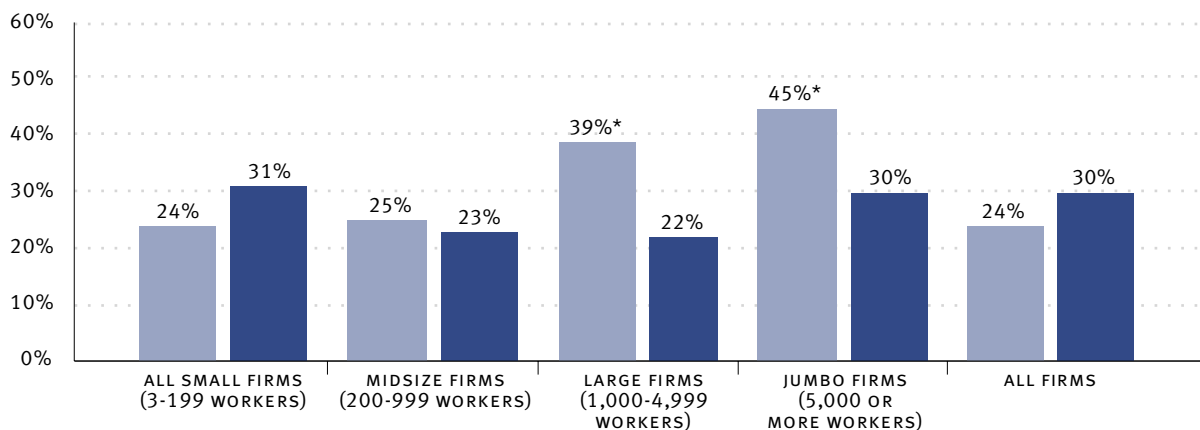
Among Firms That Offer Health Benefits, Percentage That Shopped for a New Plan or Insurance Carrier, and the Percentage of These Firms That Changed Plan Types or Insurance Carriers in the Last Year, by Firm Size, 2005

PERCENTAGE OF FIRMS THAT SHOPPED FOR A NEW PLAN OR HEALTH INSURANCE CARRIER



* Estimate is statistically different from All Firms at $p < .05$.

AMONG FIRMS THAT SHOPPED FOR A NEW PLAN OR INSURANCE CARRIER, PERCENTAGE REPORTING THAT THEY CHANGED INSURANCE CARRIER AND/OR HEALTH PLAN TYPE IN THE LAST YEAR, BY FIRM SIZE[‡]



SOURCE :

Kaiser/HRET Survey of Employer Sponsored Health Benefits, 2005.

CHANGED INSURANCE CARRIER
CHANGED HEALTH PLAN TYPE

* Estimate is statistically different from All Firms at $p < .05$.

‡ These answers are not exclusive; 10% of firms that shopped switched both carrier and type of plan offered.

EXHIBIT 12.2

Among All Firms Both Offering and Not Offering Health Benefits, Percentage Offering Wellness Programs To Their Employees, by Firm Size, Region, and Industry, 2005

	<i>Percentage of Firms Offering Fitness Programs or On-Site Health Club Facilities</i>	<i>Percentage of Firms Offering Smoking Cessation Programs</i>	<i>Percentage of Firms Offering Injury Prevention Programs</i>	<i>Percentage of Firms Offering Weight Loss Programs</i>
FIRM SIZE				
3 - 24 Workers	6%	3%	15%	4%
25 - 199 Workers	15*	9*	25*	6
ALL SMALL FIRMS (3 - 199 WORKERS)	8	4	16	4
Midsize (200 - 999 Workers)	31*	31*	30*	24*
Large (1,000 - 4,999 Workers)	41*	41*	40*	36*
Jumbo (5,000+ Workers)	44*	43*	41*	42*
ALL LARGE FIRMS (200 OR MORE WORKERS)	34*	34*	33*	28*
REGION				
Northeast	12%	10%	12%	9%
Midwest	7	4	15	5
South	4*	2*	14	1*
West	13	5	28	5
INDUSTRY				
Mining/Construction/Wholesale	7%	2%	35%*	6%
Manufacturing	7	11*	30	6
Transportation/Communications/Utility	16	5	13	6
Retail	6	5	9	5
Finance	9	4	6*	6
Service	9	4	11	3
State/Local Government	9	5	29	3
Health Care	9	7	12	6
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	8%	5%	17%	5%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

EXHIBIT 12.3

Percentage of Covered Workers in Plans with Utilization Management Provisions, by Firm Size, Plan Type, Region, and Industry, 2005

