

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

Employer Health Benefits

2001
ANNUAL SURVEY

THE HENRY J.
KAISER
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FOUNDATION

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SUMMARY OF FINDINGS

Employer-sponsored health insurance reaches nearly two out of every three Americans including active workers, retirees, and their dependents. To provide current information about the nature of employer-provided health benefits, the Kaiser Family Foundation and the Health Research and Educational Trust conduct an annual national survey of employers of all sizes. This brief summarizes findings from the 2001 Kaiser/HRET Survey.

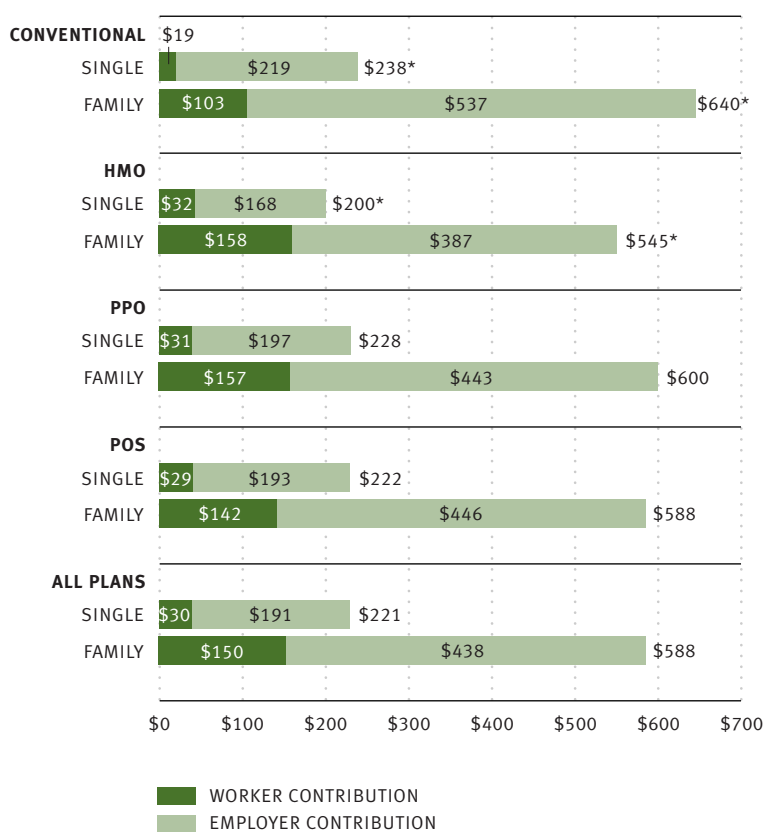
HEALTH INSURANCE PREMIUMS

Between Spring of 2000 and Spring of 2001, monthly premiums for employer-sponsored health insurance rose 11.0%, increasing the average monthly premium cost to \$221 for single coverage and \$588 for family coverage. Premiums increased substantially faster than overall inflation (3.3%) and wage gains for non-supervisory workers (4.4%). Smaller firms (3–199 workers) faced even higher premium increases, growing 12.5% compared to 10.2% for large firms (200 or more workers). Employers in all regions and industries saw bigger premium increases in 2001 compared to last year, when premium increases averaged 8.3% nationally (EXHIBITS A and B).

Of all plan types, health maintenance organizations (HMOs) are least costly and conventional fee-for-service plans are most expensive. Premiums are highest on average in the Northeast and lowest in the West.

EXHIBIT A

Average Monthly Premium Costs for Covered Workers, Single and Family Coverage, 2001

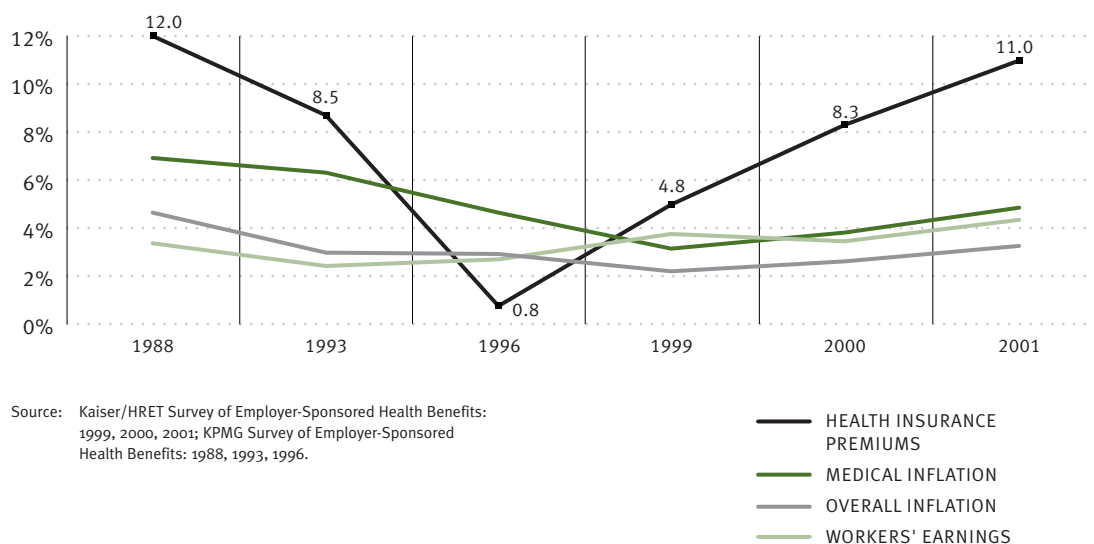


Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001

* Estimate is statistically different from All Plans by coverage type.

EXHIBIT B

Increases in Health Insurance Premiums Compared to Other Indicators, 1988–2001



The rise in premiums represents the largest increase since 1992. Increases over the past few years may be attributable to catch-up pricing by health insurers as they attempt to restore profitability after a period of intense price competition in the mid-1990s. Yet, premium equivalents for self-insured plans (the estimated cost of health care claims for an employee whose employer self-insures) — which are a reflection of growth in underlying health care costs — also rose significantly, up 9.5% compared to 7.1% in 2000 and 3.8% in 1999. This suggests higher premium increases in the coming years.

One of the primary factors behind rising health care costs is the rising expense of prescription drugs — among employers who “carve out” prescription drugs and provide them separately from their standard health benefits, drug costs rose an average of 15.5% in the last year. Employers are generally pessimistic that any approach will be effective

at controlling drug costs, though are surprisingly most likely to point to government regulation as the most effective tool. Forty percent of companies say government regulation of drug prices would be “very effective” at controlling drug costs. A variety of other mechanisms (price negotiations between health plans and drug manufacturers, limits on consumer advertising, and higher copayments for brand name drugs relative to generics) were each cited by about one-quarter of firms as being very effective. Employers had the least confidence in pharmacy benefit management companies (13% said they would be “very effective”), followed by drug formularies and regional purchasing pools.

HEALTH PLAN ENROLLMENT AND CHOICE

The shift in enrollment from managed care “heavy” to managed care “light” is accelerating. PPOs now enroll 48% of employees, up from 41% in 2000 and 28% in 1996. HMOs, in contrast, now enroll just 23% of employees, down from 29% in 2000 and 31% in 1996. In POS plans — which are similar to HMOs, but allow a patient to use non-network providers — enrollment (at 22%) is about the same as that in traditional HMOs. Conventional (or indemnity) insurance has all but disappeared, enrolling just 7% of employees, down from 73% in 1988 and 27% in 1996.

While the overall number of health plan options offered to workers has changed little in recent years — with about two-thirds (60%) of covered workers provided with a choice of more than one health plan — the availability of different types of plans has

changed significantly. For example, the percentage of workers who are offered a PPO plan has grown from 45% in 1996 to 71% this year, while fewer employees can choose an HMO (46% of workers, down from 55% last year and 64% in 1996). All small firms (3–199 workers) are much less likely to offer workers a choice of health plans than larger companies — 91% of all small firms that provide coverage offer just one health plan, compared to 47% of larger businesses.

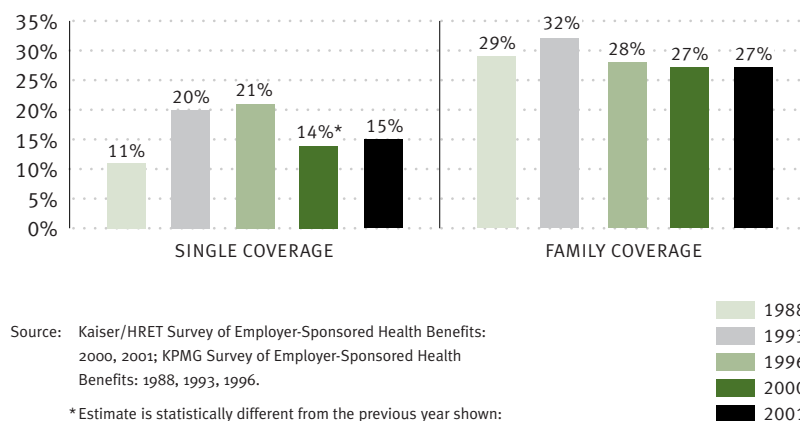
EMPLOYEE COST SHARING

Recent declines in what employees pay for health insurance — fueled by a strong economy and modest premium increases — appear to have ended. On average, employees are paying \$30 per month for single coverage (15% of the premium) and \$150 for family coverage (27% of the premium) (EXHIBITS A, C). The percentage of premium paid by workers is statistically unchanged from 2000, though single employees are still paying substantially less than the 21% of the premium they were paying in 1996. During the past year, employers have increased patient cost sharing requirements modestly in the form of higher deductibles and copayments. For example, copayments for prescription drugs average \$8 for generic drugs, \$15 for brand name drugs without a generic substitute, and \$20 for brand name drugs with a substitute (compared to \$8, \$14, and \$16 respectively last year).

Three-quarters of large companies (200 or more workers) say they are very or somewhat likely to increase what employees pay for health insurance in the next year, compared to 42% of smaller businesses who say they are likely to do so.

EXHIBIT C

Percentage of Premiums Paid by Covered Workers for Single and Family Coverage, 1988–2001



COVERAGE

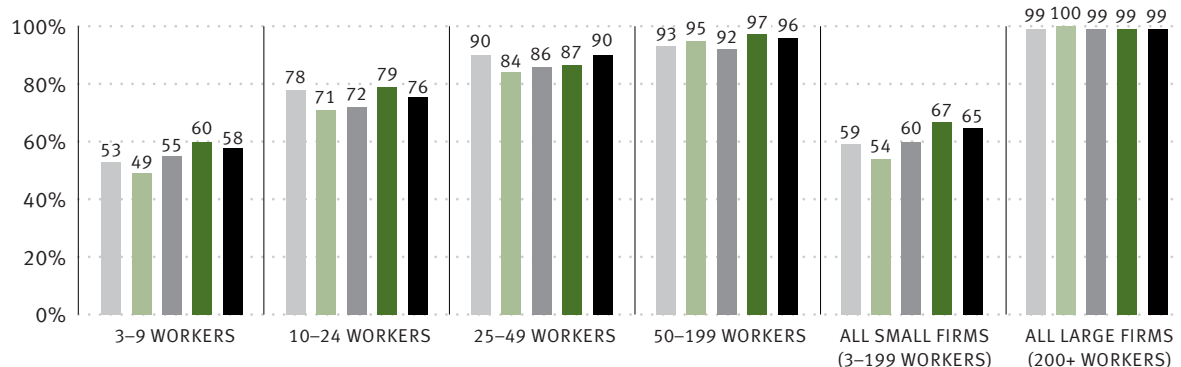
With the signs of a weakened economy and escalating premium inflation, the brief period of increasing employer coverage — and concomitant drop in the number of uninsured Americans — may be coming to a close. In 2001, 65% of all small businesses (3–199 employees) offered health coverage to their workers, down (though statistically unchanged) from 67% in 2000. Employer offer rates had previously been rising since 1998 (EXHIBIT D). Coverage continues to vary substantially by firm size: 58% of the smallest companies (3–9 workers) offer health insurance, but that rises to 76% for firms with 10 to 24 workers and 90% for businesses with 25 to 49 employees. Nearly all firms with 50 or more workers offer coverage. Firms that employ many low-wage workers are least likely to provide insurance, as are companies with high turnover in their workforces — for example, 33% of all firms that reported 50% or more turnover in the last year offer coverage, compared to 68% for businesses with lower turnover.

However, when a firm offers health insurance, not all workers get covered. Some employees 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 they have other coverage available (e.g., through a spouse). Forty-nine percent of workers are in firms that provide eligibility to part-time employees, but just 6% work for companies that allow temporary workers to be eligible for coverage. Overall, in firms that offer coverage, 80% of workers are eligible for coverage, and 83% of those eligible elect insurance.

Although many observers have raised the possibility of employers moving to “defined contribution” plans for health insurance — where, in the extreme, employers would provide workers with cash to buy insurance on their own — this year’s survey still finds only modest enthusiasm for the idea among companies. Twenty-four percent of

EXHIBIT D

Percentage of Firms Offering Health Benefits: by Firm Size, 1996–2001*



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001; KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Tests found no statistically different estimate from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

1996
1998
1999
2000
2001

all small firms and 13% of all large firms say they are very or somewhat likely to switch to a defined contribution in the next five years (compared to 20% and 16%, respectively, last year).

Congress and the Bush Administration are considering expanding Medicare to cover prescription drug benefits, thus calling attention to employer coverage of retirees (which accounts for most of the drug coverage now provided to Medicare-age beneficiaries). While the vast majority of plans with the firm's largest enrollment of Medicare-age retirees include drug coverage, the availability of employer-provided retiree health benefits in general continues to fall. Thirty-four percent of all large firms (200 or more workers) offer retiree health coverage, down from 41% two years ago and 66% in 1988. Just 3% of all small firms (3–199 employees) offer retiree benefits. New accounting rules brought about earlier

declines in employer-provided retiree coverage in the 1990s, but recent decreases may be due to rising premiums, fueled by increasing drug costs.

HEALTH BENEFITS

The level of benefits offered to employees has changed little in the last year. Basic services continue to be offered for most workers, including adult physicals (91%) and prenatal care (97%), though HMOs continue to offer a broader range of preventive services than other types of plans. For example, an annual visit with an obstetrician/gynecologist is covered for 97% of HMO and POS enrollees, 93% of PPO enrollees, and 81% of indemnity enrollees. Other reproductive health services are not so generously covered. Sixty-four percent of employees have coverage for oral contraceptives, while 67% of employees have coverage for sterilization, 41% have coverage for all types of reversible contraceptives, and 31% have coverage for abortion.

OUTLOOK FOR THE FUTURE

Over the last few years, increases in employer-provided health coverage and decreases in the number of uninsured Americans suggest that employers may be willing to endure inflationary discomfort during a tight labor market, increasing coverage and shielding workers from premium increases. This year's survey does not show a significant reduction in the offering of health insurance or a dramatic shift towards increased employee cost sharing, but it does indicate that recent improvements in these measures have stalled. It remains to be seen how employer-provided health insurance will respond to the dual pressures of escalating premium increases and a lagging economy, though history suggests that change may be imminent.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Survey Methods

SECTION

1

SURVEY METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KAISER/HRET) CONDUCT THIS SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS, WHICH WAS SUPPORTED FOR MANY YEARS BY THE INTERNATIONAL CONSULTING AND ACCOUNTING FIRM KPMG. IN 1998 KPMG DIVESTED ITSELF OF ITS COMPENSATION AND BENEFITS PRACTICE, AND PART OF THAT DIVESTITURE INCLUDED DONATING THE ANNUAL SURVEY OF HEALTH BENEFITS TO HRET. HRET IS A NON-PROFIT RESEARCH ORGANIZATION. THE KAISER FAMILY FOUNDATION, ONE OF THE NATION'S LARGEST FOUNDATIONS DEVOTED TO HEALTH CARE, IS CONTINUING THE 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, patient safety, and employers' concerns and views on health policy issues.

Kaiser/HRET retained National Research LLC (NR), a Washington, D.C.-based survey research firm, to conduct telephone interviews with human resource and benefits managers. NR conducted interviews from January to May 2001.

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 many of the 2,357 firms with at least 10 employees interviewed in either 2000 or 1999 and replaced non-responding firms with another firm of the same industry and firm size. As a result, 878 firms in this year's total sample of 1,907 firms participated in both the 2000 and 2001 surveys.¹ The overall response rate was 50%, up from 45% in 2000.

From previous years' experience, we have learned that firms that decline to participate in the study are more likely not to offer health coverage. Therefore, we asked one question to all 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 2,734 firms responded to this question (including 1,907 who responded to the full survey and 827 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health coverage. The response rate for this question was 71%.

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

NOTE:

¹ In total, 266 firms participated in 1999 and 2001, 457 firms participated in 2000 and 2001, and 712 participated in 1999, 2000, and 2001.

small; or 200 or more workers, all large. EXHIBIT 1.1 shows detailed characteristics of firms in the sample.

Because Kaiser/HRET selects firms randomly, it is possible through the use of statistical weights to extrapolate the results to national (as well as regional, industry, and firm size) averages. These weights allow Kaiser/HRET to present findings based on the number of workers covered by health plans, the number of total workers, and the number of firms. The calculation of the weights followed a common approach: (i) determination of the basic weight, (ii) application of a non-response adjustment, and (iii) application of a post-stratification adjustment.

EXHIBIT 1.2 displays the distribution of the nation's firms, workers, and covered workers (i.e., employees receiving coverage from their employer). Among the over 5 million firms nationally, more than 72% are firms employing 3–9 workers. In contrast, jumbo firms, defined as firms with 5,000 or more workers, employ and cover about 37% of employees. Therefore, the smallest firms will dominate any national statistics about what employers in general are doing. In contrast, jumbo employers are the most important employer group in calculating national statistics regarding the typical employee or covered worker, since they employ the largest percentage of the nation's workforce.

The Kaiser/HRET survey is designed to produce nationally representative estimates for firms, workers, and covered workers in companies with 3 or more employees. The survey sample is based on the Dunn and Bradstreet database of US employers, which includes 5,442,369 firms. The Bureau of Labor Statistics estimates there were 136 million workers in all sizes of firms in the US in June 2001, and the 2001 Kaiser/HRET survey finds that 63% of workers in firms offering and not offering health insurance have health insurance coverage through their employer.

Some exhibits in Health Benefits 2001 do not sum up to 100% due to rounding effects. Throughout the report, while overall totals as well as totals for size and industry are statistically valid, some breakdowns may not be available due to limited sample sizes. In these instances, exhibits include the notation NSD (Not Sufficient Data).

To control for item non-response bias, Kaiser/HRET identified a select set of key variables as needing complete information from all surveyed firms. These variables include percentage changes in premium costs for family coverage, premium amounts, worker contribution amounts, number of retirees covered by firm, and number of Medicare retirees covered by firm. On average, 2% of these observations are imputed for any given variable. Kaiser/HRET also imputed values

for the percentage of low wage earners in a firm and the percentage of minimum wage earners in a firm. Roughly 15% of the observations for low wage earners were imputed while only 9% of the observations for minimum wage earners were imputed. The imputed values are determined based on the distribution of the reported values within stratum defined by firm size and region.

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

To further analyze changes in employer-sponsored health plans during the past few years, this report uses data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits and the 1999 and 2000 Kaiser/HRET Surveys of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use either the 1988 or the 1989 survey of the nation's employers conducted by the Health Insurance Association of America (HIAA), on which the KPMG and Kaiser/HRET surveys are based.² Many of the questions in the HIAA, the KPMG, and Kaiser/HRET surveys are identical. The survey designs among the three surveys are also similar.

NOTE :

² HIAA also conducted the survey in 1990 and 1991, though these data are not available. KPMG conducted the survey in 1992, 1994, and 1997, however, only large firms were sampled in these years. In 1993, 1995, 1996, and 1998, KPMG interviewed both large and small firms. The Kaiser Family Foundation and Health Research and Educational Trust have conducted the Employer Health Benefits Survey—for both small and large firms—annually since 1999.

EXHIBIT 1.1

Selected Characteristics of Firms in the Survey Sample, 2001

	<i>Sample Size</i>	<i>Sample Distribution After Weighting</i>	<i>Percentage of Total for Weighted Sample</i>
INDUSTRY			
Mining/Construction/Wholesale	195	981,415	18.0%
Manufacturing	254	353,716	6.5
Transportation/Utilities/Communication	99	216,627	4.0
Retail	180	1,087,649	20.0
Finance	149	402,816	7.4
Service	547	1,978,821	36.4
State/Local Government	313	19,915	0.4
Health Care	170	401,410	7.4
ALL INDUSTRIES	1,907	5,442,369	100%
FIRM SIZE			
Small (3–9 Workers)	135	3,946,552	72.5%
Small (10–24 Workers)	262	854,834	15.7
Small (25–49 Workers)	140	213,200	3.9
Small (50–199 Workers)	272	340,826	6.3
Midsize (200–999 Workers)	415	68,340	1.3
Large (1,000–4,999 Workers)	360	15,173	0.3
Jumbo (5,000 or More Workers)	323	3,444	0.1
ALL FIRM SIZES	1,907	5,442,369	100%
REGION			
Northeast	425	1,111,028	20.4%
Midwest	501	1,276,574	23.5
South	652	1,836,911	33.8
West	329	1,217,856	22.4
ALL REGIONS	1,907	5,442,369	100%

SOURCE :

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

EXHIBIT 1.2

Distribution of Employers, Workers, and Workers Covered by Health Insurance, by Firm Size, 2001



SOURCE :

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

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

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Cost of Health Insurance

SECTION

2

COST OF HEALTH INSURANCE

THE COST OF JOB-BASED HEALTH INSURANCE INCREASED BY 11.0% FROM SPRING OF 2000 TO SPRING 2001, THE HIGHEST INCREASE SINCE 1992. THIS MARKED THE FIFTH CONSECUTIVE YEAR THAT INFLATION ACCELERATED FOR THE COST OF JOB-BASED HEALTH INSURANCE. FROM 1994–1998, HEALTH INSURERS ENGAGED IN FIERCE PRICE COMPETITION TO INCREASE THEIR MARKET SHARE IN LOCAL MARKETS AND AMERICA ENJOYED THE LOWEST INFLATION IN HEALTH INSURANCE ON RECORD, REACHING A LOW OF 0.8% IN 1996. DURING THIS PERIOD, CLAIMS EXPENSES OUTPACED THE RISE IN PREMIUM INCREASES; BY 1996, NEARLY THREE OF EVERY FOUR INSURERS WERE SUFFERING UNDERWRITING LOSSES. MANY INSURERS SUBSEQUENTLY EXITED FROM LOCAL MARKETS AND INSURERS SWITCHED STRATEGIES FROM GAINING MARKET SHARE TO RESTORING PROFITABILITY.

THE PATTERN OBSERVED SINCE THE EARLY 90S REPRESENTS THE TRADITIONAL UNDERWRITING CYCLE, BUT THE CURRENT ROUND OF INFLATION IS ALSO DRIVEN BY A DRAMATIC GROWTH IN UNDERLYING CLAIMS EXPENSES. EMPLOYERS REPORT THAT THE COST OF PRESCRIPTION DRUGS AND HOSPITAL SPENDING CONTINUE TO FUEL INCREASED PREMIUMS.

PREMIUM INCREASES

- Premiums—including both the employer and employee share—increased 11.0% from spring 2000 to spring 2001, up from 8.3% in 1999–2000, and 4.8% for 1998–1999 (EXHIBIT 2.1, 2.2). Premium increases outpaced overall inflation by nearly 8% points (EXHIBIT 2.2).
- All types of health plans had substantial increases in premiums. Increases for PPO plans were 11.7%, followed by HMO plans (11.3%), conventional plans (10.1%) and POS plans (9.4%) (EXHIBIT 2.1).
- All small firms (3–199 workers) experienced larger increases in the cost of insurance (12.5%) than all large firms (200 or more workers), whose average increase was 10.2%. The nation's smallest firms (3–9 workers) had average increases of 16.5% (EXHIBIT 2.3).
- Firms faced a wide range of premium hikes around the average increase of 11.0%. Nearly one-quarter of all firms (23%) experienced premium increases higher than 15%, while 27% saw increases of less than 5%. Small firms, however, experienced disproportionately high premium increases—more than one third (35%) of all small firms (3–199 workers) experienced premium increases higher than 15%, compared to 17% of all large firms (200 or more workers). (EXHIBIT 2.4)

- ▶ Fully-insured plans experienced larger increases than self-insured plans (12.3% versus 9.5%) (EXHIBIT 2.6). The higher rate of increase in fully-insured plans reflects the “catch-up” pricing that insurers practice in the underwriting cycle, characterized by a diminished number of insurers competing in local markets, rising premiums, and rising insurer profitability.
- ▶ Premium equivalents for self-insured plans have grown dramatically over the past two years. Annual increases were 3.7% in 1998–1999, 7.1% for 1999–2000, and 9.5% in 2000–2001 (EXHIBIT 2.7). Increases in premium equivalents are a proxy measure of the growth in underlying health care expenses. Employers set premium equivalents at levels to match expected increases in claims expenses. Hence, the recent rise in premium equivalents is a strong indicator of substantial growth in underlying health care expenses.
- ▶ Premium increases were similar across the nation. The Northeast experienced the greatest increase in premiums (12.0%) while premiums rose the least in the south (10.1%) (EXHIBIT 2.10).

- ▶ When asked about the factors that are driving increases in health insurance premiums, employers identified higher spending for prescription drug expenses and hospital expenses most often (EXHIBIT 2.12).