	<i>Percentage of Covered Workers in Plans with Pre-Admission Certification for Inpatient Hospital Care</i>	<i>Percentage of Covered Workers in Plans with Pre-Admission Certification for Outpatient Surgery</i>	<i>Percentage of Covered Workers in Plans with Case Management for Large Claims</i>
FIRM SIZE			
3 - 24 Workers	69%	61%	59%*
25 - 199 Workers*	68*	58	60*
ALL SMALL FIRMS (3-199 WORKERS)*	68*	59	59*
Midsize (200 - 999 Workers)	74	55	81
Large (1,000 - 4,999 Workers)*	83*	52	93*
Jumbo (5,000+ Workers)	80	51	95*
ALL LARGE FIRMS (200 OR MORE WORKERS)	79	52	91*
PLAN TYPE			
Conventional	57%*	44%	66%*
HMO	69*	58	82
PPO	78	52	81
POS	78	66*	79
REGION			
Northeast	73%	53%	79%
Midwest	72	45*	81
South	81	61	80
West	72	57	83
INDUSTRY			
Mining/Construction/Wholesale	73%	53%	71%*
Manufacturing	79	45	91*
Transportation/Communications/Utility	72	53	85
Retail	79	47	74
Finance	78	50	80
Service	74	64*	76
State/Local Government	67	51	88*
Health Care	79	58	84
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	75%	55%	81%

SOURCE :

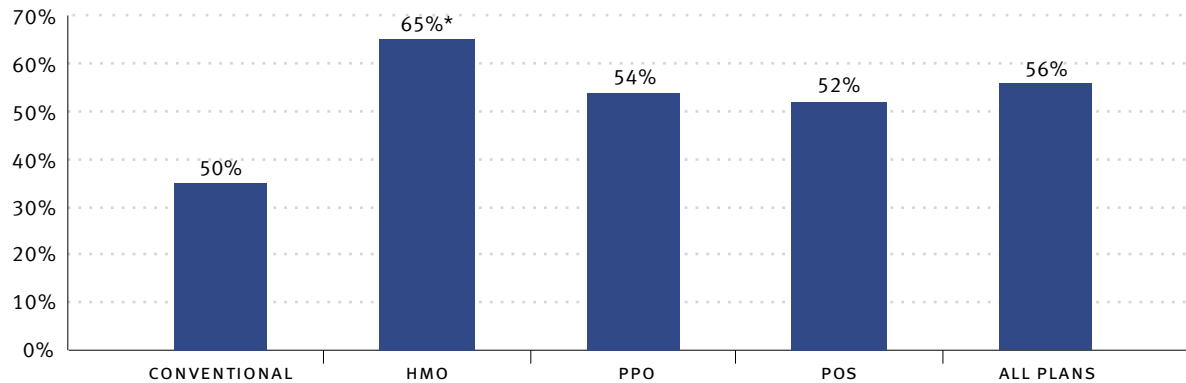
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes, Regions, and Industries at $p < .05$.

EXHIBIT 12.4

Percentage of Covered Workers in Plans With A Disease Management Program and, Among Those, Percentage with Specific Programs, 2005

PERCENTAGE OF COVERED WORKERS IN PLANS WITH A DISEASE MANAGEMENT PROGRAM, 2005



* Estimate is statistically different from All Plans at $p < .05$.

AMONG COVERED WORKERS ENROLLED IN A PLAN WITH DISEASE MANAGEMENT PROGRAMS, PERCENTAGE WITH PARTICULAR DISEASE MANAGEMENT, BY PLAN TYPE AND FIRM SIZE, 2005

	<i>Diabetes</i>	<i>Asthma</i>	<i>Hypertension</i>	<i>High Cholesterol</i>
FIRM SIZE				
All Small Firms (3 - 199 Workers)	99%	84%	85%	82%
All Large Firms (200 or More Workers)	98	86	82	62
PLAN TYPE				
Conventional	98%	61%*	62%	65%
HMO	98	91	83	72
PPO	99	84	79	61
POS	99	90	87	74
ALL FIRM SIZES AND PLAN TYPES	99%	86%	82%	66%

SOURCE :