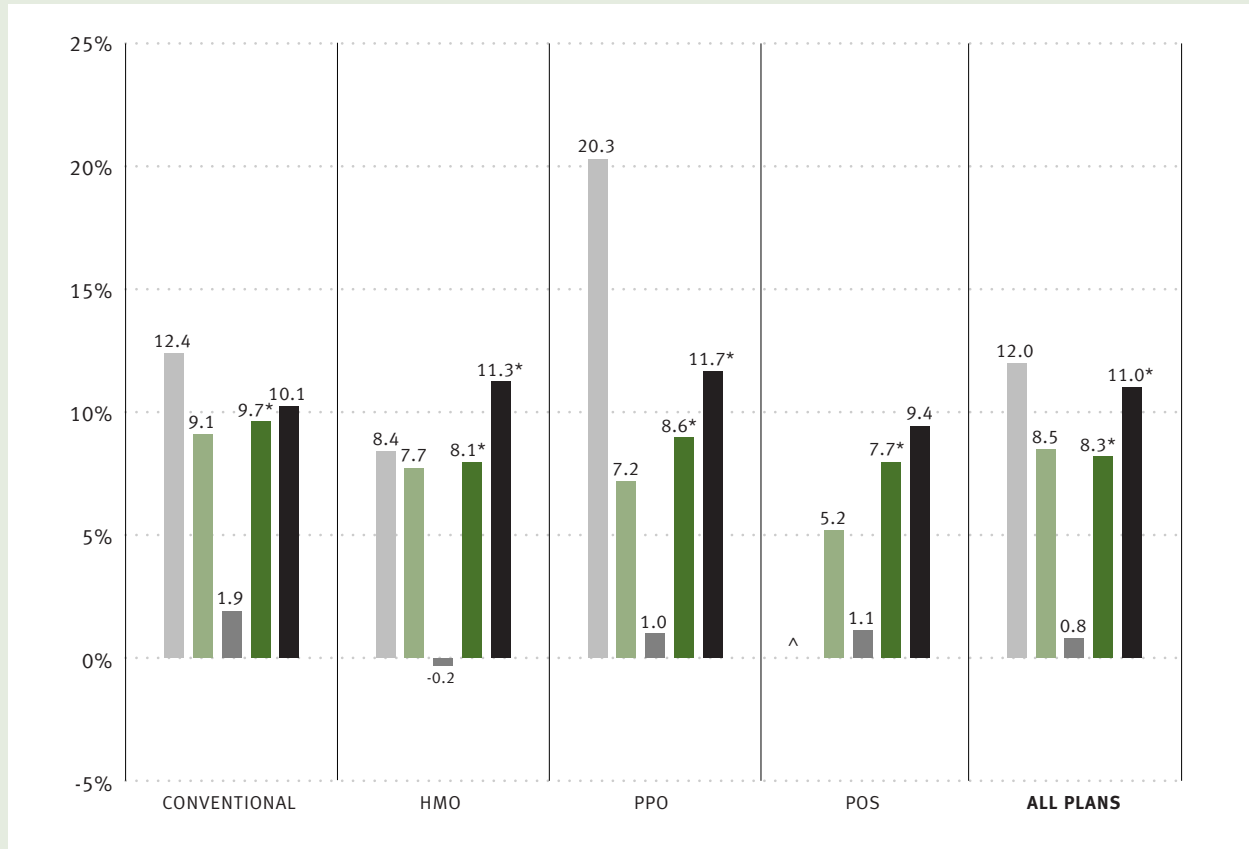
- *Sixty four percent of employers identified prescription drug expenses as contributing “a lot” to rising premiums and 57% identified hospital expenses. Among all large firms, 78% identified prescription drug expenses as contributing “a lot,” and 59% mentioned hospital costs.*
- *Fewer employers point to physician expenses (45%), higher insurance company profits (31%), medical technology (29%) and richer benefit packages (14%) as factors contributing to premium increases.*

MONTHLY PREMIUM COST OF SINGLE AND FAMILY COVERAGE

- ▶ The average monthly cost of single and family coverage in 2001 is \$221 and \$588 respectively (including both shares paid by employers and employees) (EXHIBIT 2.14). The most expensive plans on average are conventional plans costing \$238 for single coverage and \$640 for family coverage. HMO plans remain the lowest cost plans at \$200 for single coverage and \$545 for family coverage. The region with the highest average costs is the Northeast while the West has the lowest cost plans (EXHIBIT 2.17).
- *The majority of firms pay between \$150 and \$250 per month for single coverage and from \$500 to \$650 for family coverage, with a minority of companies paying substantially more or less than the average for all businesses (EXHIBIT 2.15).*
- *All small firms (3–199 workers) pay about 5% more than all large firms for single coverage, while all large firms pay somewhat more for family coverage (EXHIBIT 2.16). However, these comparisons do not control for a number of possible differences, including the health status of the covered population, richness of benefits, use of pre-existing condition clauses or patient cost sharing.*

EXHIBIT 2.1

Percentage Change in Health Insurance Premiums From Previous Year, by Plan Type, 1988–2001



SOURCE :

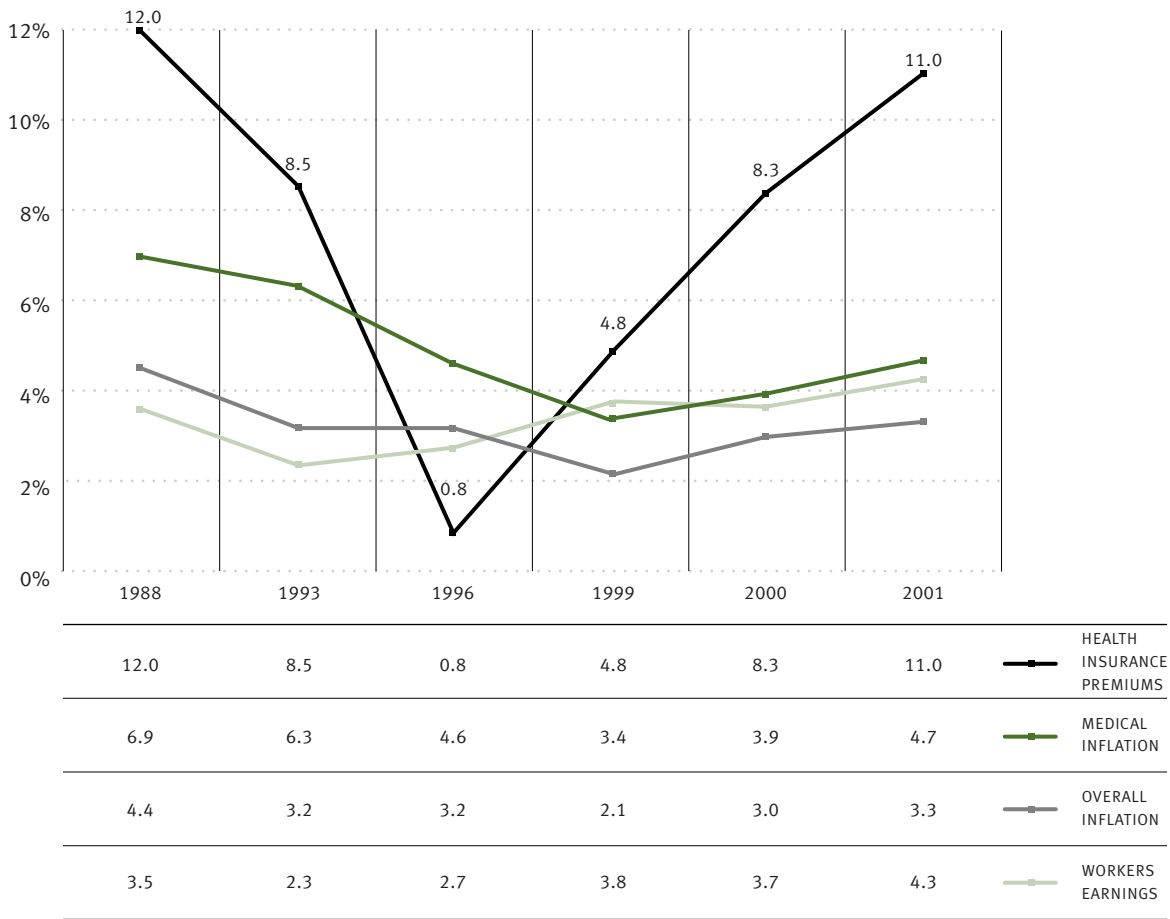
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

EXHIBIT 2.2

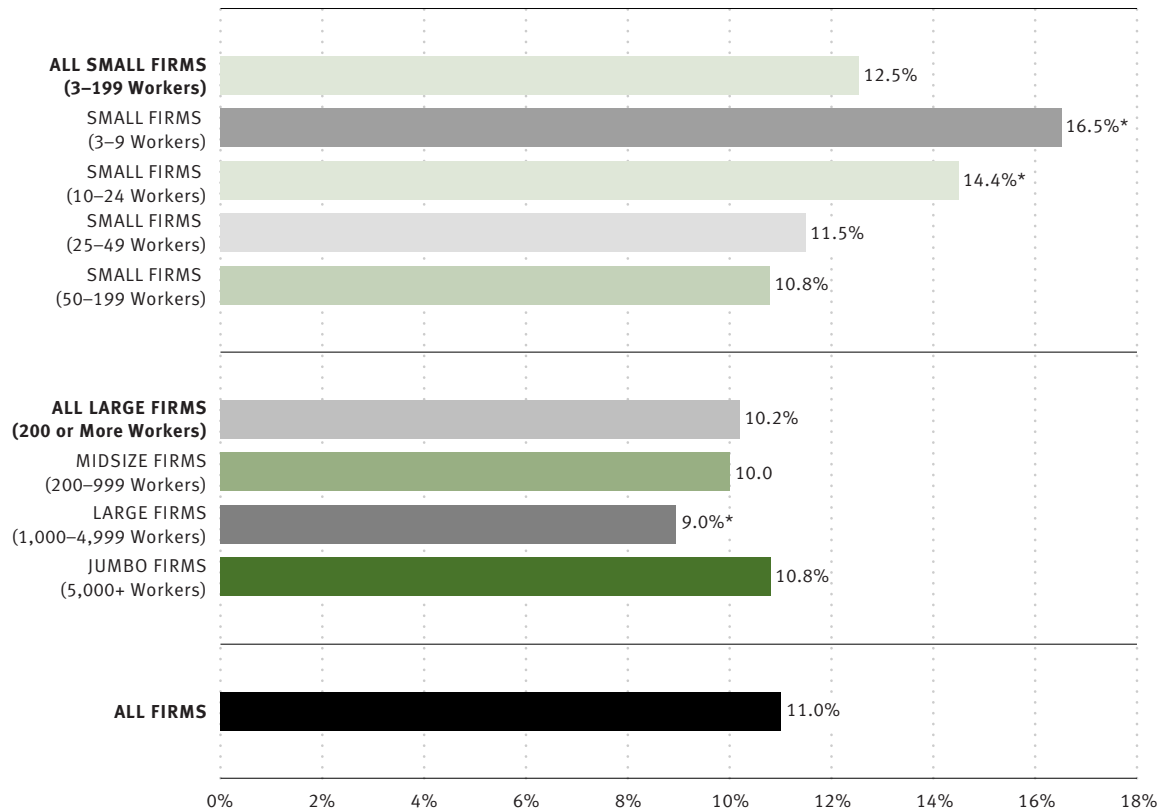
Increases in Health Insurance Premiums Compared to Other Indicators, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

EXHIBIT 2.3

Percentage Change in Premiums[^], by Firm Size, 2001

SOURCE :

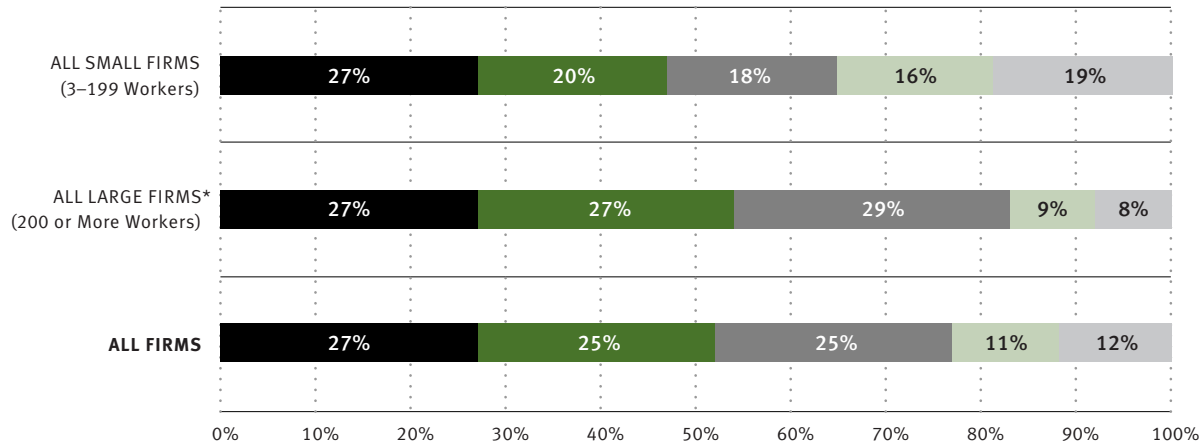
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Estimate is statistically different from All Firms.

[^] Applies to employer and employee share of premiums.

EXHIBIT 2.4

Distribution of Premium Increases, by Firm Size, 2001



■ 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%

SOURCE:

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

* Distribution is statistically different from All Firms.

EXHIBIT 2.5

Percentage Change in Premiums, by Firm Size and Plan Type, 2001

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plans</i>
FIRM SIZE					
Small (3–9 Workers)	NSD	NSD	19.3%*	NSD	16.5%*
Small (10–24 Workers)	NSD	10.7%	16.8*	12.2%	14.4*
Small (25–49 Workers)	NSD	8.6	10.6	13.5	11.5
Small (50–199 Workers)	12.2%	12.9	10.9	9.3	10.8
ALL SMALL FIRMS (3–199 WORKERS)	14.0	12.3	13.5	10.7	12.5
Midsize (200–999 Workers)	8.1%	10.0%	10.1%	10.3%	10.0%
Large (1,000–4,999 Workers)	5.5	10.2	9.6	6.7*	9.0*
Jumbo (5,000 or More Workers)	9.6	11.5	11.7	8.4	10.8
ALL LARGE FIRMS (200 OR MORE WORKERS)	8.8	11.0	10.8	8.5	10.2
ALL FIRM SIZES	10.1%	11.3%	11.7%	9.4%	11.0%

SOURCE :

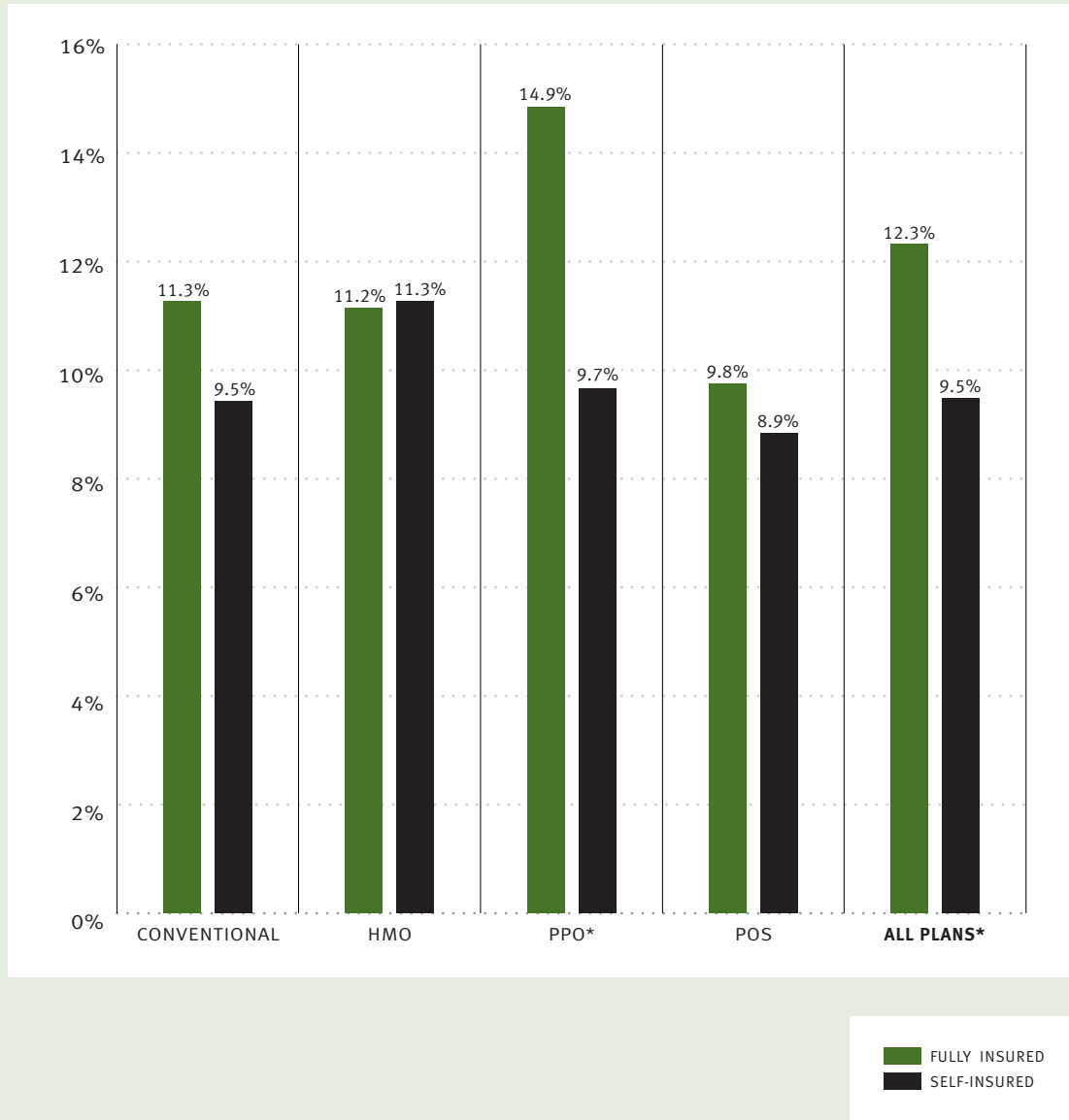
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Estimate is statistically different from All Firms within a plan type.

NSD: Not sufficient data.

EXHIBIT 2.6

Premium Increases, by Plan Type and Funding Arrangement, 2001



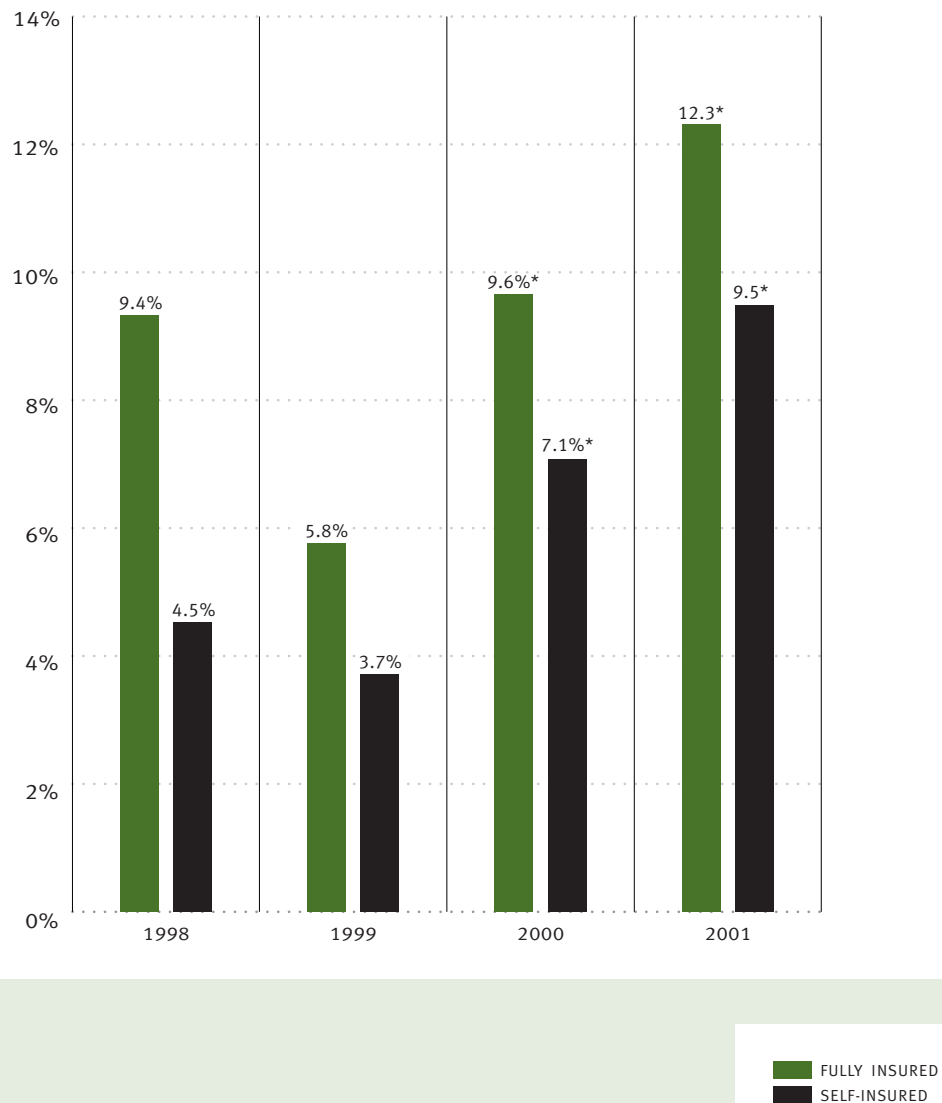
SOURCE :

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

* Estimates are statistically different between Fully Insured and Self-Insured within a plan type.

EXHIBIT 2.7

Premium Increases, by Funding Arrangement, 1998–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
 KPMG Survey of Employer-Sponsored Health Benefits: 1998.

* Estimate is statistically different from previous year shown: 1999–2000, 2000–2001.

EXHIBIT 2.8

Premium Increases, by Plan Type, 1988–2001

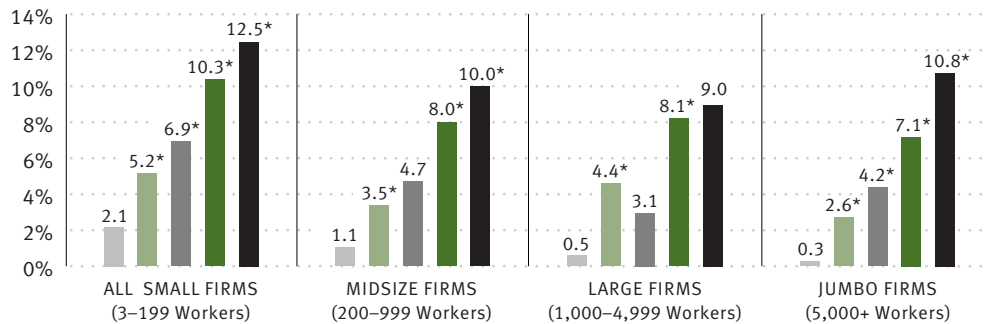


SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996, 1998.

EXHIBIT 2.9

Premium Increases, by Firm Size, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

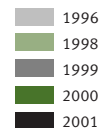
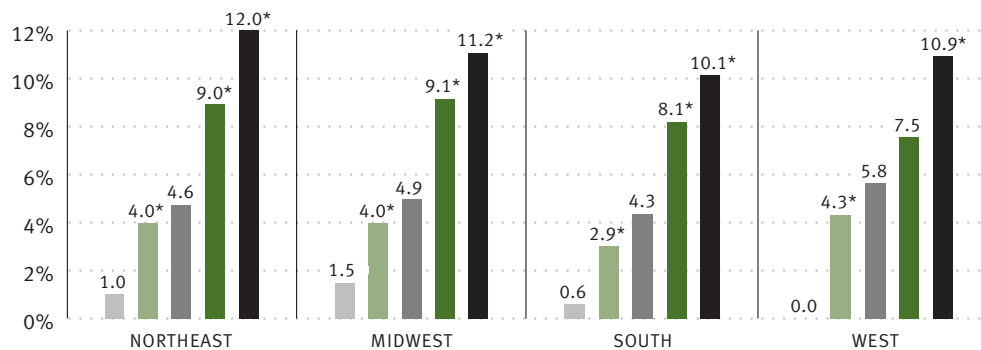


EXHIBIT 2.10

Premium Increases, by Region, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

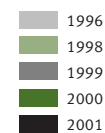
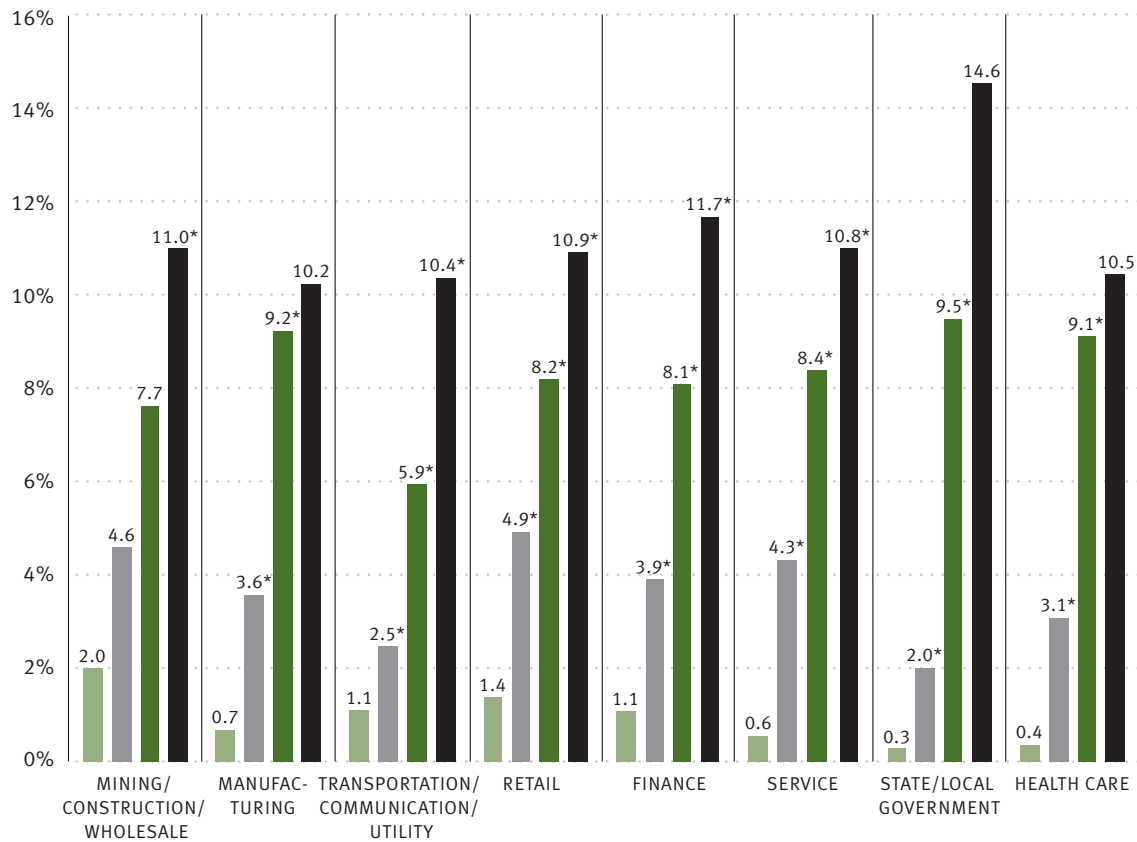


EXHIBIT 2.11

Premium Increases, by Industry, 1996–2001



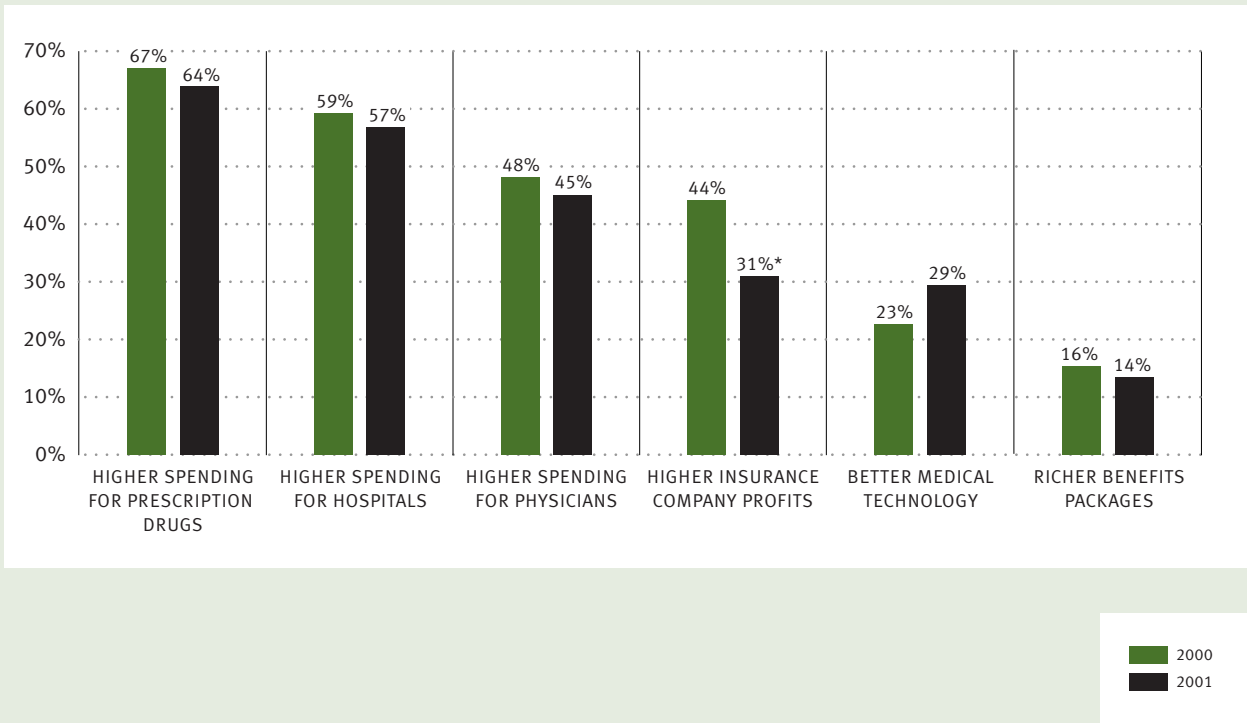
SOURCE :

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

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–2000, 2000–2001.

EXHIBIT 2.12

Percentage of All Firms That Report the Following Factors Contribute 'A Lot' to Increases in Health Insurance Premiums, 2000 and 2001



SOURCE :

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

* Estimate is statistically different from the previous year shown: 2000–2001.

EXHIBIT 2.13

Percentage of Firms That Feel the Following Factors Contribute to Increases in Health Insurance Premiums, by Firm Size, 2001

	<i>A Lot</i>	<i>Somewhat</i>	<i>Not Too Much</i>	<i>Not At All</i>	<i>Don't Know</i>
HIGHER SPENDING FOR PRESCRIPTION DRUGS					
All Small Firms (3–199 Workers)	64	30	2	1	2
All Large Firms (200 or More Workers)	78	18	1	0	2
ALL FIRMS	64%	30%	2%	1%	2%
HIGHER SPENDING FOR HOSPITALS					
All Small Firms (3–199 Workers)	57	33	6	1	3
All Large Firms (200 or More Workers)	59	35	5	0	1
ALL FIRMS	57%	33%	6%	1%	3%
HIGHER SPENDING FOR PHYSICIANS					
All Small Firms (3–199 Workers)	45	42	9	2	3
All Large Firms (200 or More Workers)	44	47	6	1	1
ALL FIRMS	45%	42%	9%	2%	3%
HIGHER INSURANCE COMPANY PROFITS					
All Small Firms (3–199 Workers)	31	49	9	4	7
All Large Firms (200 or More Workers)	26	49	17	4	4
ALL FIRMS	31%	49%	9%	4%	7%
BETTER MEDICAL TECHNOLOGY					
All Small Firms (3–199 Workers)	29	55	12	2	2
All Large Firms (200 or More Workers)*	45	48	4	1	2
ALL FIRMS	29%	55%	12%	2%	2%
RICHER BENEFITS PACKAGES					
All Small Firms (3–199 Workers)	14	38	21	20	7
All Large Firms (200 or More Workers)	17	45	23	12	3
ALL FIRMS	14%	38%	21%	20%	7%

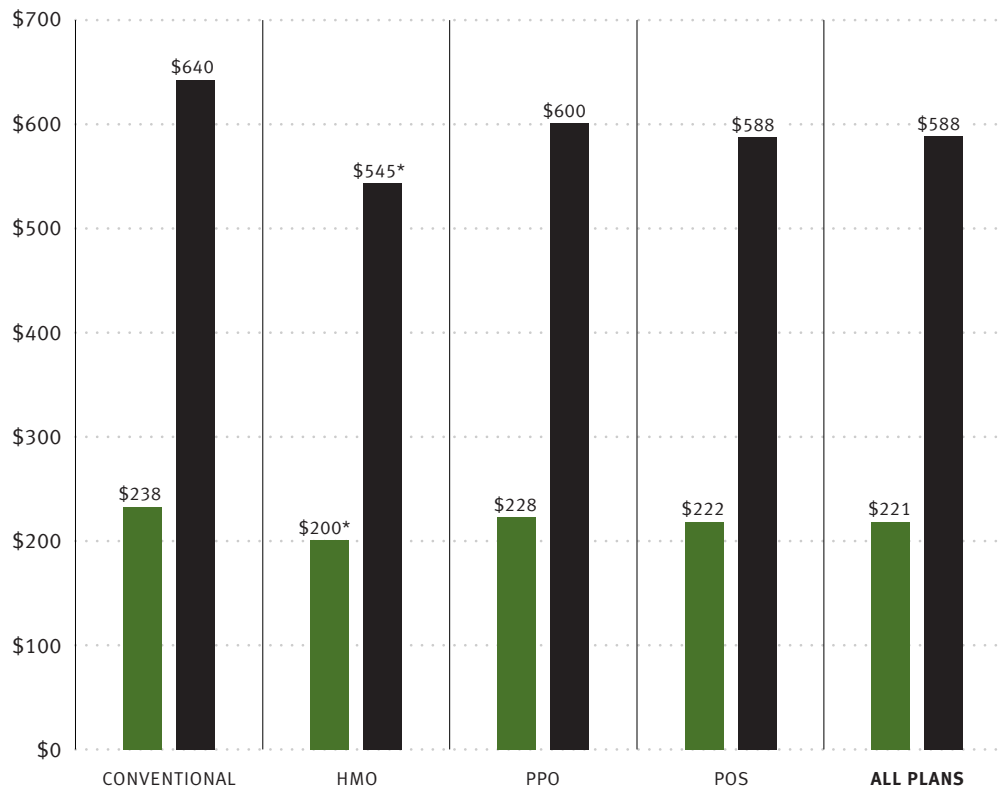
SOURCE:

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

* Distribution is statistically different from All Firms.

EXHIBIT 2.14

Average Monthly Premium Costs for Covered Workers, Single and Family Coverage, 2001



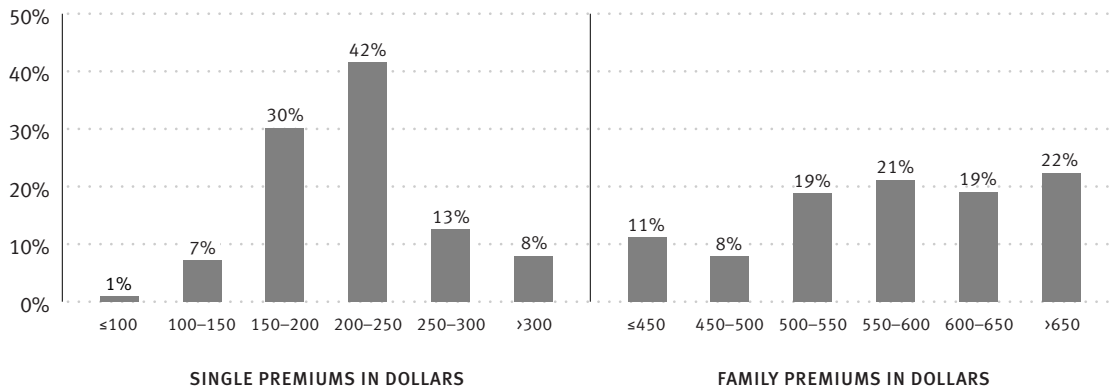
SOURCE :

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

* Estimate is statistically different from All Plans by coverage type.

EXHIBIT 2.15

Distribution of Single and Family Premiums for Covered Workers, 2001



SOURCE:

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

EXHIBIT 2.16 Continued on page 29

Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Firm Size, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Small (3–9 Workers)	NSD	NSD	NSD	NSD
Small (10–24 Workers)	NSD	NSD	NSD	NSD
Small (25–49 Workers)	NSD	NSD	NSD	NSD
Small (50–199 Workers)	\$246	\$633	\$2,954	\$7,597
ALL SMALL FIRMS (3–199 WORKERS)	241	612	2,892	7,348
Midsize (200–999 Workers)	256	603	3,069	7,236
Large (1,000–4,999 Workers)	205	549	2,455	6,583
Jumbo (5,000 or More Workers)	237	678	2,849	8,141
ALL LARGE FIRMS (200 OR MORE WORKERS)	236	650	2,837	7,797
ALL FIRM SIZES	\$238	\$640	\$2,851	\$7,685
HMO PLANS				
Small (3–9 Workers)	NSD	NSD	NSD	NSD
Small (10–24 Workers)	\$183	\$513	\$2,199	\$6,157
Small (25–49 Workers)	198	488*	2,371	5,860*
Small (50–199 Workers)	197	570	2,361	6,840
ALL SMALL FIRMS (3–199 WORKERS)	202	535	2,420	6,418
Midsize (200–999 Workers)	202	505*	2,419	6,061*
Large (1,000–4,999 Workers)	197	564	2,358	6,766
Jumbo (5,000 or More Workers)	201	553	2,406	6,634
ALL LARGE FIRMS (200 OR MORE WORKERS)	200	548	2,396	6,574
ALL FIRM SIZES	\$200	\$545	\$2,402	\$6,538
PPO PLANS				
Small (3–9 Workers)	\$219	\$526*	\$2,625	\$6,313*
Small (10–24 Workers)	241	587	2,886	7,047
Small (25–49 Workers)	224	595	2,689	7,142
Small (50–199 Workers)	247*	614	2,965*	7,365
ALL SMALL FIRMS (3–199 WORKERS)	239	591	2,865	7,093
Midsize (200–999 Workers)	232	607	2,784	7,285
Large (1,000–4,999 Workers)	228	591	2,731	7,098
Jumbo (5,000 or More Workers)	214	609	2,571	7,311
ALL LARGE FIRMS (200 OR MORE WORKERS)	222	604	2,665	7,254
ALL FIRM SIZES	\$228	\$600	\$2,730	\$7,202

EXHIBIT 2.16 Continued from page 28

Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans,
by Firm Size, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
POS PLANS				
Small (3–9 Workers)	NSD	NSD	NSD	NSD
Small (10–24 Workers)	\$217	\$564	\$2,609	\$6,769
Small (25–49 Workers)	209	568	2,505	6,819
Small (50–199 Workers)	220	573	2,635	6,881
ALL SMALL FIRMS (3–199 WORKERS)	222	564	2,665	6,773
Midsize (200–999 Workers)	221	594	2,647	7,130
Large (1,000–4,999 Workers)	233	621*	2,800	7,454*
Jumbo (5,000 or More Workers)	218	604	2,618	7,248
ALL LARGE FIRMS (200 OR MORE WORKERS)	222	606	2,669	7,269
ALL FIRM SIZES	\$222	\$588	\$2,667	\$7,059
ALL PLANS				
Small (3–9 Workers)	\$229	\$519*	\$2,742	\$6,230*
Small (10–24 Workers)	225	570	2,702	6,837
Small (25–49 Workers)	213	565	2,561	6,782
Small (50–199 Workers)	231	597	2,775	7,158
ALL SMALL FIRMS (3–199 WORKERS)	228	575	2,735	6,902
Midsize (200–999 Workers)	225	585	2,706	7,024
Large (1,000–4,999 Workers)	219	588	2,629	7,053
Jumbo (5,000 or More Workers)	213	600	2,562	7,196
ALL LARGE FIRMS (200 OR MORE WORKERS)	217	594	2,610	7,124
ALL FIRM SIZES	\$221	\$588	\$2,650	\$7,053

SOURCE:

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

* Estimate is statistically different from All Firms within a plan type.

NSD: Not sufficient data.

EXHIBIT 2.17

Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Region, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Northeast	\$239	\$631	\$2,873	\$7,576
Midwest	242	695	2,908	8,343
South	211*	541	2,528*	6,491
West	247	551	2,964	6,616
ALL REGIONS	\$238	\$640	\$2,851	\$7,685
HMO PLANS				
Northeast	\$215*	\$582*	\$2,586*	\$6,983*
Midwest	199	557	2,392	6,682
South	201	559	2,412	6,705
West	186	486*	2,228	5,832*
ALL REGIONS	\$200	\$545	\$2,402	\$6,538
PPO PLANS				
Northeast	\$232	\$668*	\$2,780	\$8,020*
Midwest	220	579	2,640	6,943
South	231	586	2,772	7,032
West	226	583	2,718	6,993
ALL REGIONS	\$228	\$600	\$2,730	\$7,202
POS PLANS				
Northeast	\$225	\$607	\$2,699	\$7,286
Midwest	218	591	2,621	7,094
South	224	571	2,685	6,855
West	219	576	2,631	6,918
ALL REGIONS	\$222	\$588	\$2,667	\$7,059
ALL PLANS				
Northeast	\$226	\$627*	\$2,715	\$7,529*
Midwest	219	594	2,633	7,127
South	223	576	2,676	6,914
West	210	540*	2,520	6,484*
ALL REGIONS	\$221	\$588	\$2,650	\$7,053

SOURCE :

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

* Estimate is statistically different from All Regions within a plan type.

EXHIBIT 2.18 Continued on page 32

Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans,
by Industry, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Mining/Construction/Wholesale	NSD	NSD	NSD	NSD
Manufacturing	\$215*	\$615	\$2,581*	\$7,376
Transportation/Communication/Utility	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	264	619	3,168	7,429
State/Local Government	332	623	3,980	7,482
Health Care	NSD	NSD	NSD	NSD
ALL INDUSTRIES	\$238	\$640	\$2,851	\$7,685
HMO PLANS				
Mining/Construction/Wholesale	\$193	\$528	\$2,311	\$6,341
Manufacturing	191	566	2,293	6,795
Transportation/Communication/Utility	192	523	2,307	6,272
Retail	174*	488*	2,084*	5,851*
Finance	197	560	2,366	6,717
Service	206	537	2,477	6,444
State/Local Government	217	545	2,600	6,542
Health Care	240	589*	2,886	7,067*
ALL INDUSTRIES	\$200	\$545	\$2,402	\$6,538
PPO PLANS				
Mining/Construction/Wholesale	\$228	\$593	\$2,740	\$7,120
Manufacturing	222	601	2,660	7,212
Transportation/Communication/Utility	235	593	2,816	7,116
Retail	207*	565	2,480*	6,778
Finance	246	632	2,952	7,581
Service	238	597	2,857	7,162
State/Local Government	207	644	2,482	7,728
Health Care	224	582	2,690	6,978
ALL INDUSTRIES	\$228	\$600	\$2,730	\$7,202

EXHIBIT 2.18 Continued from page 31

Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Industry, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
POS PLANS				
Mining/Construction/Wholesale	\$230	\$582	\$2,765	\$6,984
Manufacturing	216	588	2,594	7,059
Transportation/Communication/Utility	225	616	2,700	7,393
Retail	207*	565	2,487*	6,776
Finance	222	633*	2,664	7,599*
Service	223	569	2,677	6,826
State/Local Government	231	600	2,769	7,202
Health Care	237	627	2,842	7,522
ALL INDUSTRIES	\$222	\$588	\$2,667	\$7,059
ALL PLANS				
Mining/Construction/Wholesale	\$226	\$585	\$2,708	\$7,016
Manufacturing	213	593	2,552	7,115
Transportation/Communication/Utility	221	580	2,653	6,957
Retail	199*	545*	2,383*	6,542*
Finance	227	611	2,724	7,336
Service	227	575	2,729	6,904
State/Local Government	217	615	2,599	7,377
Health Care	240	642	2,885	7,698
ALL INDUSTRIES	\$221	\$588	\$2,650	\$7,053

SOURCE :

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

* Estimate is statistically different from All Industries within a plan type.

NSD: Not sufficient data.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Health Benefits Offer Rates

SECTION

3

HEALTH BENEFITS OFFER RATES

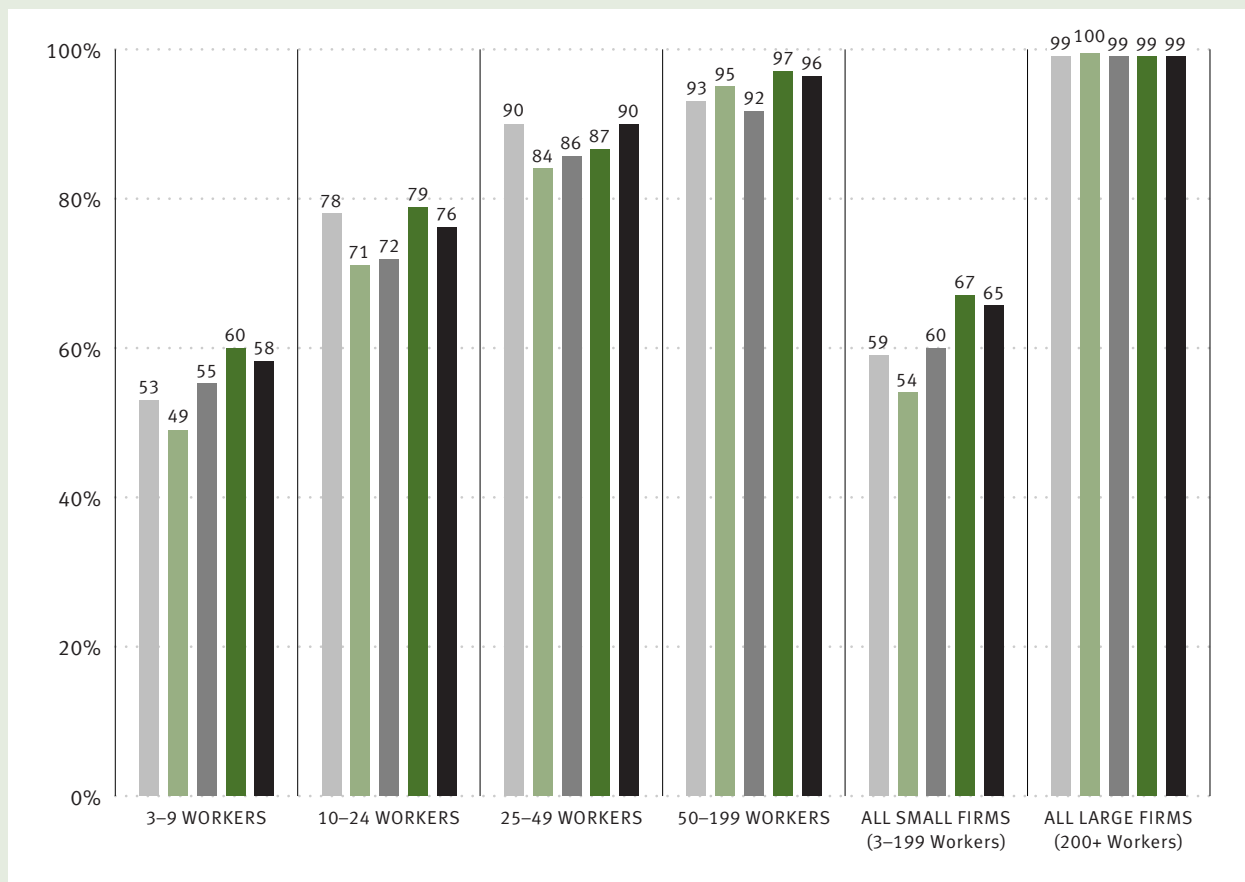
1999 AND 2000 WITNESSED A RISE IN HEALTH INSURANCE COVERAGE OFFERED BY ALL SMALL FIRMS (3-199 WORKERS), BUT THAT GROWTH APPEARS TO HAVE BEEN BRIEF. MOST LIKELY AS A RESULT OF THE INCREASING COST OF HEALTH COVERAGE AND THE SLOWING ECONOMY, THE PERCENTAGE OF ALL SMALL FIRMS OFFERING HEALTH INSURANCE FELL SLIGHTLY (THOUGH NOT STATISTICALLY SIGNIFICANTLY) IN 2001 TO 65%, FROM 67% LAST YEAR. WHILE VIRTUALLY ALL LARGE BUSINESSES (THOSE WITH 200 OR MORE WORKERS) OFFER HEALTH INSURANCE TO THEIR EMPLOYEES, SMALLER COMPANIES REMAIN LESS LIKELY TO PROVIDE COVERAGE. WHETHER THE EXPERIENCE IN 2001 REPRESENTS THE BEGINNING OF A DECLINE IN THE AVAILABILITY OF EMPLOYER-SPONSORED HEALTH INSURANCE WILL DEPEND NOT ONLY ON THE STATE OF THE ECONOMY, BUT ALSO ON WHETHER HEALTH INSURANCE PREMIUM INCREASES CONTINUE TO ESCALATE.

- ▶ The percentage of all small firms (3-199 workers) offering health insurance to their employees increased from 54% in 1998 to 67% in 2000, only to dip in 2001 to 65%, though the change was not statistically significant (EXHIBIT 3.1).
- ▶ Whether or not businesses offer health benefits to their workers varies considerably by their size, the wages they pay, the industry they are in, and employee turnover.
- *Lack of the availability of health insurance is concentrated in the smallest of firms. While 58% of firms with 3-9 workers offered coverage in 2001, that figure jumps to 76% for firms with 10-24 employees and 90% for companies with 25-49 employees. For firms with 50 or more employees, nearly all offer coverage (EXHIBIT 3.1).*
- *Firms are also more likely to provide health coverage if they pay higher wages to their workers. Only about half (52%) of all small firms (3-199 workers) with a large number of low-wage workers offer health benefits, while two-thirds (68%) of all small firms with fewer low-wage workers do so. (Lower wage firms are those where 35% or more of the workers earn \$20,000 or less per year, and higher wage firms represent the remainder of companies) (EXHIBIT 3.3).*

- Among all small firms (3–199 workers) health insurance offer rates vary substantially by industry as well, from a low of 47% among small finance firms to a high of 97% in government and 88% in the communications sector (EXHIBIT 3.4).
 - In firms with the highest employee attrition (where 50% or more of employees leave the business in a given year) offer rates are significantly lower. Thirty-three percent of these firms offer coverage to their workers, compared to 68% among companies where fewer employees leave their jobs (EXHIBIT 3.5).
 - ▶ Cost is the most important factor cited by small employers for not offering health insurance (EXHIBIT 3.6).
 - 64% of all small firms (3–199 workers) who do not offer coverage cite high premiums as a very important reason for not doing so. Other factors cited as important by many employers: the fact that employees may be covered elsewhere (56% say it's very important); the company can attract good employees without offering health insurance (30% say very important); and the fact that the administrative hassle is too great (22% say very important).
 - ▶ Some have suggested that employers could better control costs by moving to a “defined contribution” approach for health benefits, where (in the extreme) employees are given cash to buy health insurance on their own rather than selecting among plans the employer has contracts with. Though there have been anecdotal reports of employers considering such a change, the vast majority of employer respondents say it is unlikely they will do so in the next five years—6% of firms say it is “very likely” and 18% say it is “somewhat likely” (EXHIBIT 3.7).
- Small firms are somewhat more likely to say they are considering moving to a defined contribution approach than larger firms—24% of firms with 3–199 workers say they are very or somewhat likely to make such a change, compared to 13% of larger companies.

EXHIBIT 3.1

Percentage of Firms Offering Health Benefits, by Firm Size, 1996–2001*



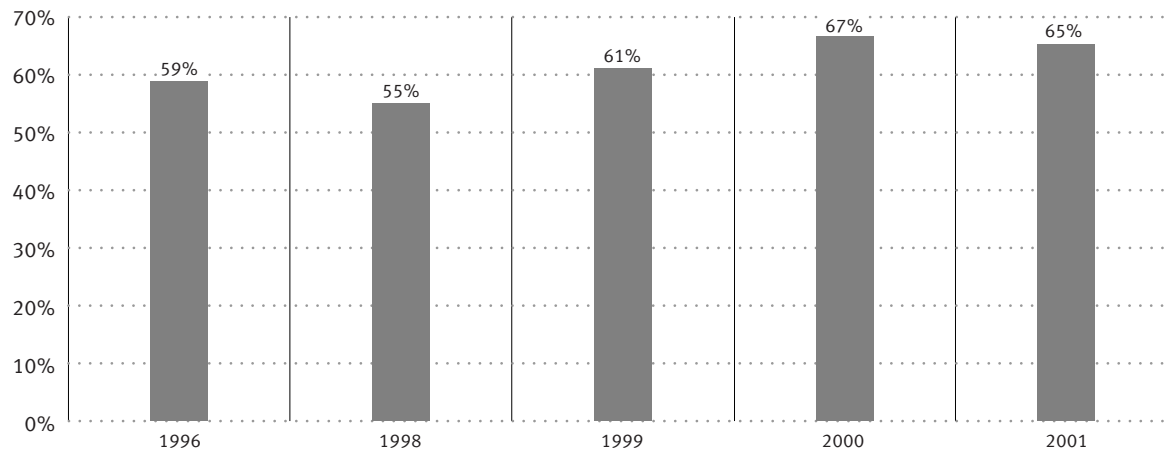
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Tests found no statistically different estimates from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

EXHIBIT 3.2

Percentage of All Firms Offering Health Benefits, 1996–2001*



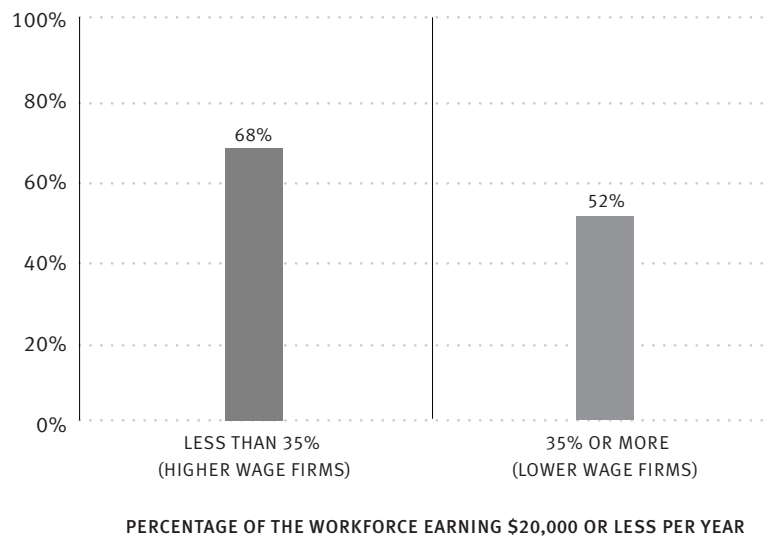
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Tests found no statistically different estimates from the previous year shown:
1996–1998, 1998–1999, 1999–2000, 2000–2001.

EXHIBIT 3.3

Percentage of All Small Firms (3–199 Workers) in Which Workers Are Offered Health Insurance, by Percentage of Workforce That is Low Wage, 2001*



SOURCE :

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

* Estimate found no statistically different estimates from All Firms.

EXHIBIT 3.4

Percentage of All Small Firms (3–199 Workers) in Which Workers Are Offered Health Insurance, by Region and Industry, 2001

REGION	
Northeast	62%
Midwest	65
South	64
West	67
INDUSTRY	
Mining/Construction/Wholesale	71%
Manufacturing	59
Transportation/Communication/Utility	88*
Retail	62
Finance	47*
Service	62
State/Local Government	97*
Health Care	77
ALL REGIONS AND INDUSTRIES	65%

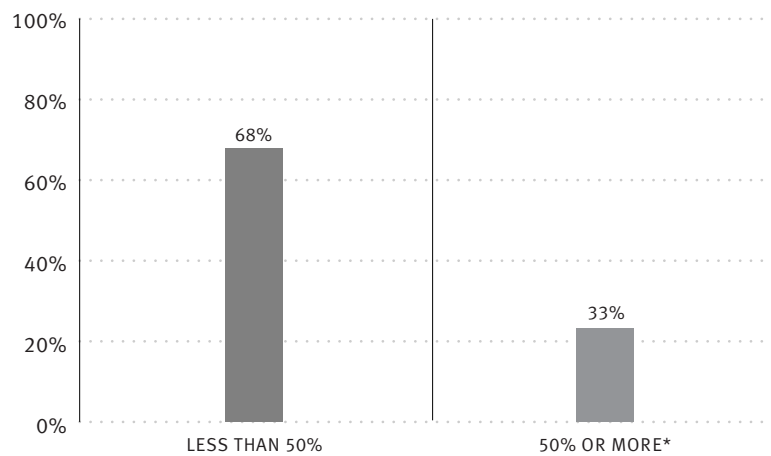
SOURCE :

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

* Estimate is statistically different from All Regions and Industries.