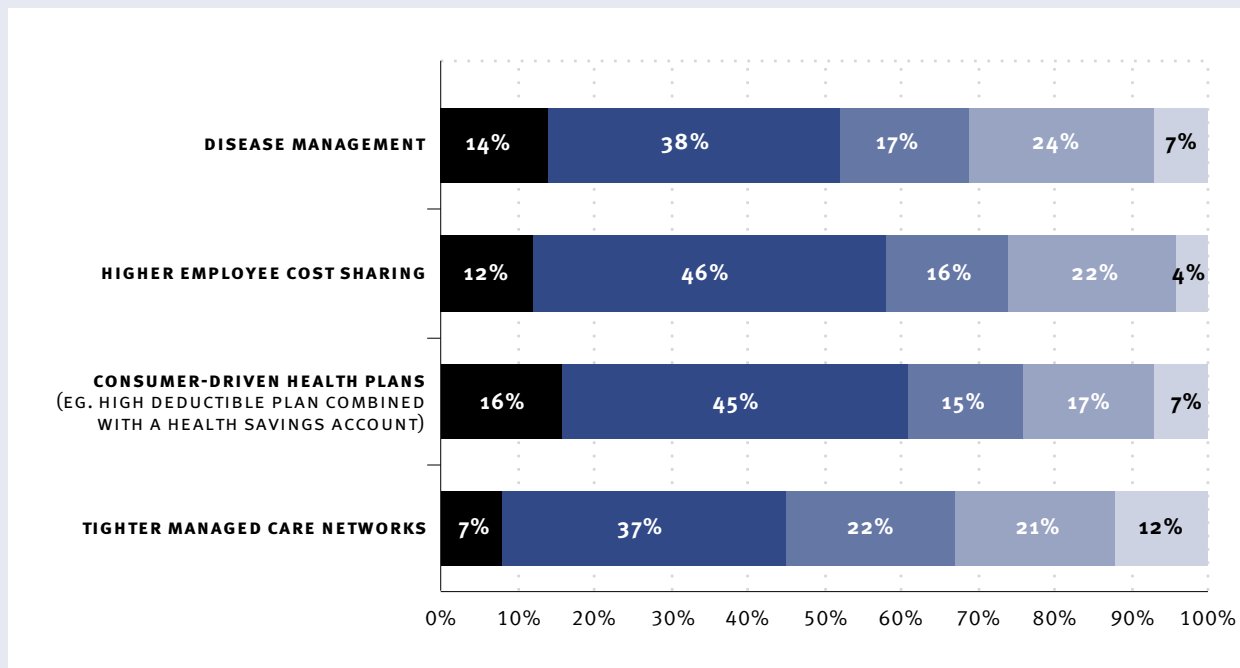
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Estimate is statistically different from All Firm Sizes and Plan Types at $p < .05$.

Note: The survey defines disease management programs as programs that try to improve the health and reduce the costs associated with people with chronic illnesses by teaching patients about their disease, suggesting treatment options, and assessing the treatment process and outcomes.

EXHIBIT 12.5

Among All Firms Both Offering and Not Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, 2005



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

■ VERY EFFECTIVE
 ■ SOMEWHAT EFFECTIVE
 ■ NOT TOO EFFECTIVE
 ■ NOT AT ALL EFFECTIVE
 ■ DON'T KNOW

EXHIBIT 12.6

Distribution of Firms Reporting The Likelihood of Making the Following Changes in the Next Year, by Firm Size, 2005

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Not Too Likely</i>	<i>Not At All Likely</i>	<i>Don't Know</i>
INCREASE THE AMOUNT EMPLOYEES PAY FOR HEALTH INSURANCE*					
All Small Firms	15%	27%	21%	36%	1%
All Large Firms	43%	31%	13%	12%	<1%
INCREASE THE AMOUNT EMPLOYEES PAY FOR PRESCRIPTION DRUGS*					
All Small Firms	7%	26%	28%	38%	1%
All Large Firms	12%	33%	36%	18%	1%
INCREASE THE AMOUNT EMPLOYEES PAY FOR DEDUCTIBLES*					
All Small Firms	8%	24%	27%	41%	1%
All Large Firms	16%	32%	33%	18%	1%
INCREASE THE AMOUNT EMPLOYEES PAY FOR OFFICE VISIT COPAYS OR COINSURANCE*					
All Small Firms	7%	22%	30%	39%	1%
All Large Firms	12%	31%	37%	20%	1%
INTRODUCE TIERED COST SHARING FOR DOCTOR VISITS OR HOSPITAL STAYS*					
All Small Firms	<1%	14%	32%	51%	4%
All Large Firms	2%	16%	39%	40%	3%
RESTRICT EMPLOYEES ELIGIBILITY FOR COVERAGE*					
All Small Firms	1%	9%	21%	66%	2%
All Large Firms	2%	6%	34%	56%	1%
DROP COVERAGE ENTIRELY					
All Small Firms	1%	2%	7%	89%	1%
All Large Firms	0%	2%	5%	93%	<1%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

* Distributions are statistically different between All Small and All Large Firms within categories at <.05.

All Small Firms: 3-199 Workers

All Large Firms: 200 or More Workers



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