EXHIBIT 3.5

Percentage of Firms in Which Workers Are Offered Health Insurance, by Percentage of Workers That Left the Business in the Last Year, 2001



PERCENTAGE OF THE WORKFORCE THAT LEFT THE BUSINESS IN THE LAST YEAR

SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 3.6

All Small Firms' (3–199 Workers) Reasons for Not Offering Health Insurance, 2001

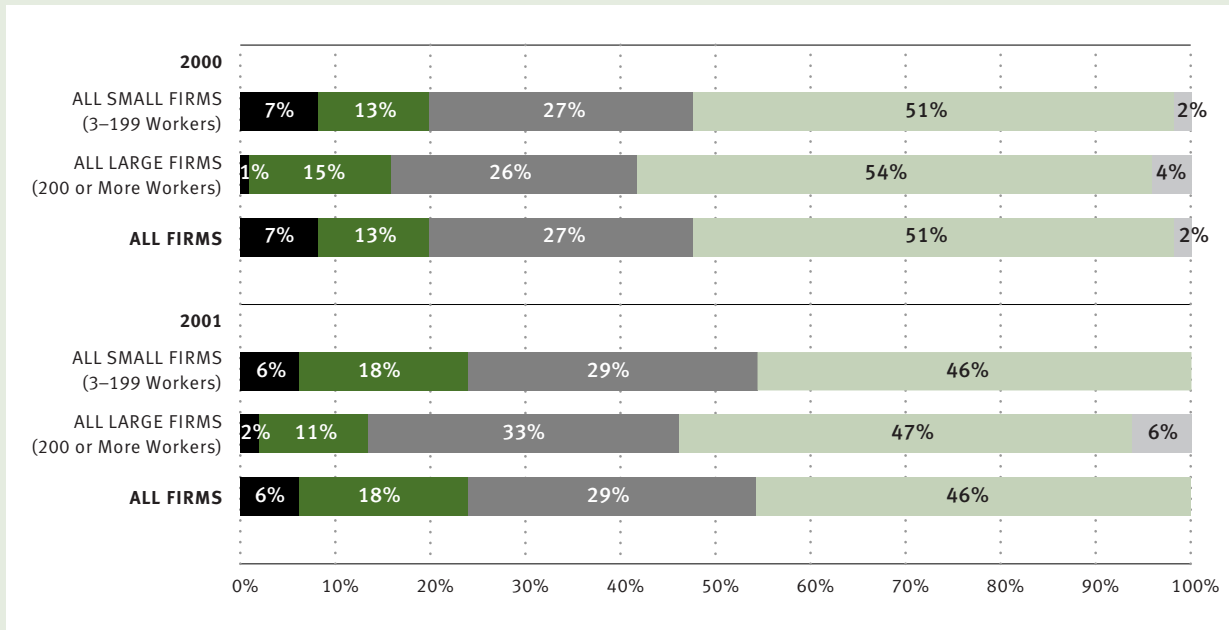
	<i>Very Important</i>	<i>Somewhat Important</i>	<i>Not Too Important</i>	<i>Not At All Important</i>	<i>Don't Know</i>
HIGH PREMIUMS	64%	9%	10%	15%	3%
EMPLOYEES COVERED ELSEWHERE	56%	15%	10%	17%	2%
HIGH TURNOVER	21%	10%	12%	54%	3%
COMPANY CAN'T QUALIFY FOR GROUP RATES	22%	15%	8%	41%	15%
OBTAIN GOOD EMPLOYEES WITHOUT OFFERING A HEALTH PLAN	30%	25%	11%	32%	2%
ADMINISTRATIVE HASSLE	22%	9%	18%	46%	5%
FIRM TOO NEWLY ESTABLISHED	6%	5%	4%	83%	2%

SOURCE :

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

EXHIBIT 3.7

Likelihood of Employers Switching to Defined Contribution for Health Benefits in the Next Five Years, by Firm Size, 2000 and 2001*



VERY LIKELY
 SOMEWHAT LIKELY
 SOMEWHAT UNLIKELY
 VERY UNLIKELY
 DON'T KNOW

SOURCE :

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

* Tests found no statistically different distribution from All Firms by year.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Employee
Coverage,
Eligibility, and
Participation

SECTION

4

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

APPROXIMATELY 63% OF ALL EMPLOYEES IN FIRMS OFFERING AND NOT OFFERING HEALTH INSURANCE (INCLUDING BOTH FULL AND PART-TIME WORKERS) HAVE HEALTH INSURANCE COVERAGE THROUGH THEIR OWN EMPLOYER (EXHIBIT 4.1). WHILE OTHER WORKERS MAY HAVE COVERAGE THROUGH THEIR SPOUSE'S JOB, MANY DO NOT HAVE THAT OPTION. ESTIMATES FROM CENSUS BUREAU DATA INDICATE THAT NEARLY ONE IN FIVE WORKERS ARE UNINSURED.

MANY WORKERS ARE UNINSURED BECAUSE THEIR EMPLOYERS DO NOT OFFER HEALTH BENEFITS, PARTICULARLY IN SMALL BUSINESSES. YET, EVEN IN BUSINESSES THAT OFFER COVERAGE, SOME EMPLOYEES ARE INELIGIBLE FOR THAT COVERAGE OR DO NOT SIGN UP BECAUSE THEY MUST PAY A SIGNIFICANT SHARE OF THE PREMIUM. THIS YEAR, ELIGIBILITY AND COVERAGE REMAINED STABLE, AND THERE WERE INCREASES IN THE PERCENTAGE OF ELIGIBLE EMPLOYEES SIGNING UP FOR COVERAGE IN SMALL BUSINESSES. IN ADDITION, NEW QUESTIONS ON THE PERCENTAGE OF EMPLOYEES WHO ELECT SINGLE VERSUS FAMILY COVERAGE SUGGEST THAT THERE MAY BE A RELATIONSHIP BETWEEN FIRM SIZE AND COVERAGE SELECTION.

- ▶ Among firms offering health benefits, the percentage of the firm's workers participating in the company health plan has increased slightly (though not statistically significantly) this year from 65% to 67% (EXHIBIT 4.2). Coverage rates stabilized last year and increased this year due primarily to an increase in the percentage of employees in small firms who elect insurance coverage for which they are eligible. This may be due to the fact that monthly employee contributions for single coverage have remained unchanged over the past year, and have declined in nominal and real terms since 1996.
- ▶ Not all employees are eligible for their firm's health benefits and not all who are eligible choose to participate in them. Therefore, how many workers are 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., participate in) this benefit (EXHIBIT 4.3).
 - Eighty-three percent of all small firms' (3–199 workers) employees and 78% of all large firms' employees are eligible for health benefits, virtually unchanged from last year.
- Participation (the take-up rate) is high across all firm sizes, and increased from 81% in 2000 to 84% among all small firms (3–199 workers) this year. Overall, take-up has remained statistically unchanged (83% this year, compared to 81% in 2000). Coverage rates do not differ substantially by firm size, but do vary by industry and region, due in great part to differences in eligibility (EXHIBIT 4.4).

- ▶ This year showed no change in eligibility for health benefits for part-time workers and a slight decrease in availability for temporary employees (EXHIBIT 4.6, 4.7).
- *Forty-nine percent of workers are in firms where part-time workers are eligible for health benefits, the same as last year. Part-time workers in all large firms (200 or more workers) were nearly twice as likely to work for firms that make them eligible for health coverage (58%) as compared to workers employed by all small firms (3–199 workers) (27%).*
- *The percentage of workers in firms where temporary workers are eligible for health benefits has decreased somewhat, from 10% in 2000 to 6% in 2001.*
- ▶ Some new employees may not have worked long enough in a firm to qualify for health benefits. Average waiting periods for health coverage range from 1.2 months in jumbo firms (5,000 or more workers) to 2.4 months in small firms (3–9 workers) (EXHIBIT 4.8).
- ▶ Among firms that offer health benefits, eligibility rates, take-up rates – and, consequently, coverage rates – are all lower in low-wage firms (EXHIBIT 4.9).
 - *Fifty-five percent of employees in low-wage firms (where 35% or more of the workers earn \$20,000 or less per year) are covered through their own employer, compared with 71% of workers in high-wage firms (where less than 35% of the workers earn \$20,000 or less per year). Higher coverage rates in high-wage firms that offer health benefits are a function of both higher eligibility rates and higher take-up rates.*
- ▶ Part of the reason workers in low-wage firms have lower take-up rates may be because they are required to pay a greater share of the premium for family coverage – an average of 38% of the premium, compared with 25% paid by workers in high-wage firms (see EXHIBIT 7.9 in section 7). A large majority (76%) of eligible workers in low-wage firms participate in their company's health benefits, but the figure is lower than participation among workers in high-wage firms (85%) (EXHIBIT 4.9).
- ▶ Workers eligible for health coverage generally have the option to choose coverage for themselves or for their dependents as well (though the cost to the worker of covering dependents is generally higher than for only single coverage).
 - *Overall, 44% of covered workers choose single coverage, 15% enroll themselves plus one dependent, and 41% choose family coverage (EXHIBIT 4.10).*
 - *Workers in all small firms (3–199 employees) are somewhat more likely to choose single coverage (50%) than workers in larger firms (41%). This may be due in part to the fact that the amounts small firms contribute towards single coverage are comparable to large firms, but contributions towards family coverage are higher among larger businesses.*
- ▶ Eighteen percent of workers offered health benefits had the option of signing up a domestic partner as a dependent, statistically unchanged from 2000 (EXHIBIT 4.11, 4.12). Among firms offering domestic partner benefits, on average 5% of workers in these firms sign up for domestic partner benefits, approximately 300,000 workers.

EXHIBIT 4.1

Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1996–2001*

	1996	1998	1999	2000	2001
FIRM SIZE					
3–9 Workers	36%	31%	42%	41%	41%
10–24 Workers	52	43	53	56	54
25–49 Workers	66	55	56	64	63
50–199 Workers	64	63	60	65	69
200–999 Workers	N/A	N/A	66	70	71
1,000–4,999 Workers	N/A	N/A	63	68	69
5,000 or More Workers	N/A	N/A	68	62	63
ALL SMALL FIRMS (3–199 WORKERS)	52%	47%	52%	57%	59%
ALL LARGE FIRMS (200 OR MORE WORKERS)	N/A	N/A	66%	64%	66%
ALL FIRMS	N/A	N/A	62%	62%	63%

SOURCE :

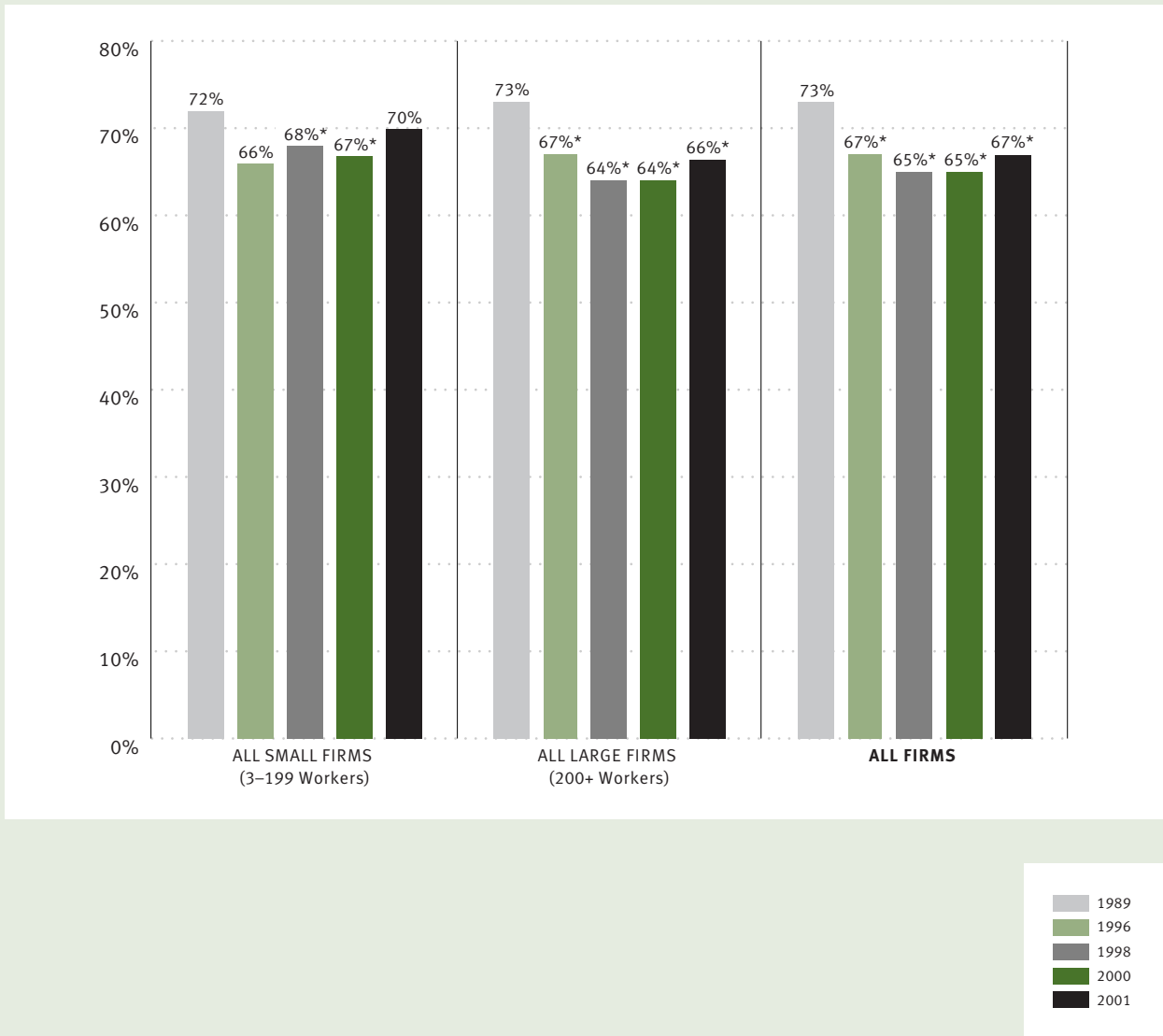
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Surveys of Employer-Sponsored Health Benefits: 1996, 1998.

* Tests found no statistically different estimates from the previous year shown:
1999–2000, 2000–2001.

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

EXHIBIT 4.2

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employer's Health Plan, by Firm Size, 1989–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1989, 1996, 1998.

* Estimate is statistically different from 1989 estimate; no statistical differences in estimates for the following years: 1996–1998, 1998–2000, 2000–2001.

EXHIBIT 4.3

Eligibility, Take-Up Rates, and Coverage, by Firm Size, Region, and Industry, 2001

	<i>Percentage of Workers Eligible for Health Insurance</i>	<i>Take-Up Rate</i>	<i>Percentage of Workers Covered by Health Insurance</i>
FIRM SIZE			
Small (3–9 Workers)	82%	86%	69%
Small (10–24 Workers)	90*	77*	69
Small (25–49 Workers)	83	84	69
Small (50–199 Workers)	82	86	71
ALL SMALL FIRMS (3–199 WORKERS)	83	84	70
Midsize (200–999 Workers)	82	86	71
Large (1,000–4,999 Workers)	81	84	69
Jumbo (5,000 or More Workers)	75	82	63
ALL LARGE FIRMS (200 OR MORE WORKERS)	78%	83%	66%
REGION			
Northeast	84%*	85%	71%
Midwest	79	85	68
South	79	82	66
West	74	84	63
INDUSTRY			
Mining/Construction/Wholesale	89%*	85%	75%*
Manufacturing	90*	89*	80*
Transportation/Communication/Utility	87	92*	80*
Retail	52*	72*	38*
Finance	89*	86	77*
Service	80	84	68
State/Local Government	88	83	73
Health Care	75	81	61*
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	80%	83%	67%

SOURCE :

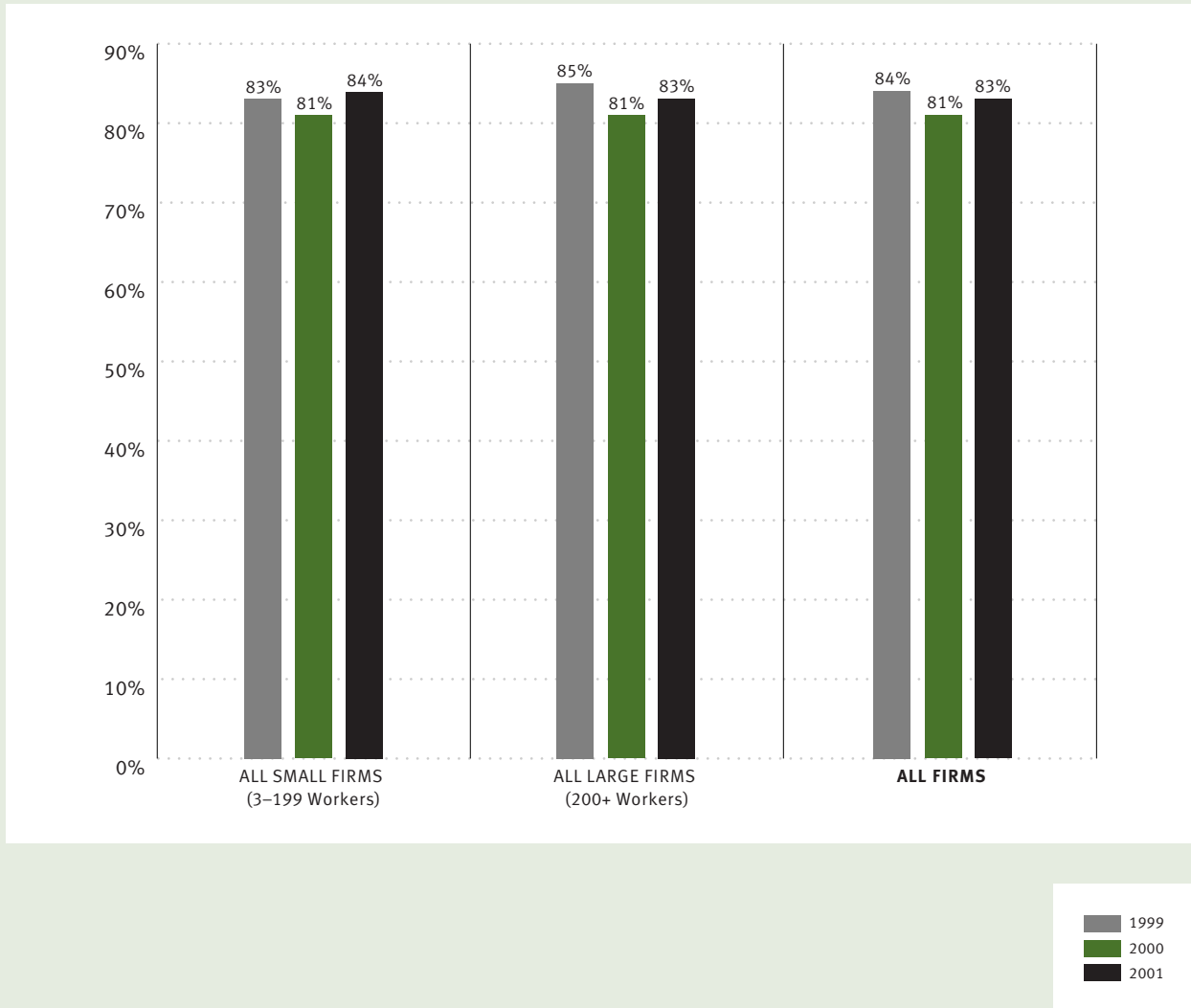
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Estimate is statistically different from All Firms.

Take-Up rate is the percentage of eligible workers who choose to participate in health benefits offered by their employer.

EXHIBIT 4.4

Percentage of Workers in Firms Offering Health Benefits Who Participate in Their Employer's Health Plan, by Firm Size, 1999, 2000 and 2001*



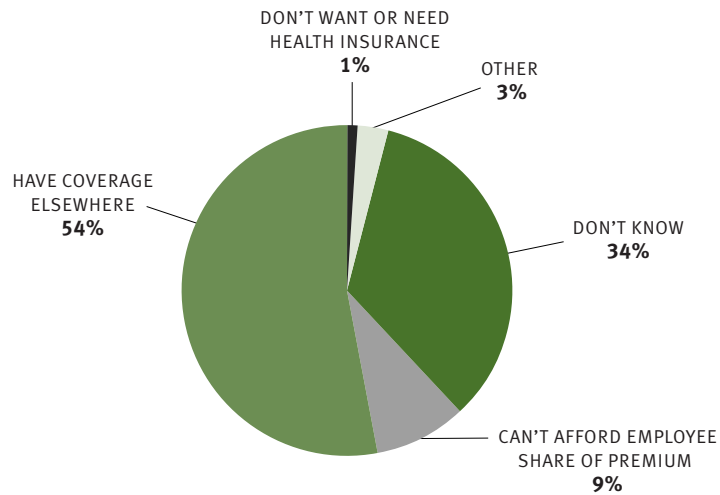
SOURCE :

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

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

EXHIBIT 4.5

Most Common Reason Cited by Firms as to Why Workers Decline Coverage for Which They Are Eligible, 2001

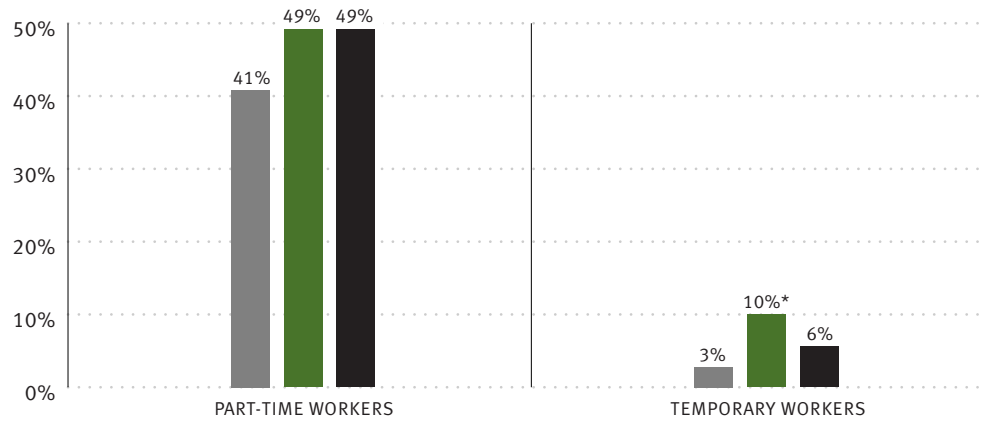


SOURCE :

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

EXHIBIT 4.6

Percentage of Workers Employed in Firms That Offer Part-Time and Temporary Workers Health Coverage, 1999, 2000 and 2001



1999
2000
2001

SOURCE :

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

* Estimate is statistically different from the previous year shown: 1999–2000, 2000–2001.

EXHIBIT 4.7

Percentage of Workers Employed in Firms That Offer Part-Time and Temporary Workers Health Coverage, by Firm Size, Region, and Industry, 2001

	<i>Part-Time</i>	<i>Temporary</i>
FIRM SIZE		
Small (3–9 Workers)	15%*	5%
Small (10–24 Workers)	29*	6
Small (25–49 Workers)	31*	5
Small (50–199 Workers)	29*	1*
ALL SMALL FIRMS (3–199 WORKERS)	27*	3*
Midsize (200–999 Workers)	42	7
Large (1,000–4,999 Workers)	56	10
Jumbo (5,000 or More Workers)	65*	6
ALL LARGE FIRMS (200 OR MORE WORKERS)	58%*	7%
REGION		
Northeast	56%	7%
Midwest	49	5
South	43	6
West	50	7
INDUSTRY		
Mining/Construction/Wholesale	28%*	6%
Manufacturing	47	4
Transportation/Communication/Utility	46	1*
Retail	38	2*
Finance	57	4
Service	51	10
State/Local Government	79*	18
Health Care	67*	4
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	49%	6%

SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 4.8

Average Waiting Period for Health Coverage, by Firm Size, Region, and Industry, 2001

	<i>Average Wait for Health Coverage (Months)</i>
FIRM SIZE	
Small (3–9 Workers)	2.4*
Small (10–24 Workers)	2.3*
Small (25–49 Workers)	2.1*
Small (50–199 Workers)	1.9
ALL SMALL FIRMS (3–199 WORKERS)	2.1*
Midsized (200–999 Workers)	1.7
Large (1,000–4,999 Workers)	1.4
Jumbo (5,000 or More Workers)	1.2*
ALL LARGE FIRMS (200 OR MORE WORKERS)	1.4
REGION	
Northeast	1.6
Midwest	1.7
South	1.5
West	1.6
INDUSTRY	
Mining/Construction/Wholesale	2.1
Manufacturing	1.8
Transportation/Communication/Utility	1.6
Retail	2.2*
Finance	1.3
Service	1.1*
State/Local Government	1.7
Health Care	1.7
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	1.6 MONTHS

SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 4.9

Health Benefits Coverage, Eligibility, and Take-Up Rate, by Percentage of Workforce That is Low Wage, 2001

	<i>Percentage of Workers Covered by Health Insurance</i>	<i>Percentage of Workers Eligible for Health Insurance</i>	<i>Take-Up Rate</i>
PERCENT OF WORKFORCE EARNING \$20,000 OR LESS PER YEAR			
Less Than 35% (Higher Wage Firms)	71%	82%	85%
35% or More (Lower Wage Firms)	55%*	70%	76%*

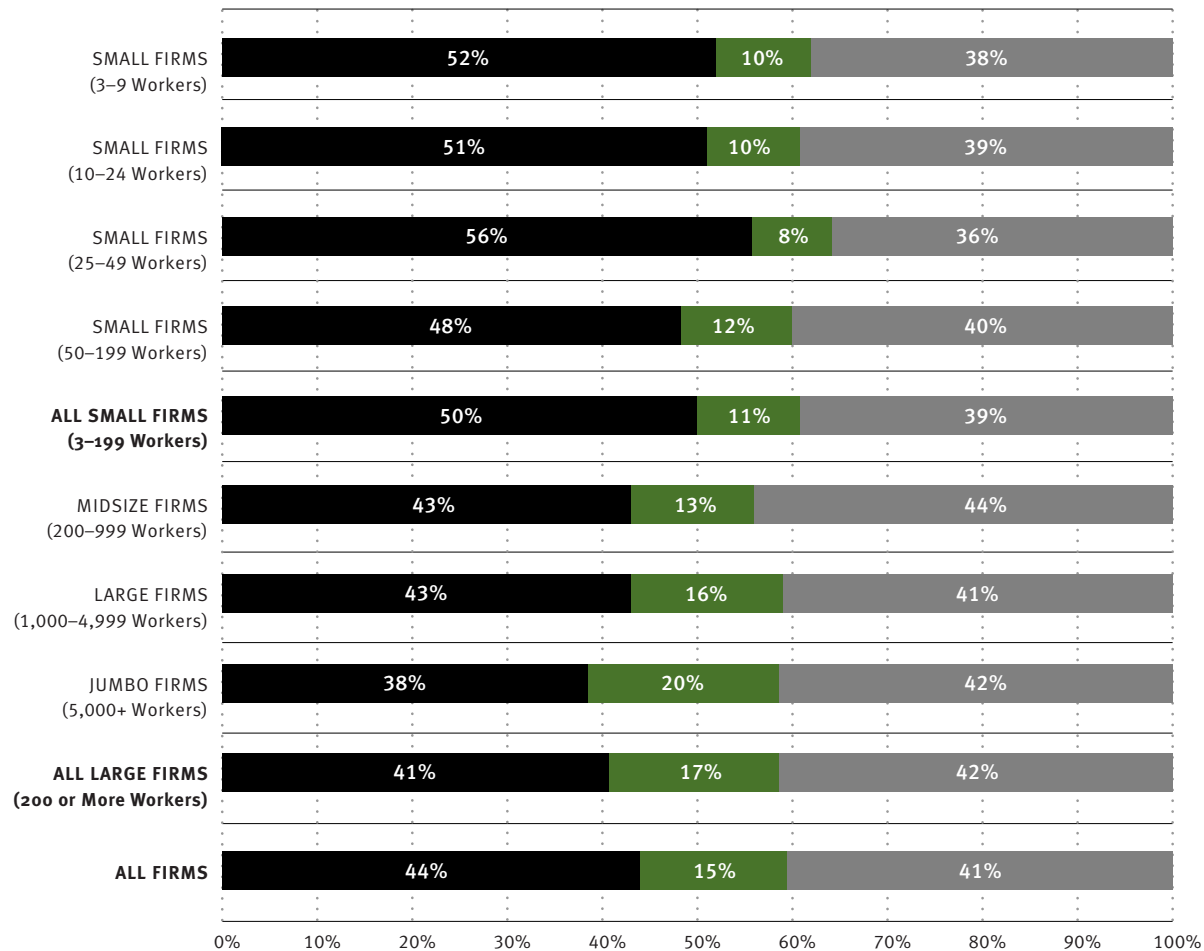
SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 4.10

Percent of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001



SOURCE:

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

EXHIBIT 4.11

Percentage of Workers Employed in Firms That Offer Nontraditional Partners Health Coverage, by Firm Size, Region, and Industry, 2001

	<i>Nontraditional Partners</i>
FIRM SIZE	
Small (3–9 Workers)	7%*
Small (10–24 Workers)	17
Small (25–49 Workers)	9*
Small (50–199 Workers)	8*
ALL SMALL FIRMS (3–199 WORKERS)	9*
Midsized (200–999 Workers)	15
Large (1,000–4,999 Workers)	12
Jumbo (5,000 or More Workers)	28
REGION	
Northeast	25%
Midwest	21
South	11
West	19
INDUSTRY	
Mining/Construction/Wholesale	10%*
Manufacturing	24
Transportation/Communications/Utility	19
Retail	14
Finance	29
Service	17
State/Local Government	16
Health Care	11
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	18%

SOURCE :

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

* Estimate is statistically different from All Firms.

Nontraditional partners: unmarried heterosexual and same-sex couples who live together.

EXHIBIT 4.12

Percentage of Workers Employed in Firms That Offer Same Sex and Unmarried Heterosexual Couples Health Coverage, by Firm Size, Region, and Industry, 2001

	<i>Same Sex Couples Eligible</i>	<i>Unmarried Heterosexual Couples Eligible</i>
FIRM SIZE		
Small (3–9 Workers)	6%*	3%*
Small (10–24 Workers)	13	13
Small (25–49 Workers)	5*	7
Small (50–199 Workers)	5*	6*
ALL SMALL FIRMS (3–199 WORKERS)	7*	6*
Midsize (200–999 Workers)	11	12
Large (1,000–4,999 Workers)	11	7
Jumbo (5,000 or More Workers)	28	16
REGION		
Northeast	23%	15%
Midwest	19	9
South	9	9
West	18	14
INDUSTRY		
Mining/Construction/Wholesale	8%*	7%
Manufacturing	22	10
Transportation/Communication/Utility	16	12
Retail	13	10
Finance	28	25
Service	15	9
State/Local Government	14	14
Health Care	11	8
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	16%	11%

SOURCE:

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

* Estimate is statistically different from All Firms.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Health Insurance Choice

SECTION

5

HEALTH INSURANCE CHOICE

PLAN CHOICE CONTINUES TO BE IMPORTANT TO EMPLOYERS AND EMPLOYEES, EVEN AS THE DOMINANCE OF HEAVILY MANAGED CARE RECEDES. NUMEROUS STUDIES HAVE FOUND THAT PLAN CHOICE IS ONE OF THE BEST PREDICTORS OF EMPLOYEE SATISFACTION WITH HEALTH PLANS,³ AND IN RESPONSE TO CONSUMER PREFERENCES FOR GREATER CHOICE OF PLANS AND PROVIDERS, EMPLOYERS CONTINUE TO MOVE AWAY FROM OFFERING HMOS TO MAKE PPO OPTIONS AVAILABLE.

PLAN CHOICE

- ▶ This year, employers continue to offer less restrictive forms of managed care as the opportunity for covered workers to enroll in a PPO rises further while HMO choice declines (EXHIBIT 5.1).
 - The percentage of workers who can choose a PPO continued to rise, to 71% from 66% in 2000. Since 1988, the percentage of workers with the choice of a PPO has almost quadrupled, from 18% to 71%.
 - Fewer covered workers have an HMO option (46%) compared to last year, when 55% of workers could select an HMO. Availability of POS plans also dropped in the last year, from 44% of covered workers in 2000 to 37% in 2001.
 - Though the option to select conventional coverage is unchanged in the last year, the percentage of covered workers who can choose a conventional plan has fallen dramatically since 1988, from 90% to 21% this year.
 - The decline in HMO coverage is attributable to fewer employers offering HMO coverage. A slightly higher percentage (50%) of workers offered HMO coverage in 2001 chose an HMO plan than in 1996, when 46% of employees offered HMO coverage chose it. PPOs and POS plans experienced even larger increases in their "selection rate."
- ▶ The percentage of covered workers who can choose from multiple health plans has remained relatively stable since 1996, but decreased somewhat this year. In 2001, 40% of covered workers were only offered the choice of one health plan, compared to 35% in 2000 (EXHIBIT 5.2).

NOTE:

³ Ullman R., J.W. Hill, E.C. Scheye, and R.K. Spoeri, "Satisfaction and Choice: A View from the Plans," *Health Affairs* (May/June 1996): 209-217; Davis K., and C. Schoen, "Managed Care, Choice, and Patient Satisfaction," (New York City: Commonwealth Fund, August 1997); Gawande A. et. al., "Does Dissatisfaction with Health Plans Stem from Having No Choice?" *Health Affairs* (September/October 1998): 184-194.

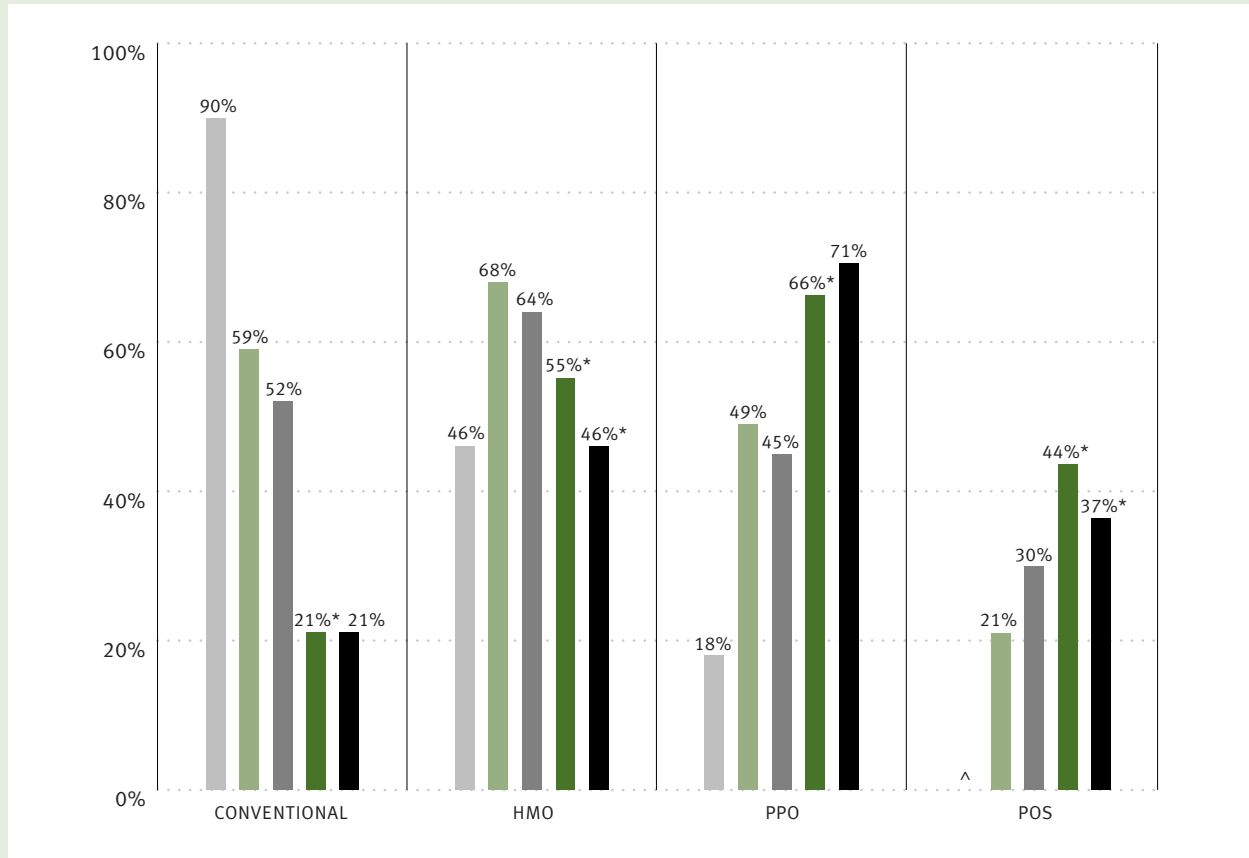
- *Health plan choice varies greatly by firm size: for example, 91% of all small firms (3–199 workers) offer just one plan, compared to 23% of jumbo firms (5,000 or more workers) (EXHIBIT 5.3, 5.4).*
- *Workers in firms with a high percentage of low-wage employees (35% or more of employees make \$20,000 or less per year) have less plan choice (54% are limited to one plan) than their counterparts in firms with fewer low-wage workers (36% are limited to one plan).*
- *Workers in the Northeast enjoy considerably more plan choice than their counterparts in the South and Midwest. More than two-thirds (70%) of workers in the Northeast can choose from at least two plans, while just 56% of Southern workers can do the same (EXHIBIT 5.5). In the West and Midwest, 62% and 57%, respectively, of covered workers can choose from at least two plans.*
- ▶ Multiple plans of the same type are most commonly offered with HMOs. Sixty-five percent of workers who can choose an HMO have a choice of two or more HMO plans, while large majorities of workers with other types of plans available have only one to choose from (EXHIBITS 5.6–5.10). This likely reflects the fact that HMOs provide no option for an employee to see providers outside of their networks of doctors and hospitals.
- *Health plan cost is mentioned as “very important” when selecting a health plan by 70% of firms, followed by the number of physicians that enrollees may choose from (60%) and range of benefit options (54%). Among all large firms (200 or more workers), cost is considered “very important” by 83% of firms.*
- *Additional factors were cited less frequently as “very important:” measurable employee satisfaction with the plan (47%), accuracy and speed of claims payment (43%), NCQA accreditation (5%), HEDIS data and information (2%).*

SELECTION OF PLANS

- ▶ Cost is the biggest determinant when employers select health plans, particularly among large firms, though employers also value provider choice and range of benefit options offered by plans (EXHIBIT 5.11).

EXHIBIT 5.1

Percentage of Covered Workers With a Choice of Conventional, HMO, PPO, or POS Plans, 1988–2001



1988
1993
1996
2000
2001

SOURCE :

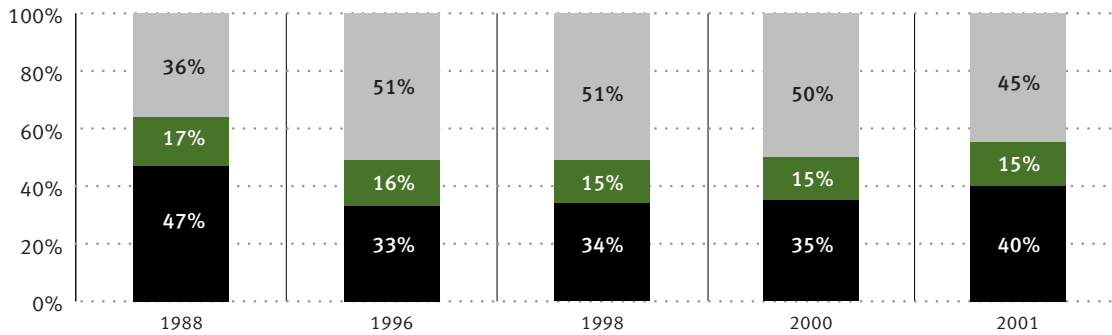
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

EXHIBIT 5.2

Percentage of Covered Workers With a Choice of Health Plans, 1988–2001



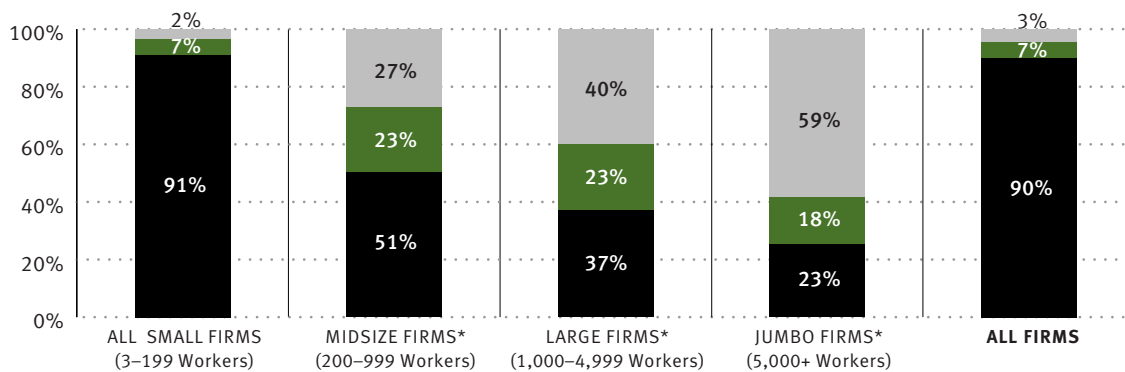
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996, 1998.

ONE PLAN
TWO PLANS
THREE OR MORE PLANS

EXHIBIT 5.3

Percentage of Employers Providing a Choice of Health Plans, by Firm Size, 2001



SOURCE :

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

ONE PLAN
TWO PLANS
THREE OR MORE PLANS

* Distribution is statistically different from All Firms.

EXHIBIT 5.4

Percentage of Covered Workers With a Choice of Health Plans, by Firm Size, 1988–2001

	1 Plan Only	2 Plans	3 or More Plans
1988			
Small (3–9 Workers)	92%	5%	3%
Small (10–24 Workers)	85	7	9
Small (25–49 Workers)	58	24	19
Small (50–199 Workers)	62	22	16
ALL SMALL FIRMS (3–199 WORKERS)	66	19	15
Midsize (200–999 Workers)	39	22	40
Large (1,000–4,999 Workers)	29	17	54
Jumbo (5,000 or More Workers)	18	5	77
ALL FIRM SIZES	47%	17%	36%
1996			
Small (3–9 Workers)*	91%	2%	7%
Small (10–24 Workers)*	85	12	3
Small (25–49 Workers)*	83	14	3
Small (50–199 Workers)*	68	24	8
ALL SMALL FIRMS (3–199 WORKERS)*	80	14	6
Midsize (200–999 Workers)*	47	25	28
Large (1,000–4,999 Workers)*	22	23	55
Jumbo (5,000 or More Workers)*	9	10	81
ALL FIRM SIZES	33%	16%	51%
1998			
Small (3–9 Workers)*	94%	3%	3%
Small (10–24 Workers)*	93	5	2
Small (25–49 Workers)*	81	13	6
Small (50–199 Workers)*	68	22	10
ALL SMALL FIRMS (3–199 WORKERS)*	80	14	6
Midsize (200–999 Workers)*	45	24	31
Large (1,000–4,999 Workers)*	21	22	57
Jumbo (5,000 or More Workers)*	7	9	84
ALL FIRM SIZES	34%	15%	51%
2000			
Small (3–9 Workers)*	94%	4%	2%
Small (10–24 Workers)*	95	4	2
Small (25–49 Workers)*	82	14	4
Small (50–199 Workers)*	64	18	18
ALL SMALL FIRMS (3–199 WORKERS)*	76	13	11
Midsize (200–999 Workers)*	42	26	33
Large (1,000–4,999 Workers)*	28	20	53
Jumbo (5,000 or More Workers)*	8	11	81
ALL FIRM SIZES	35%	15%	50
2001			
Small (3–9 Workers)*	96%	4%	0%
Small (10–24 Workers)*	88	9	3
Small (25–49 Workers)*	75	18	7
Small (50–199 Workers)*	59	25	16
ALL SMALL FIRMS (3–199 WORKERS)*	72	18	10
Midsize (200–999 Workers)	45	20	35
Large (1,000–4,999 Workers)*	28	22	50
Jumbo (5,000 or More Workers)*	13	8	79
ALL FIRM SIZES	40%	15%	45%

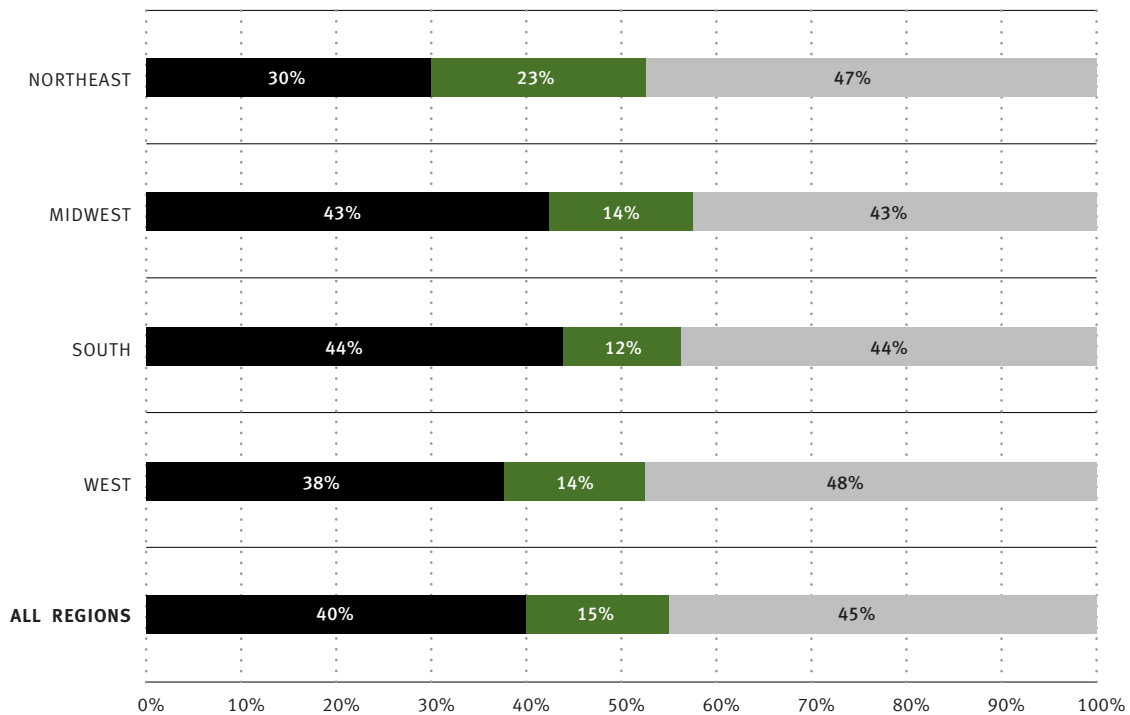
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996, 1998.

* Distribution is statistically different
from All Firm Sizes by year.

EXHIBIT 5.5

Percentage of Covered Workers With a Choice of Health Plans, by Region, 2001*



ONE PLAN
 TWO PLANS
 THREE OR MORE PLANS

SOURCE :

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

* Tests found no significantly different distributions from All Regions.

EXHIBIT 5.6

For Employers That Offer a Conventional, HMO, PPO, or POS Plan, Percentage of Covered Workers With a Choice of Health Plans, by Firm Size, 2001

	1 Plan Only	2 Plans	3 or More Plans
CONVENTIONAL PLANS			
Small (3–9 Workers)	NSD	NSD	NSD
Small (10–24 Workers)	NSD	NSD	NSD
Small (25–49 Workers)	NSD	NSD	NSD
Small (50–199 Workers)	94%	0%	6%
ALL SMALL FIRMS (3–199 WORKERS)*	96	0	4
Midsize (200–999 Workers)	81	12	7
Large (1,000–4,999 Workers)	80	15	5
Jumbo (5,000 or More Workers)	57	7	36
ALL FIRM SIZES	72%	7%	21%
HMO PLANS			
Small (3–9 Workers)	NSD	NSD	NSD
Small (10–24 Workers)*	97%	3%	0%
Small (25–49 Workers)*	83	17	0
Small (50–199 Workers)*	58	26	16
ALL SMALL FIRMS (3–199 WORKERS)*	75	17	9
Midsize (200–999 Workers)	47	26	27
Large (1,000–4,999 Workers)	35	26	39
Jumbo (5,000 or More Workers)*	13	12	75
ALL FIRM SIZES	36%	18%	47%
PPO PLANS			
Small (3–9 Workers)*	100%	0%	0%
Small (10–24 Workers)*	94	6	0
Small (25–49 Workers)*	100	0	0
Small (50–199 Workers)*	90	9	1
ALL SMALL FIRMS (3–199 WORKERS)*	93	6	1
Midsize (200–999 Workers)*	85	10	5
Large (1,000–4,999 Workers)	71	20	9
Jumbo (5,000 or More Workers)*	47	23	29
ALL FIRM SIZES	74%	15%	12%
POS PLANS			
Small (3–9 Workers)	NSD	NSD	NSD
Small (10–24 Workers)*	93%	1%	6%
Small (25–49 Workers)*	88	9	3
Small (50–199 Workers)*	78	20	3
ALL SMALL FIRMS (3–199 WORKERS)*	85	12	3
Midsize (200–999 Workers)	79	16	6
Large (1,000–4,999 Workers)	69	11	20
Jumbo (5,000 or More Workers)*	36	34	30
ALL FIRM SIZES	67%	19%	14%

SOURCE :

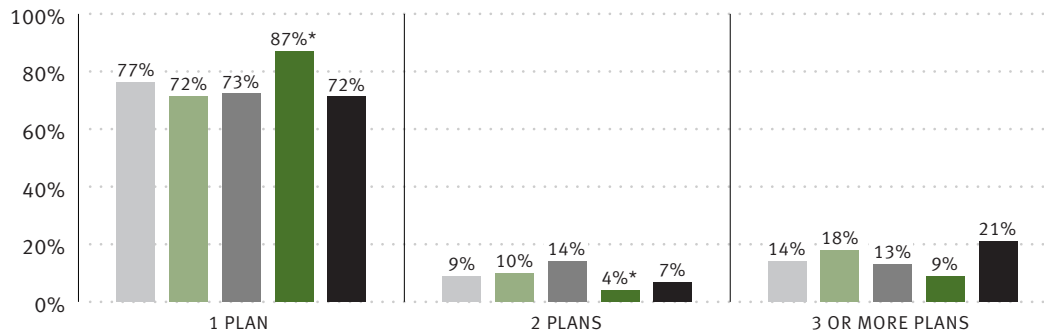
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Distribution is statistically different from All Firm Sizes within a plan type.

NSD: Not sufficient data.

EXHIBIT 5.7

Percentage of Covered Workers in Firms Offering a Choice of Conventional Plans, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

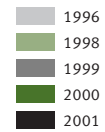
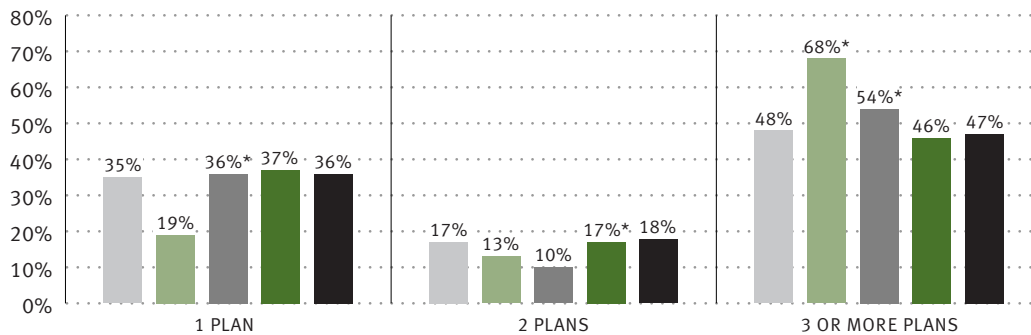


EXHIBIT 5.8

Percentage of Covered Workers in Firms Offering a Choice of HMO Plans, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

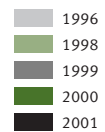
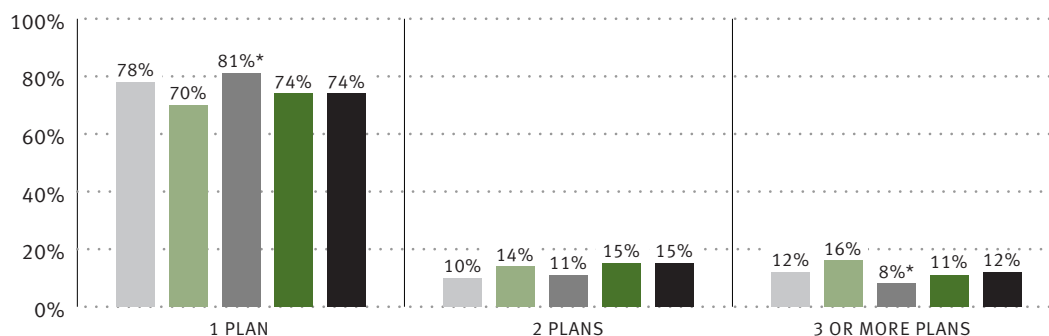


EXHIBIT 5.9

Percentage of Covered Workers in Firms Offering a Choice of PPO Plans, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998,
1998–1999, 1999–2000, 2000–2001.

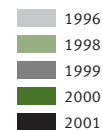
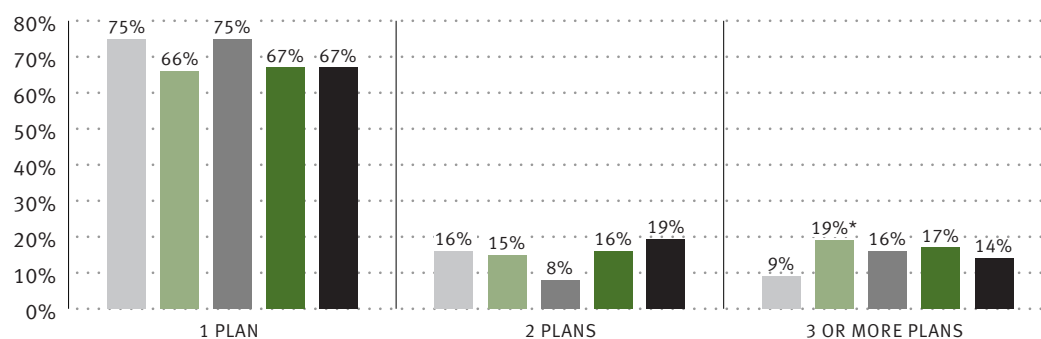


EXHIBIT 5.10

Percentage of Covered Workers in Firms Offering a Choice of POS Plans, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998,
1998–1999, 1999–2000, 2000–2001.

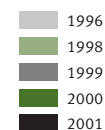
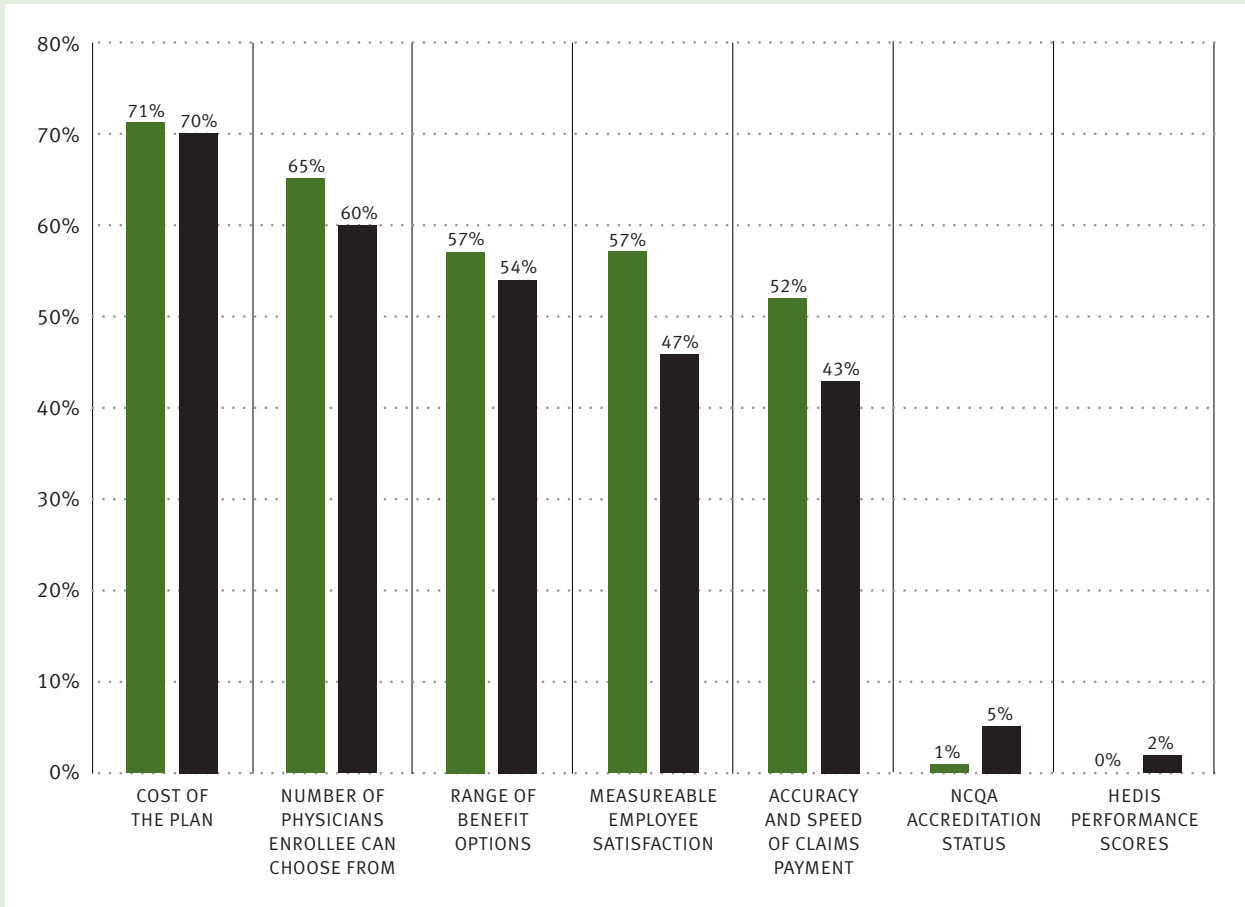


EXHIBIT 5.11

Percentage of All Firms That Say the Following Features Are 'Very Important' When Choosing a Health Plan, 1999 and 2001*



SOURCE :

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

* Tests found no statistically different estimates from the previous year shown: 1999–2001.

EXHIBIT 5.12 Continued on page 71

Percentage of Firms Citing the Importance of Features When Choosing a Health Plan,
by Firm Size, 2001

	<i>All Small (3–199 Workers)</i>	<i>Midsize (200–999 Workers)</i>	<i>Large (1,000–4,999 Workers)</i>	<i>Jumbo (5,000 or More Workers)</i>	<i>All Firm Sizes</i>
NUMBER OF PHYSICIANS					
Very Important	60%	63%	66%	69%	60%
Somewhat Important	29	23	24	23	29
Somewhat Unimportant	4	3	2	1	4
Not At All Important	6	3	4	1	6
Criteria Not Used	1	2	4	4	1
Don't Know	1	7	1	2	2
COST OF THE PLAN					
Very Important	70%	83%	83%	75%	70%
Somewhat Important	27	14	15	21	27
Somewhat Unimportant	1	1	0	0	1
Not At All Important	2	0	1	0	2
Criteria Not Used	0	0	0	1	0
Don't Know	0	2	1	2	0
MEASURABLE EMPLOYEE SATISFACTION					
Very Important	46%	62%	57%	43%	47%
Somewhat Important	44	30	36	50	44
Somewhat Unimportant	7	5	4	3	7
Not At All Important	3	0	2	NSD	2
Criteria Not Used	1	0	0	2	1
Don't Know	0	2	1	2	0
NCQA ACCREDITATION					
Very Important	5%	9%	14%	20%	5%
Somewhat Important	5	12	22	35	5
Somewhat Unimportant	2	4	8	9	2
Not At All Important	88	70	54	31	88
Criteria Not Used	0	5	1	5	0
Don't Know	0	0	2	1	0

EXHIBIT 5.12 Continued from page 70

Percentage of Firms Citing the Importance of Features When Choosing a Health Plan,
by Firm Size, 2001

	<i>All Small (3–199 Workers)</i>	<i>Midsize (200–999 Workers)</i>	<i>Large (1,000–4,999 Workers)</i>	<i>Jumbo (5,000 or More Workers)</i>	<i>All Firm Sizes</i>
HEDIS DATA AND INFORMATION					
Very Important	1%	3%	3%	9%	2%
Somewhat Important	1	6	18	29	1
Somewhat Unimportant	1	2	6	8	1
Not At All Important	96	86	71	49	95
Criteria Not Used	1	2	2	5	1
Don't Know	0	1	0	1	0
ACCURACY AND SPEED OF CLAIMS PAYMENT					
Very Important	43%	62%	63%	60%	43%
Somewhat Important	41	33	31	33	41
Somewhat Unimportant	12	2	4	3	12
Not At All Important	1	0	1	0	1
Criteria Not Used	2	1	0	2	2
Don't Know	0	2	1	2	0
RANGE OF BENEFIT OPTIONS AVAILABLE					
Very Important	54%	58%	50%	42%	54%
Somewhat Important	37	34	43	46	37
Somewhat Unimportant	8	2	5	4	7
Not At All Important	0	0	0	1	0
Criteria Not Used	0	2	1	4	0
Don't Know	1	3	1	2	1

SOURCE:

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

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Market
Shares of
Health Plans

SECTION

6

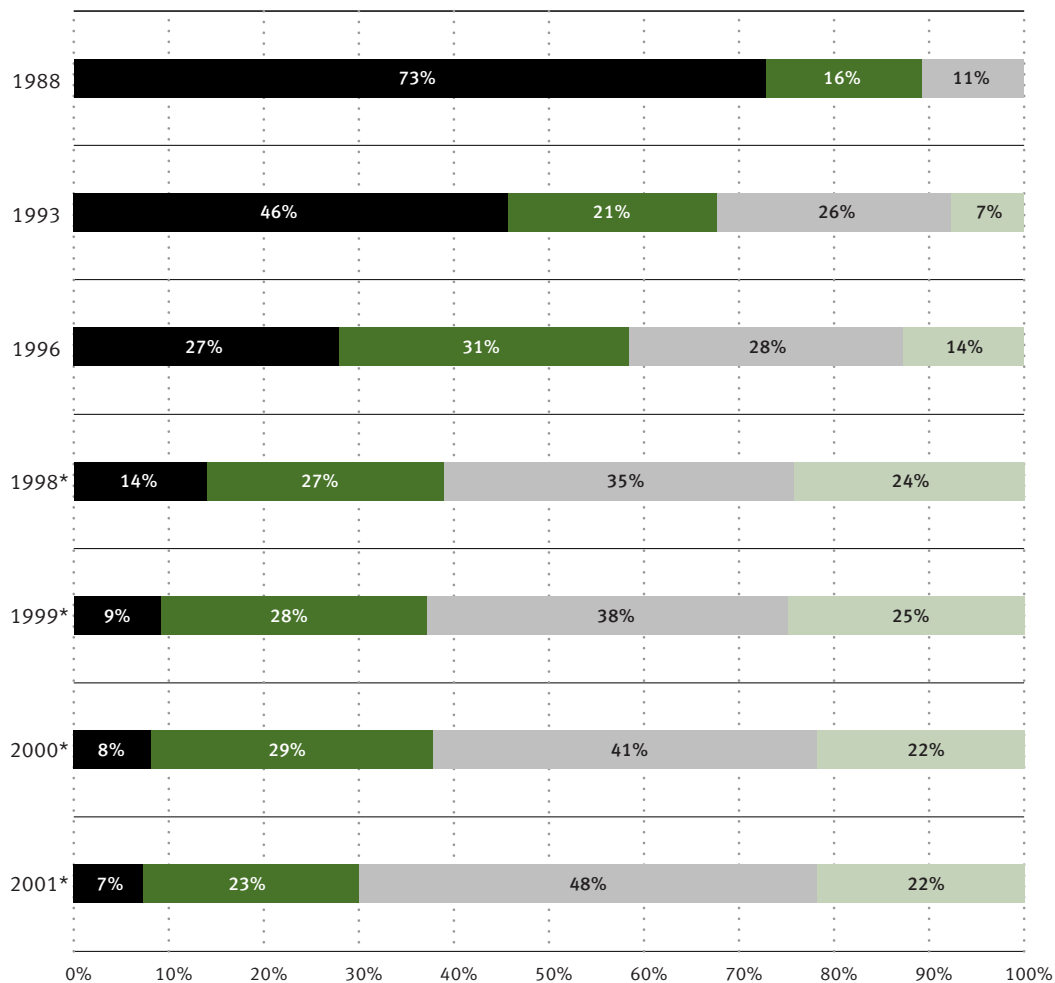
MARKET SHARES OF HEALTH PLANS

ENROLLMENT IN HEALTH PLANS CONTINUES TO SHIFT AWAY FROM RESTRICTIVE MANAGED CARE AND TOWARDS FORMS OF HEALTH INSURANCE THAT ALLOW ENROLLEES GREATER CHOICE AMONG PROVIDERS. THIS PATTERN MAY EVEN BE ACCELERATING, AS PPO ENROLLMENT ROSE SUBSTANTIALLY THIS YEAR AT THE EXPENSE OF HMOs. THE DECLINE OF HMO ENROLLMENT IS DUE TO A COMBINATION OF SLIGHTLY FEWER FIRMS OFFERING THE OPTION, AS WELL AS FEWER EMPLOYEES CHOOSING TO ENROLL.

- ▶ Nearly half of covered workers (48%) are enrolled in PPO plans, up from 41% in 2000. HMOs experienced a concomitant drop, falling from 29% of workers last year to 23%. Conventional plans now cover just 7% of workers with employer-sponsored coverage, compared to 27% in 1996. POS enrollment remains relatively stable at 22% (EXHIBIT 6.1).
- *HMO enrollment remains much higher in the West, where HMOs continue to flourish with a 40% market share, but remains lowest in the Midwest at 17%. The Midwest remains the stronghold of conventional plan enrollment, at 14% while enrollment in POS plans is highest in the Northeast (30%) (EXHIBIT 6.2).*
- *Workers in all small firms (3–199 workers) are more likely to be enrolled in POS plans than are workers in all large firms, but less likely to be enrolled in HMOs. Jumbo firms (5,000 or more) have a greater share of conventional plan enrollment (11%) than firms of any other size (EXHIBIT 6.2).*
- *Enrollment patterns do not vary a great deal by industry, though some trends are noteworthy. For example, HMO enrollment among covered workers in state and local governments declined from 37% in 2001 to 24%, while PPO enrollment has grown from 47% to 61% in 2001 (EXHIBIT 6.2).*
- ▶ In HMOs, 45% of enrollees are in Independent Practice Association (IPA) models, where the HMO contracts with a physician organization that in turn contracts with independent physicians. Staff and group model HMOs, which employ health care providers directly or through a dedicated group of doctors, have decreased from 21% of the market in 2000 to 11% in 2001. Mixed model HMOs enroll the remainder (38%) (EXHIBIT 6.3).
- *In the West, staff and group model HMO enrollment remains much higher than elsewhere in the country, at 24%. Workers in state and local government are also considerably more likely to be enrolled in staff and group model plans, at 29%.*
- ▶ The percentage of HMO enrollees who are in open access plans – which allow members to see a participating provider for speciality care without a referral from a primary care physician – is statistically unchanged at 18% this year (compared to 20% in 2000). (EXHIBIT 6.4).
- ▶ Many workers enrolled in HMOs have access to certain protections that have been considered in the patients' rights debate. Among workers enrolled in an HMO plan, 64% can choose to designate an OB/GYN as a primary care physician, and 28% can choose a specialist as the primary care provider (EXHIBIT 6.5–6.7).

EXHIBIT 6.1

Health Plan Enrollment for Covered Workers, by Plan Type, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996, 1998.

* Distribution is statistically different from the previous year shown: 1996-1998, 1998-1999, 1999-2000, 2000-2001.

EXHIBIT 6.2

Health Plan Enrollment, by Firm Size, Region, and Industry, 2001

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>
FIRM SIZE				
Small (3–9 Workers)	5%	18%	53%	24%
Small (10–24 Workers)	4	13*	50	34*
Small (25–49 Workers)	7	25	36*	32
Small (50–199 Workers)	6	16*	49	29
ALL SMALL FIRMS (3–199 WORKERS)	6	17*	48	29
Midsize (200–999 Workers)	6	19	55	20
Large (1,000–4,999 Workers)	4	28	48	20
Jumbo (5,000 or More Workers)	11	28	43	18
REGION				
Northeast	5%	24%	41%	30%
Midwest	14	17*	50	19
South	3*	20	57*	20
West	7	40*	33*	20
INDUSTRY				
Mining/Construction/Wholesale	6%	17%	55%	22%
Manufacturing	15	24	47	15*
Transportation/Communication/Utility	4	22	51	24
Retail	6	18	49	26
Finance	3*	26	48	23
Service	5	25	42	27
State/Local Government	4	24	61	12*
Health Care	8	24	43	25
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	7%	23%	48%	22%

SOURCE :

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

* Estimate is statistically different from All Firm Sizes, Regions, and Industries.

EXHIBIT 6.3

Percentage of Covered Workers Enrolled in Various Types of HMOs, by Firm Size, Region, and Industry, 2001

	<i>IPA</i>	<i>Staff/Group</i>	<i>Mixed</i>	<i>Don't Know</i>
FIRM SIZE				
All Small Firms (3–199 Workers)	33%	15%	48%	5%
Midsize (200–999 Workers)*	44	2	54	1
Large (1,000–4,999 Workers)	50	9	39	2
Jumbo (5,000 or More Workers)	49	13	28	10
REGION				
Northeast*	58%	2%	39%	1%
Midwest	41	7	30	23
South	53	11	35	1
West*	27	24	47	2
INDUSTRY				
Mining/Construction/Wholesale	40%	17%	39%	4%
Manufacturing	39	5	36	19
Transportation/Communication/Utility	34	10	56	0
Retail	26	13	60	1
Finance	74	4	18	3
Service	45	15	39	1
State/Local Government	47	29	24	0
Health Care	49	9	39	2
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	45%	11%	38%	6%

SOURCE:

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

* Distribution is statistically different from All Firm Sizes, Regions, and Industries.

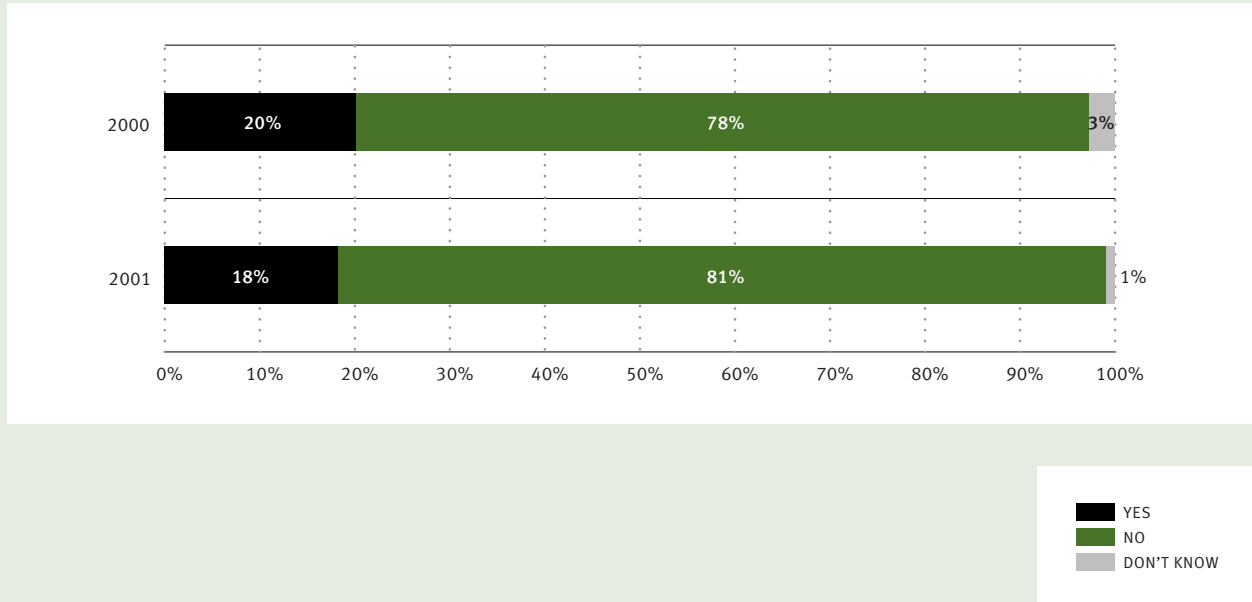
IPA (Independent Practice Association) model HMO: an HMO model in which the HMO contracts with a physician organization, which, in turn, contracts with independent physicians. The IPA physicians practice in their own offices and continue to see fee-for-service patients.

Staff model HMO: a model in which the HMO employs health care providers directly. The providers are employees of the HMO, and provide care exclusively to HMO members.

Group model HMO: an HMO in which the plan contracts exclusively with a single group of physicians.

EXHIBIT 6.4

Percentage of Covered Workers in HMOs Whose Plans Are Open Access Plans, 2000 and 2001*



SOURCE :

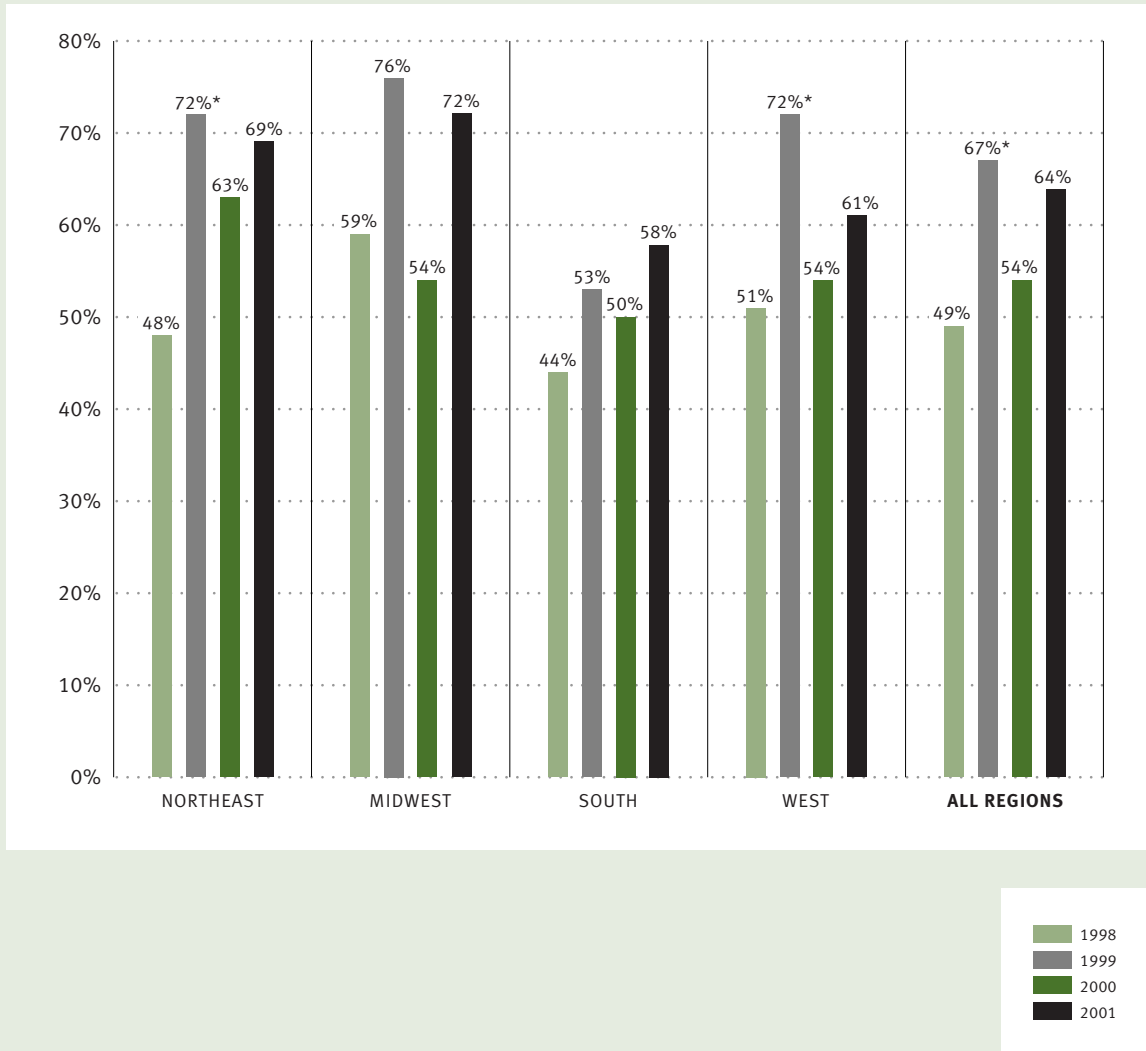
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000; 2001.

* Tests found no statistical difference in the distribution from the previous year shown.

Open access plan: a term describing a member's ability to self-refer to a health care provider for specialty care. Open access arrangements allow a member to see a participating provider without a referral from another doctor. Also called "open panel".

EXHIBIT 6.5

Percentage of Covered Workers Enrolled in Firms' Largest HMO Plan Where Their OB/GYN Can Act as a Primary Care Physician, by Region, 1998–2001



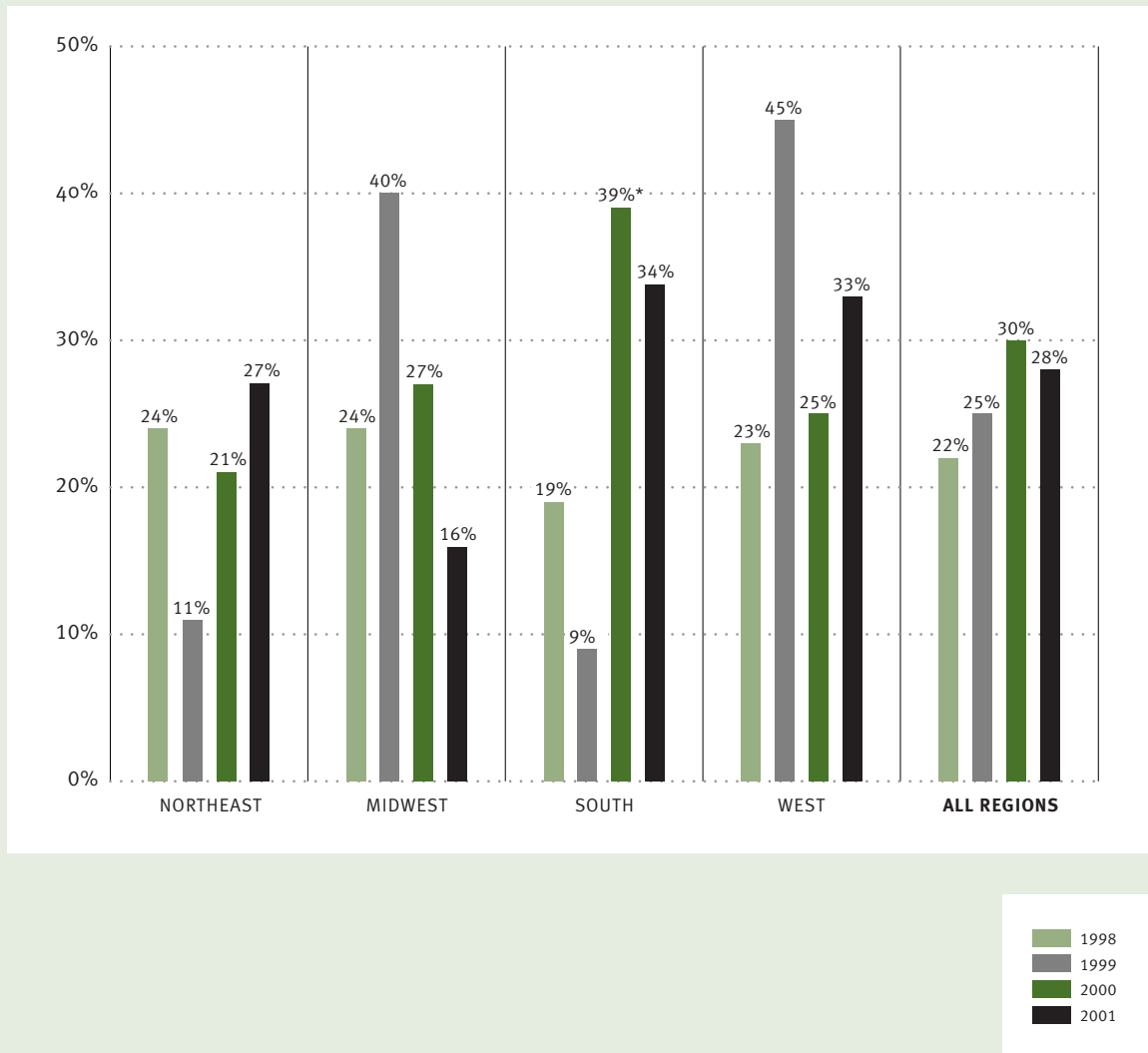
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1998.

* Estimate is statistically different from the previous year shown: 1998–1999.

EXHIBIT 6.6

Percentage of Covered Workers Enrolled in Firms' Largest HMO Plan Where Their Specialist Can Act as a Primary Care Physician, by Region, 1998–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1998.

* Estimate is statistically different from the previous year shown: 1999–2000.

EXHIBIT 6.7

Percentage of Covered Workers in HMO Plans Where OB/GYN and Other Specialists Can Act as a Primary Care Physician, by Firm Size, Region, and Industry, 2001

	<i>OB/GYN Can Act as Primary Care Physician</i>	<i>Specialist Can Act as Primary Care Physician</i>
FIRM SIZE		
All Small Firms (3–199 Workers)	54%	38%
Midsize (200–999 Workers)	59	19
Large (1,000–4,999 Workers)	56	25
Jumbo (5,000 or More Workers)	74	27
REGION		
Northeast	69%	27%
Midwest	72	16
South	58	34
West	60	33
INDUSTRY		
Mining/Construction/Wholesale	66%	26%
Manufacturing	69	24
Transportation/Communication/Utility	29*	8*
Retail	61	21
Finance	77	10*
Service	65	45*
State/Local Government	71	40
Health Care	54	18
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	64%	28%

SOURCE:

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

* Estimate is statistically different from the All Firm Sizes, Regions, and Industries.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Employee Contributions for Premiums and Cost Sharing

SECTION

7

EMPLOYEE CONTRIBUTIONS FOR PREMIUMS AND COST SHARING

WHEN FACED WITH SUBSTANTIAL INCREASES IN HEALTH INSURANCE PREMIUMS, EMPLOYERS HAVE HISTORICALLY RESPONDED BY PASSING ALONG PART OF THE INCREASED COSTS TO THEIR EMPLOYEES. SUCH MEASURES CAN AFFECT WORKERS IN SEVERAL WAYS. WORKERS MAY ALTER THEIR HEALTH PLAN CHOICES TO SEEK OUT LESS EXPENSIVE OPTIONS, OR, IF COST SHARING IS HIGH ENOUGH, WORKERS MAY CHOOSE NOT TO ACCEPT HEALTH INSURANCE COVERAGE.⁴ MOREOVER, RESEARCH HAS DEMONSTRATED THAT HIGHER COPAYS AND DEDUCTIBLES WILL SAVE COSTS, BUT MAY ALSO DISCOURAGE USE OF NEEDED SERVICES, PARTICULARLY AMONG LOWER-INCOME INDIVIDUALS.⁵

RECENT DECLINES IN WHAT EMPLOYEES PAY FOR HEALTH INSURANCE—FUELED BY A STRONG ECONOMY AND MODEST PREMIUM INCREASES—APPEAR TO HAVE ENDED. IN 2001, EMPLOYEE CONTRIBUTIONS FOR SINGLE COVERAGE REMAIN LARGELY UNCHANGED FROM LAST YEAR, AND CONTRIBUTIONS FOR FAMILY COVERAGE HAVE INCREASED SLIGHTLY IN NOMINAL DOLLARS, BUT HAVE REMAINED THE SAME AS A PERCENTAGE OF TOTAL PREMIUMS. IN CONTRAST, DEDUCTIBLES AND COINSURANCE RATES ARE INCREASING MODESTLY. IN THE CONTEXT OF DOUBLE-DIGIT PREMIUM INCREASES, EMPLOYERS ARE STILL BEARING THE MAJORITY OF THESE INCREASES AND HAVE ONLY MODESTLY SHIFTED COSTS TO THEIR EMPLOYEES. HOWEVER, MANY EMPLOYERS—PARTICULARLY LARGE ONES—SAY THEY EXPECT TO RAISE EMPLOYEE COSTS IN THE UPCOMING YEAR.

NOTE:

⁴ Morrissey M., *Price Sensitivity in Health Care: Implications for Health Care Policy*. (Washington, DC: The NFIB Foundation. 1992), 40–45; Feldman R. et. al., “The Demand for Employment-Based Health Insurance Plans,” *Journal of Human Resources* (1989): 115–142; Short P., and A. Taylor, “Premiums, Benefits and Employee Choice of Health Options,” *Journal of Health Economics* (1989): 293–312; Buchmueller T., and P. Feldstein, “The Effect of Price on Switching Among Health Plans,” *Journal of Health Economics* (Spring, 1997): 231–247.

⁵ Willard G. Manning, Joseph P. Newhouse, Naihua Duan, Emmett Keeler, Arleen Leibowitz, and M. Susan Marquis, “Health Insurance and the Demand for Medical Care: Results from a Randomized Experiment,” *American Economic Review*, June 1987, 77:3, pp. 251–277. Kathleen N. Lohr, Robert H. Brook, Caren J. Kamberg, George A. Goldberg, Arleen Leibowitz Joan Keesey, David Reboussin, and Joseph P. Newhouse, “Use of Medical Care in the RAND Health Insurance Experiment: Diagnosis and Service Specific Analyses in a Randomized Controlled Trial,” *Medical Care*, 24: 9, Supplement, September 1986, pp.

WORKER CONTRIBUTIONS FOR HEALTH INSURANCE PREMIUMS

- ▶ In spite of the very large premiums increases that occurred in 2001, the amount workers are paying for their health benefits is statistically unchanged from last year. The average monthly worker contribution in 2001 is \$30 for single coverage, compared to \$28 last year, and \$150 for family coverage, versus \$138 in 2000 (EXHIBIT 7.1). The fact that worker contributions have remained fairly stable is likely due to the remaining influence of the strong economy and demand for workers at the time firms were negotiating their new benefits packages during last year's open enrollment season. In September 2000, when many employers determined the provisions of their health coverage, national unemployment was 3.9%.
 - *While percentage contributions for family coverage have remained fairly level for a number of years, those for single coverage have actually declined from a high of 21% in 1996.*
- ▶ Nearly all firms that offer health insurance contribute 50% or more to the cost of premiums for covered workers (EXHIBIT 7.7, 7.8). Employers are most likely to contribute between 75–100% of premiums for single and family coverage.
 - *Firms with many low-wage workers pay just 62% of the premium for family coverage, compared with 75% for firms with fewer low-wage workers.*
- ▶ The percentage of premiums that workers pay remains virtually unchanged in 2001: 15% across plan types for single coverage, and an average of 27% for family coverage (EXHIBIT 7.2). While workers may be paying slightly more in dollars for family coverage, their share of the total cost has not increased, indicating that firms have not yet begun to seriously shift the growing cost of health benefits to their workers.
 - *Large firms are significantly more likely to consider passing costs to employees. Three-quarters (75%) of all large firms (200 or more workers) report they are considering increasing costs—44% report they are “very likely” to increase costs in the next year, while 31% say they are “somewhat likely” to do so.*
- ▶ The percentage of workers in firms paying the entire cost of single or family coverage is little changed in 2001, with 30% of workers in firms that pay the full cost of single coverage, versus 15% that pay the full cost of family coverage. Small employers remain more likely to pay the full cost of coverage than large employers, perhaps in an effort to compete for workers (EXHIBIT 7.13–7.16).
 - *Workers in all small firms (3–199 workers) typically pay a higher percentage of the cost of family premiums than workers in all large firms (200 or more workers). In 2001 workers in all small firms pay an average of 34% of the premium for family coverage out-of-pocket, compared with 27% for workers in all firms (EXHIBIT 7.10).*
- ▶ Though employers have not yet shifted a substantial share of increasing costs to employees, many indicate that they may do so soon. Almost half (44%) of all firms indicate that they are “very” or “somewhat” likely to increase the amount that employees pay for health insurance in the upcoming year (EXHIBIT 7.19).

COST SHARING FOR SERVICES

► Deductibles increased in PPO and POS plans, for preferred and non-preferred providers, though the change was statistically significant only for PPO out-of-plan providers. For PPO preferred providers, deductibles increased from \$187 in 2000 to \$201 in 2001 (though the change is not statistically significant) (EXHIBIT 7.20). For non-preferred providers, deductibles grew from \$361 to \$407. In contrast, deductibles for single coverage in conventional plans decreased—from \$239 to \$195 this year (EXHIBIT 7.20).

► Deductibles are considerably lower for workers in all large firms (200 or more workers) than for workers in all small firms (3–199 workers) across all types of plans. For PPO preferred providers, the average worker in a small firm must pay a deductible of \$279, compared to \$201 for those in all firms (EXHIBIT 7.21).

► The shift towards higher co-pays in HMOs continues. The percentage of workers with a co-pay of \$5 or less decreased, while the percentage with a \$15 copay increased from 19% in 2000 to 24% in 2001 (EXHIBIT 7.23).

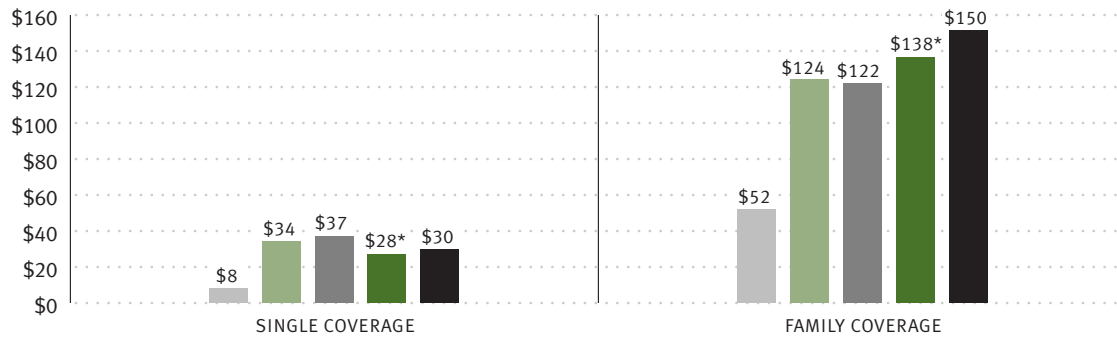
• *Workers enrolled in a staff or group model HMO continue to be most likely not to face co-pays for an office visit, at 10%, down from 18% in 2000, though this drop is not statistically significant (EXHIBIT 7.24).*

► Coinsurance rates—a cost sharing arrangement in which a member pays a specified percentage of the health care bill—has remained statistically unchanged over the past few years, and have increased modestly in PPO and POS plans this year.

• *Workers in all small firms (3–199 workers) face higher co-insurance rates for both PPO and POS preferred providers. For example, workers in all small firms are far more likely to pay a 20% coinsurance rate for PPO preferred providers than workers in all large firms.*

EXHIBIT 7.1

Average Monthly Worker Contribution for Single and Family Coverage, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

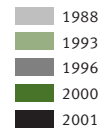
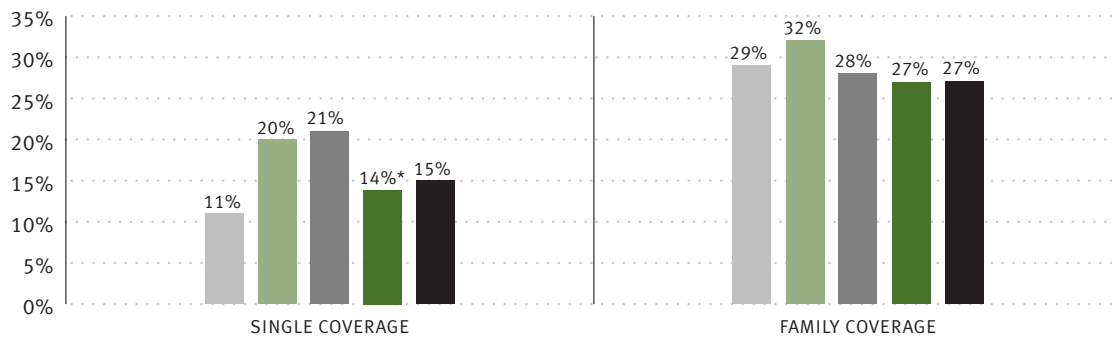


EXHIBIT 7.2

Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

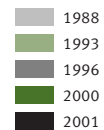


EXHIBIT 7.3

Average Monthly Worker Premium Contributions, by Firm Size, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
All Small Firms (3–199 Workers)	\$19	\$186	\$224	\$2,227
Midsize (200–999 Workers)	21	88	251	1,061
Large (1,000–4,999 Workers)	26	111	313	1,334
Jumbo (5,000 or More Workers)	17	67	205	798
ALL FIRM SIZES	\$19	\$103	\$225	\$1,236
HMO PLANS				
All Small Firms (3–199 Workers)	\$36	\$217*	\$428	\$2,605*
Midsize (200–999 Workers)	24*	161	287*	1,930
Large (1,000–4,999 Workers)	37	152	448	1,823
Jumbo (5,000 or More Workers)	31	131	368	1,573
ALL FIRM SIZES	\$32	\$158	\$387	\$1,898
PPO PLANS				
All Small Firms (3–199 Workers)	\$25*	\$199*	\$300*	\$2,393*
Midsize (200–999 Workers)	31	155	375	1,855
Large (1,000–4,999 Workers)	38*	152	459*	1,829
Jumbo (5,000 or More Workers)	33	120*	398	1,440*
ALL FIRM SIZES	\$31	\$157	\$372	\$1,886
POS PLANS				
All Small Firms (3–199 Workers)	\$19*	\$156	\$232*	\$1,873
Midsize (200–999 Workers)	33	133	400	1,598
Large (1,000–4,999 Workers)	35	155	426	1,856
Jumbo (5,000 or More Workers)	37*	120	449*	1,442
ALL FIRM SIZES	\$29	\$142	\$347	\$1,704
ALL PLANS				
All Small Firms (3–199 Workers)	\$25*	\$189*	\$296*	\$2,265*
Midsize (200–999 Workers)	30	148	357	1,770
Large (1,000–4,999 Workers)	37*	151	443*	1,811
Jumbo (5,000 or More Workers)	32	117*	378	1,410*
ALL FIRM SIZES	\$30	\$150	\$359	\$1,801

SOURCE :

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

* Estimate is statistically different from All Regions within a plan type.

EXHIBIT 7.4

Average Monthly Worker Premium Contributions, by Region, 2001

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Northeast	\$22	\$194	\$263	\$2,327
Midwest	14	53	163	639
South	29	183*	350	2,192*
West	23	93	282	1,116
ALL REGIONS	\$19	\$103	\$225	\$1,236
HMO PLANS				
Northeast	\$36	\$141	\$434	\$1,688
Midwest	32	118*	387	1,412*
South	33	198*	396	2,381*
West	28	160	333	1,925
ALL REGIONS	\$32	\$158	\$387	\$1,898
PPO PLANS				
Northeast	\$37	\$114*	\$441	\$1,367*
Midwest	28	128*	332	1,534*
South	33	197*	394	2,366*
West	22*	165	261*	1,985
ALL REGIONS	\$31	\$157	\$372	\$1,886
POS PLANS				
Northeast	\$31	\$127	\$373	\$1,529
Midwest	27	127	326	1,530
South	31	180	372	2,157
West	22	116	265	1,386
ALL REGIONS	\$29	\$142	\$347	\$1,704
ALL PLANS				
Northeast	\$34	\$129*	\$409	\$1,542*
Midwest	26	115*	316	1,384*
South	32	193*	388	2,321*
West	24	149	292	1,785
ALL REGIONS	\$30	\$150	\$359	\$1,801

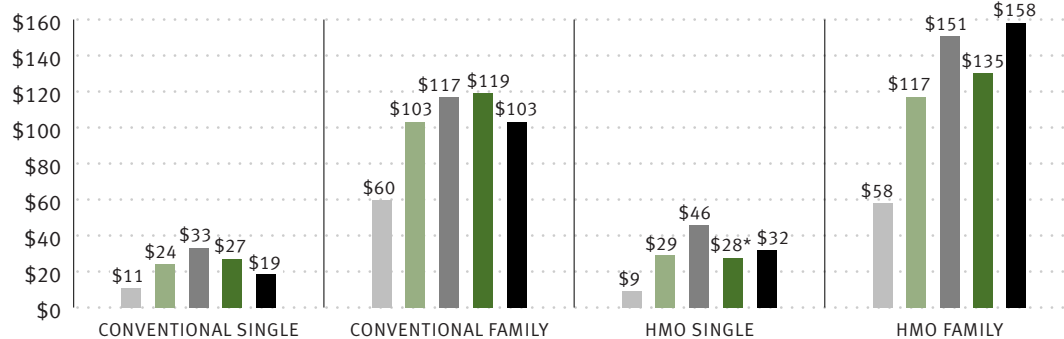
SOURCE :

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

* Estimate is statistically different from All Regions within a plan type.

EXHIBIT 7.5

Monthly Worker Contributions for Single and Family Coverage in Conventional and HMO Plans, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

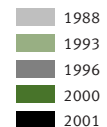
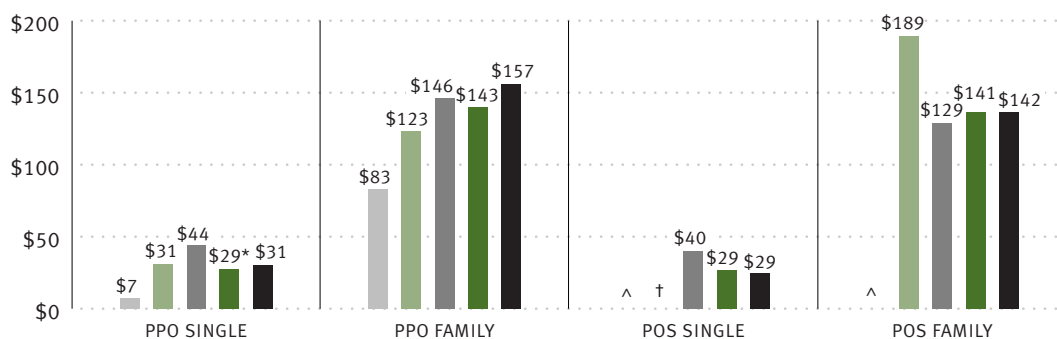


EXHIBIT 7.6

Monthly Worker Contributions for Single and Family Coverage in PPO and POS Plans, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

† Information was not obtained for POS single coverage in 1993.

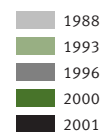
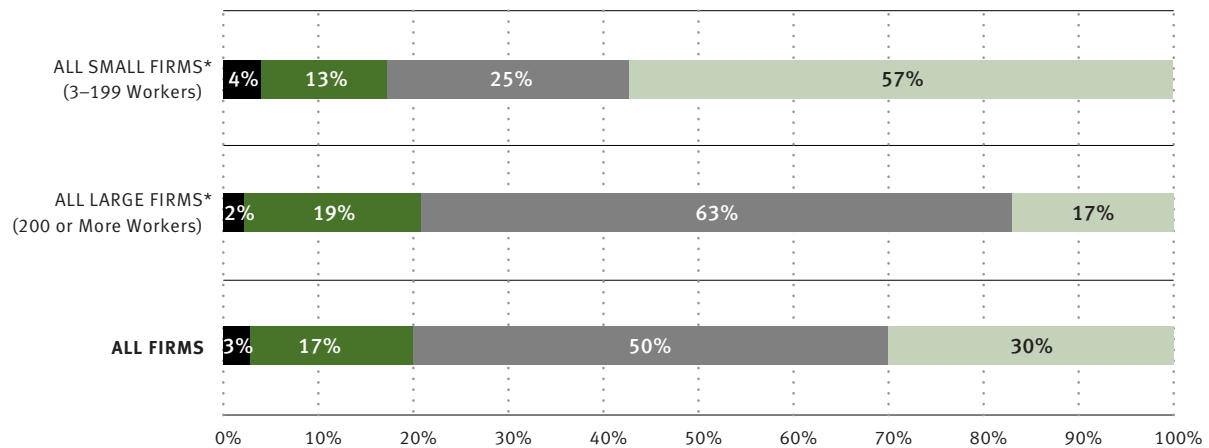


EXHIBIT 7.7

Distribution of Percentage of Single Premiums Paid by Firms for Covered Workers, 2001



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

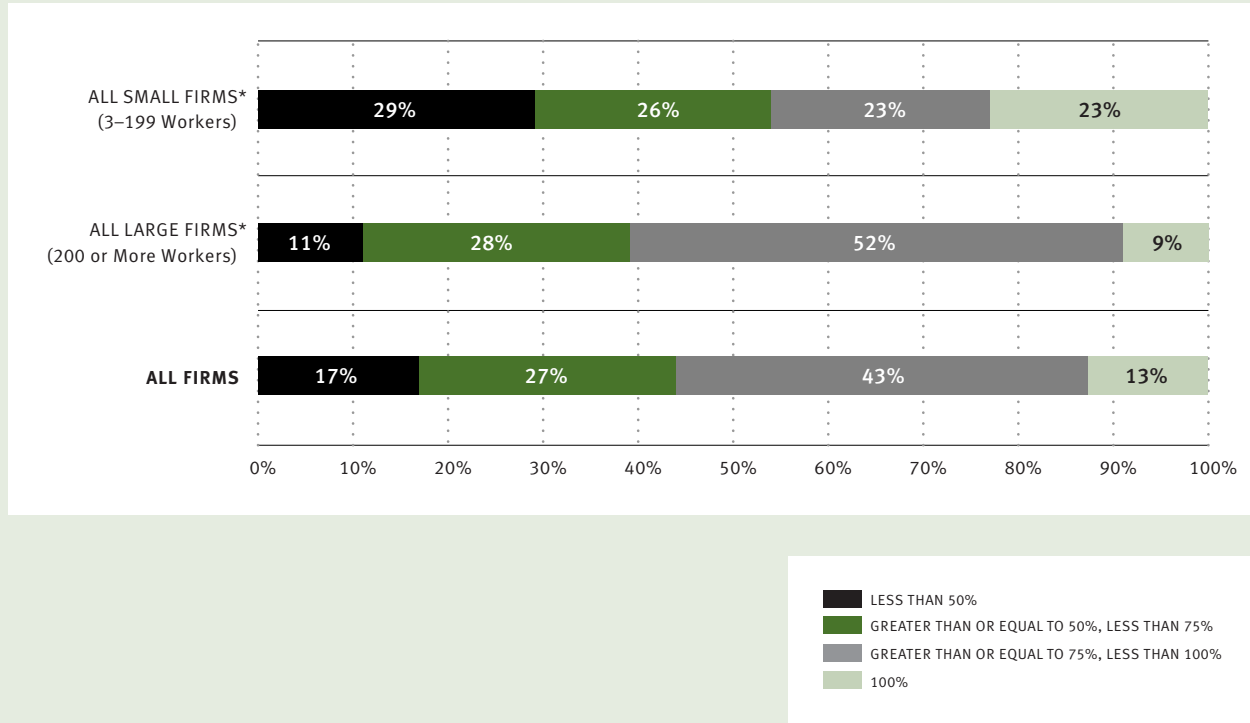
SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 7.8

Distribution of Percentage of Family Premiums Paid by Firms for Covered Workers, 2001



SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 7.9

Percentage of Overall Single and Family Premiums Paid by Firm, by Percentage of Workforce That is Low Wage, 2001

	<i>Single Coverage</i>	<i>Family Coverage</i>
PERCENT OF WORKFORCE EARNING \$20,000 OR LESS PER YEAR		
Less Than 35% (Higher Wage Firms)	85%	75%*
35% or More (Lower Wage Firms)	84%	62%

SOURCE :

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

* Estimate is statistically different from All Firms

EXHIBIT 7.10

Percentage of Premium Paid by Firm for Typical Covered Worker in Conventional, HMO, PPO, and POS Plans, by Firm Size, 2001

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
All Small Firms (3–199 Workers)	90%	69%
Midsize (200–999 Workers)	90	84
Large (1,000–4,999 Workers)	85	78
Jumbo (5,000 or More Workers)	94	89
ALL FIRM SIZES	92%	83%
HMO PLANS		
All Small Firms (3–199 Workers)	70%	55%*
Midsize (200–999 Workers)	87	67
Large (1,000–4,999 Workers)	80	73
Jumbo (5,000 or More Workers)	85	76*
ALL FIRM SIZES	80%	69%
PPO PLANS		
All Small Firms (3–199 Workers)	89%*	66%*
Midsize (200–999 Workers)	86	73
Large (1,000–4,999 Workers)	82	73
Jumbo (5,000 or More Workers)	84	79*
ALL FIRM SIZES	86%	73%
POS PLANS		
All Small Firms (3–199 Workers)	92%*	72%
Midsize (200–999 Workers)	84	78
Large (1,000–4,999 Workers)	83	74
Jumbo (5,000 or More Workers)	83*	81
ALL FIRM SIZES	87%	76%
ALL PLANS		
All Small Firms (3–199 Workers)	87%	66%*
Midsize (200–999 Workers)	86	74
Large (1,000–4,999 Workers)	82*	73
Jumbo (5,000 or More Workers)	85	79*
ALL FIRM SIZES	85%	73%

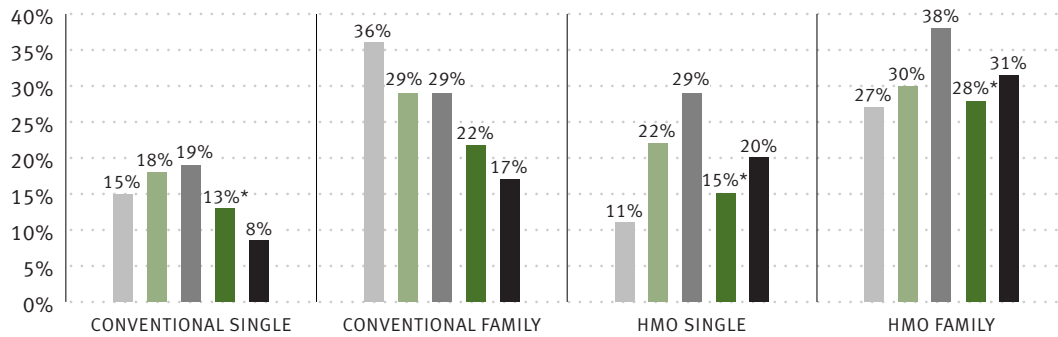
SOURCE :

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

* Estimate is statistically different from All Firms within a plan type.

EXHIBIT 7.11

Percentage of Premium Paid by Workers in Conventional and HMO Plans, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

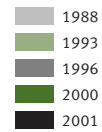
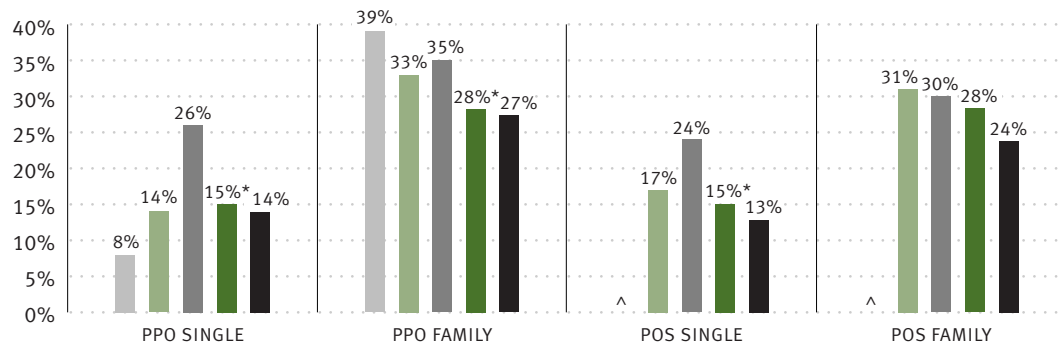


EXHIBIT 7.12

Percentage of Premium Paid by Workers in PPO and POS Plans, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

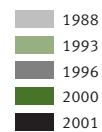
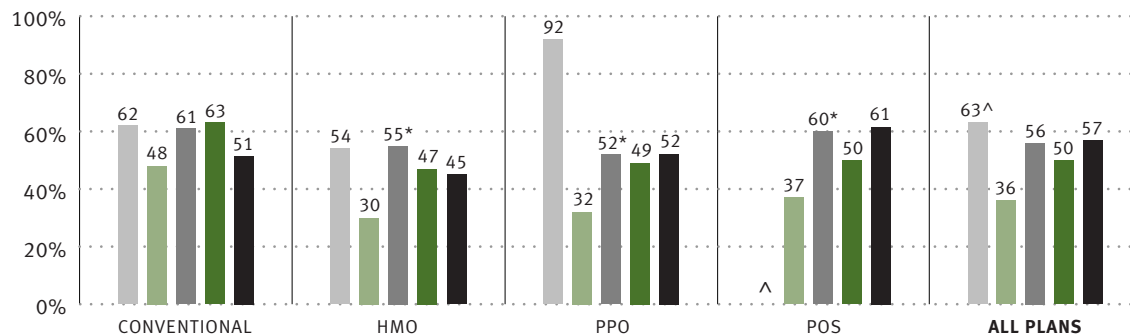


EXHIBIT 7.13

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Single Plan Coverage, All Small Firms (3–199 Workers), 1988–2001



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996.

* Estimate is statistically different from the previous year shown: 1996–1999, 1999–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

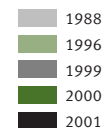
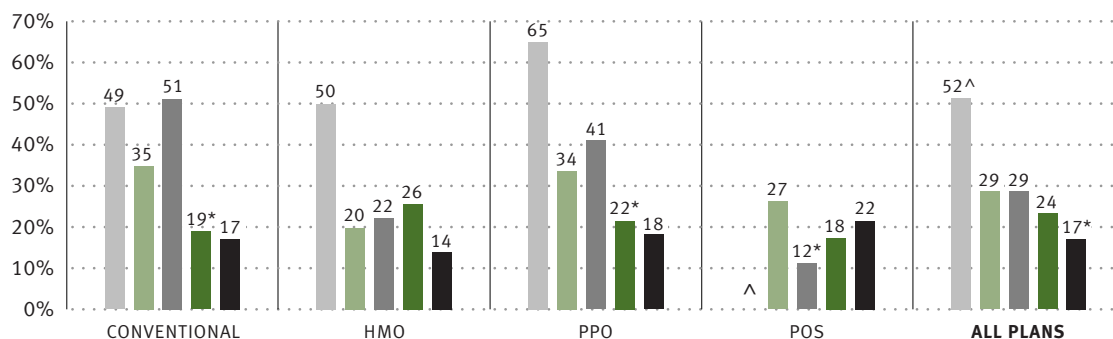


EXHIBIT 7.14

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Single Plan Coverage, All Large Firms (200 or More Workers), 1988–2001



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996.

* Estimate is statistically different from the previous year shown: 1996–1999, 1999–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

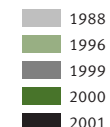
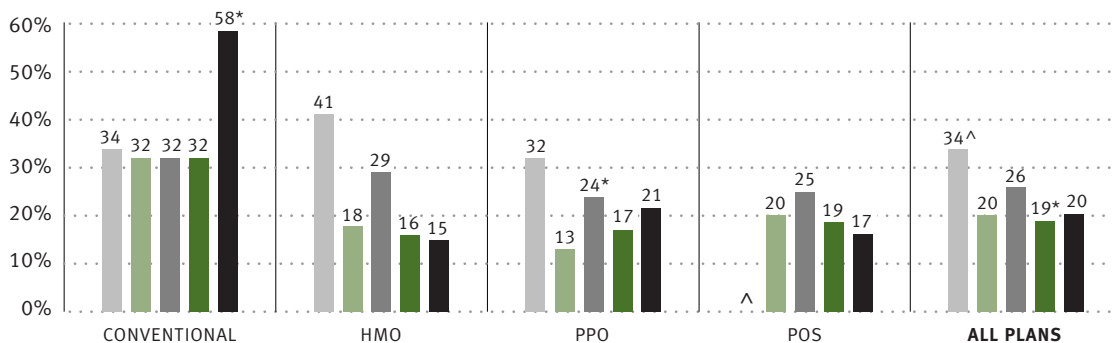


EXHIBIT 7.15

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Family Plan Coverage, All Small Firms (3–199 Workers), 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996.

* Estimate is statistically different from the previous year shown: 1996–1999, 1999–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

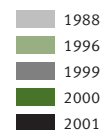
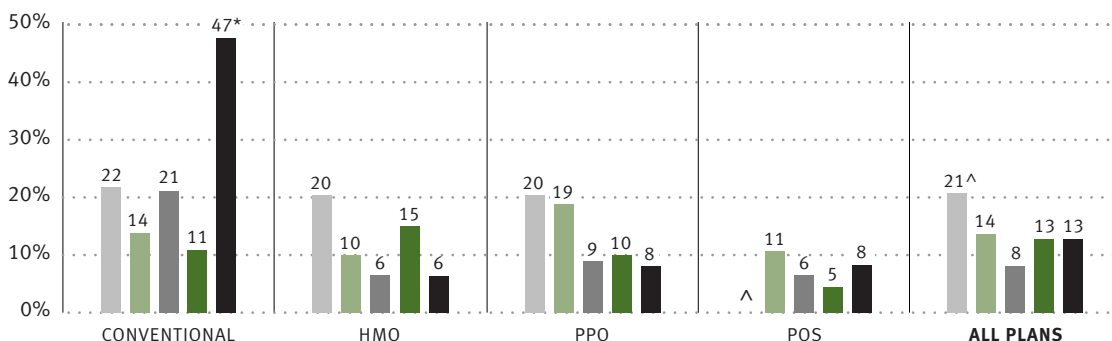


EXHIBIT 7.16

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Family Plan Coverage, All Large Firms (200 or More Workers), 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996.

* Estimate is statistically different from the previous year shown: 1996–1999, 1999–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988.

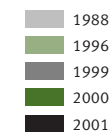


EXHIBIT 7.17

Percentage of Premium Paid by Firm for Typical Covered Worker in Conventional, HMO, PPO, and POS Plans, by Region, 2001

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Northeast	90%	69%
Midwest	95	92
South	86	62*
West	85	81
ALL REGIONS	92%	83%
HMO PLANS		
Northeast	70%	73%
Midwest	86	80*
South	83	65
West	84	65
ALL REGIONS	80%	69%
PPO PLANS		
Northeast	83%	82%*
Midwest	87	78*
South	84	66*
West	90	71
ALL REGIONS	86%	73%
POS PLANS		
Northeast	88%	79%
Midwest	87	77
South	86	68
West	90	82
ALL REGIONS	87%	76%
ALL PLANS		
Northeast	81%	78%*
Midwest	88	79*
South	85	66*
West	87	71
ALL REGIONS	85%	73%

SOURCE :

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

* Estimate is statistically different from All Regions by plan type.

EXHIBIT 7.18

Percentage of Premium Paid by Firm for Typical Covered Worker in Conventional, HMO, PPO, and POS Plans, by Industry, 2001

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Mining/Construction/Wholesale	NSD	NSD
Manufacturing	95%	91%
Transportation/Communication/Utility	NSD	NSD
Retail	NSD	NSD
Finance	NSD	NSD
Service	95	76
State/Local Government	94	86
Health Care	NSD	NSD
ALL INDUSTRIES	92%	83%
HMO PLANS		
Mining/Construction/Wholesale	77%	60%
Manufacturing	64	70
Transportation/Communication/Utility	88	87*
Retail	78	63
Finance	82	72
Service	87	64
State/Local Government	91*	82*
Health Care	83	72
ALL INDUSTRIES	80%	69%
PPO PLANS		
Mining/Construction/Wholesale	81%	72%
Manufacturing	86	81*
Transportation/Communication/Utility	89	81*
Retail	78*	72
Finance	87	65*
Service	89*	68
State/Local Government	82	78*
Health Care	87	67
ALL INDUSTRIES	86%	73%
POS PLANS		
Mining/Construction/Wholesale	86%	80%
Manufacturing	85	83*
Transportation/Communication/Utility	NSD	NSD
Retail	74*	66*
Finance	88	76
Service	92	77
State/Local Government	86	72
Health Care	82	73
ALL INDUSTRIES	87%	76%
ALL PLANS		
Mining/Construction/Wholesale	82%	71%
Manufacturing	82	79*
Transportation/Communication/Utility	90*	80
Retail	77*	68
Finance	89*	68
Service	90*	70
State/Local Government	85	79*
Health Care	85	71
ALL INDUSTRIES	85%	73%

SOURCE :

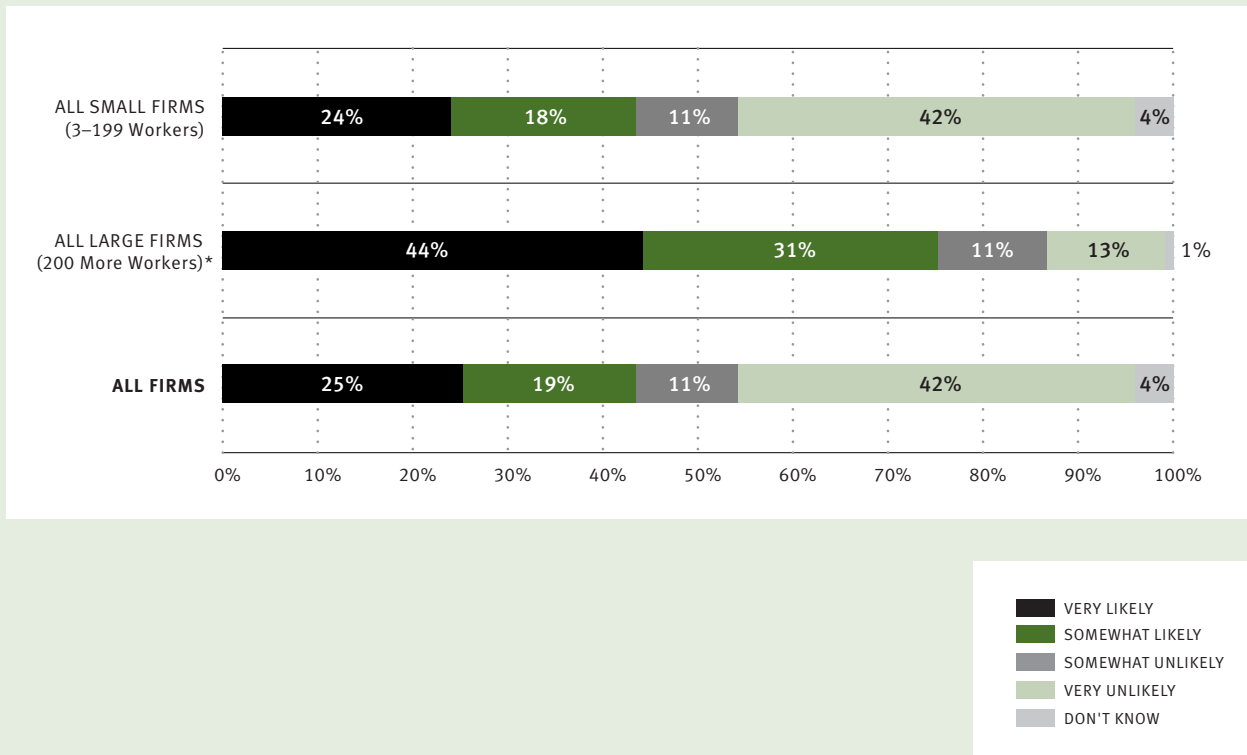
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Estimate is statistically different from All Industries by plan type.

NSD: Not sufficient data.

EXHIBIT 7.19

Percentage of Firms That Report Employee Cost for Coverage is Likely to Increase in the Next Year, by Firm Size, 2001



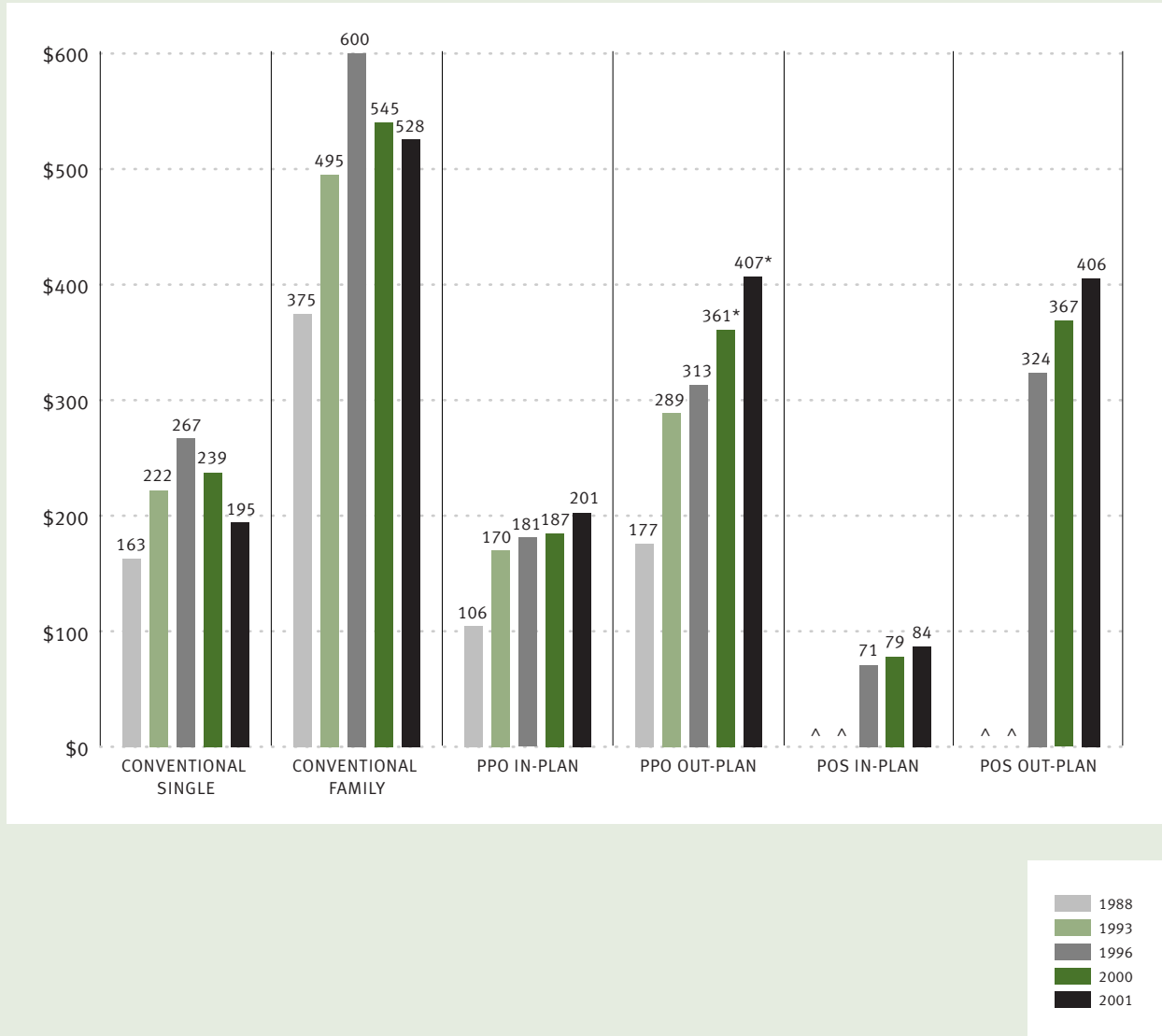
SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 7.20

Average Annual Deductibles for Coverage in Conventional, PPO, and POS Plans, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

^ Information was not obtained for POS plans in 1988 and 1993.

EXHIBIT 7.21

Average Annual Deductible for Typical Covered Worker, by Firm Size, 2001

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
All Small Firms (3–199 Workers)	\$296*	\$726
Midsize (200–999 Workers)	176	405
Large (1,000–4,999 Workers)	187	480
Jumbo (5,000 or More Workers)	159	487
ALL FIRM SIZES	\$195	\$528
	<i>Single Coverage Preferred Provider</i>	<i>Family Coverage Non-Preferred Provider</i>
PPO PLANS		
All Small Firms (3–199 Workers)	\$279*	\$491*
Midsize (200–999 Workers)	188	406
Large (1,000–4,999 Workers)	159*	372
Jumbo (5,000 or More Workers)	153*	349*
ALL FIRM SIZES	\$201	\$407
POS PLANS		
All Small Firms (3–199 Workers)	\$124	\$474
Midsize (200–999 Workers)	99	382
Large (1,000–4,999 Workers)	87	379
Jumbo (5,000 or More Workers)	25*	372
ALL FIRM SIZES	\$84	\$406

SOURCE :

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

* Estimate is statistically different from All Firms within a type.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EXHIBIT 7.22

Average Annual Deductible for Typical Covered Worker in Conventional, PPO, and POS Plans, by Region, 2001

	<i>Single Coverage</i>	<i>Family Coverage</i>
CONVENTIONAL PLANS		
Northeast	\$251	\$567
Midwest	142	435
South	243	724
West	291*	661
ALL REGIONS	\$195	\$528

	<i>Single Coverage Preferred Provider</i>	<i>Family Coverage Non-Preferred Provider</i>
PPO PLANS		
Northeast	\$111*	\$365
Midwest	210	388
South	237	456
West	178	337*
ALL REGIONS	\$201	\$407

POS PLANS		
Northeast	42*	\$438
Midwest	86	424
South	111	352
West	129	434
ALL REGIONS	\$84	\$406

SOURCE :

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

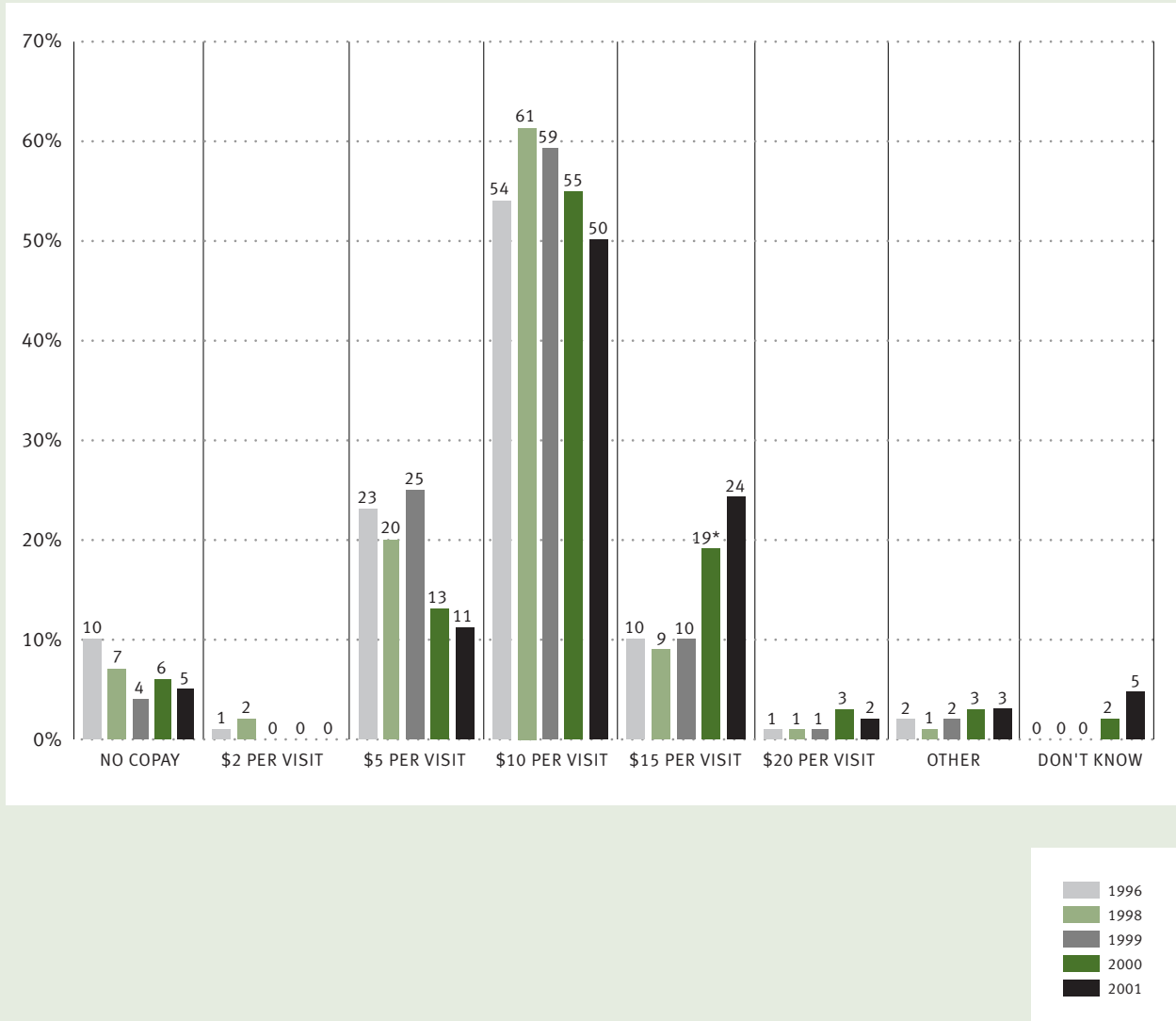
* Estimate is statistically different from All Regions within a type.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EXHIBIT 7.23

Percentage of Covered Workers Facing HMO Copayments for Physician Visits, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

EXHIBIT 7.24

Percentage of Covered Workers Facing HMO Copayments for Physician Visits,
by HMO Type, 2001*

	<i>IPA</i>	<i>Staff/Group</i>	<i>Mixed</i>	<i>All HMO Types</i>
No Copayment	5%	10%	4%	5%
\$2 Per Visit	0	0	0	0
\$5 Per Visit	12	13	10	11
\$10 Per Visit	49	47	56	50
\$15 Per Visit	31	23	21	24
\$20 Per Visit	1	4	3	2
Other	1	1	5	3
Don't Know	0	1	1	5
TOTAL	100%	100%	100%	100%

SOURCE :

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

* Tests found no statistically different distributions from All HMO Types.

IPA (Independent Practice Association) model HMO: an HMO model in which the HMO contracts with a physician organization, which, in turn, contracts with independent physicians. The IPA physicians practice in their own offices and continue to see fee-for-service patients.

Staff model HMO: a model in which the HMO employs health care providers directly. The providers are employees of the HMO, and provide care exclusively to HMO members.

Group model HMO: an HMO in which the plan contracts exclusively with a single group of physicians.

EXHIBIT 7.25

Percentage of Covered Workers Facing Various Coinsurance Rates in Conventional Plans,
by Firm Size, 2001*

	<i>All Small Firms (3–199 Workers)</i>	<i>Midsize (200–999 Workers)</i>	<i>Large (1,000–4,999 Workers)</i>	<i>Jumbo (5,000 or More Workers)</i>	<i>All Firm Sizes</i>
0%	26%	7%	1%	30%	24%
10%	7	27	2	29	21
15%	2	0	1	1	1
20%	44	57	88	36	45
25%	4	1	1	3	3
30%	0	0	0	1	0
Rate Varies	0	0	3	0	0
Other	9	7	5	1	4
Don't Know	9	1	0	0	2
TOTAL	100%	100%	100%	100%	100%

SOURCE :

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

* Tests found no statistically different distributions from All Firms.

Coinsurance rates: a cost sharing arrangement in which a member pays a specified proportion of the bills for services received.

EXHIBIT 7.26

Percentage of Covered Workers Facing Coinsurance Rates and Copayments in PPO Plans, by Firm Size, 2001*

	<i>All Small Firms (3–199 Workers)</i>	<i>Midsized (200–999 Workers)</i>	<i>Large (1,000–4,999 Workers)</i>	<i>Jumbo (5,000 or More Workers)</i>	<i>All Firm Sizes</i>
<i>Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	1%	1%	3%	3%	2%
10%	27	57	40	21	32
15%	0	2	9	7	5
20%	62	37	48	38	44
25%	0	0	0	2	1
30%	2	2	0	9	5
Varies	0	2	0	0	0
Other	3	0	0	3	2
Don't Know	4	0	0	17	9
TOTAL	100%	100%	100%	100%	100%
COPAYMENTS WORKER PAYS					
\$5	3%	2%	2%	2%	3%
\$10	33	44	49	43	41
\$15	37	34	30	41	36
\$20	22	13	16	10	16
Other	4	6	3	4	4
Don't Know	0	0	0	0	0
TOTAL	100%	100%	100%	100%	100%
<i>Non-Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	1%	1%	1%	0%	1%
10%	2	2	1	0	1
15%	1	0	0	0	0
20%	30	24	30	29	29
25%	1	8	1	1	2
30%	29	33	33	31	31
35%	0	3	4	1	2
40%	11	19	22	16	16
Varies	3	0	0	2	2
Other	4	5	5	7	6
Don't Know	18	5	4	11	11
TOTAL	100%	100%	100%	100%	100%

SOURCE :

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

* Tests found no statistically different distributions from All Firms.

NSD: Not sufficient data.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EXHIBIT 7.27

Percentage of Covered Workers Facing Coinsurance Rates and Copayments in POS Plans,
by Firm Size, 2001

	<i>All Small Firms (3–199 Workers)</i>	<i>Midsize (200–999 Workers)</i>	<i>Large (1,000–4,999 Workers)</i>	<i>Jumbo (5,000 or More Workers)</i>	<i>All Firm Sizes</i>
<i>Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	NSD	NSD	NSD	NSD	9%
10%	NSD	NSD	NSD	NSD	49
15%	NSD	NSD	NSD	NSD	4
20%	NSD	NSD	NSD	NSD	30
25%	NSD	NSD	NSD	NSD	0
30%	NSD	NSD	NSD	NSD	1
Varies	NSD	NSD	NSD	NSD	5
Other	NSD	NSD	NSD	NSD	0
Don't Know	NSD	NSD	NSD	NSD	2
TOTAL	NSD	NSD	NSD	NSD	100%
COPAYMENTS WORKER PAYS					
\$5	16	10	7	8	11
\$10	43	41	60	51	47
\$15	21	21	28	39	27
\$20	16	23	3	1	11
Other	2	4	3	1	2
Don't Know	2	1	0	0	1
TOTAL	100%	100%	100%	100%	100%
<i>Non-Preferred Provider</i>					
COINSURANCE RATE WORKER PAYS					
0%	2%	3%	1%	0%	2%
10%	0	1	1	1	1
15%	0	0	0	0	0
20%	30	31	33	22	28
25%	3	0	3	6	4
30%	18	26	36	48	31
35%	0	0	0	0	0
40%	4	5	14	11	7
Varies	0	0	1	0	0
Other	7	14	9	10	9
Don't Know	35	21	3	1	18
TOTAL	100%	100%	100%	100%*	100%

SOURCE :

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

* Distribution is statistically different from All Firms.

NSD: Not sufficient data.

Preferred providers: providers that are part of a plan's approved list of doctors and hospitals; consumers generally pay lower cost sharing when using these providers.

Non-preferred providers: providers that are not part of a plan's approved list of doctors and hospitals.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Health Benefits

SECTION

8

HEALTH BENEFITS

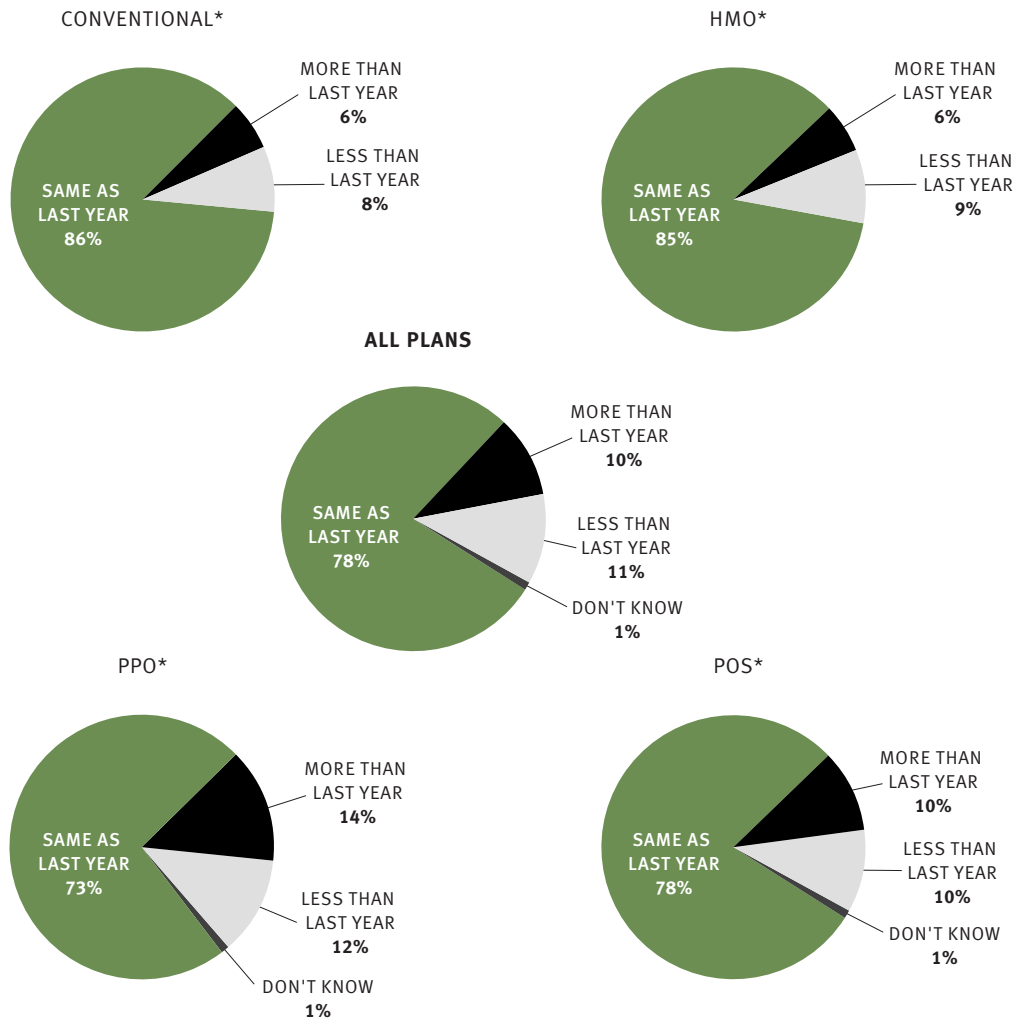
CONTRARY TO CONVENTIONAL WISDOM, BENEFIT PACKAGES IN EMPLOYER-BASED HEALTH PLANS HAVE GROWN MORE GENEROUS OVER THE PAST TWENTY YEARS. PRESCRIPTION DRUG COVERAGE AND PREVENTIVE SERVICES ARE TWO CATEGORIES THAT HAVE INCREASED MOST SIGNIFICANTLY. THE SHIFT FROM CONVENTIONAL TO MANAGED CARE PLANS EXPLAINS MUCH OF THIS INCREASE. MANAGED HEALTH PLANS HAVE HISTORICALLY EMPHASIZED PREVENTIVE CARE SUCH AS PHYSICALS AND MAMMOGRAPHY SCREENINGS AND COMPREHENSIVE CARE IN THE FORM OF PRESCRIPTION DRUG AND AMBULATORY COVERAGE.

NEARLY THE SAME PERCENTAGE OF FIRMS REPORT DECREASES IN THE LEVEL OF BENEFITS OFFERED TO WORKERS AS INCREASES, AND THE LEVEL OF BENEFITS FOR ALL TYPES OF PLANS HAS REMAINED LARGELY UNCHANGED FOR THE VAST MAJORITY OF WORKERS, THOUGH THERE HAS BEEN A DECLINE IN OFFERING OF SOME BENEFITS.

- ▶ The overall level of health plan benefits continues to remain stable. Depending on the type of health plan, between 73% and 86% of covered workers experienced no change in the level of their benefits in the past year (EXHIBIT 8.1).
 - The level of covered benefits was more likely to have changed for PPO plans than for other types of plans. In PPO plans, the level of benefits increased for 14% of workers and decreased for 12%.
- ▶ The vast majority of health plans offer prescription drug coverage, prenatal care, an annual adult physical, annual visits to an obstetrician/gynecologist, and outpatient mental health services. (EXHIBIT 8.2, 8.3).
 - In general, larger firms offer somewhat more generous benefits than smaller firms.
 - HMO and POS plans offer the most comprehensive benefit packages, while conventional plans provide the least comprehensive offerings. HMOs, in particular, are more focused on preventive care. Among covered workers in HMO plans, 97% are covered for annual adult physicals and annual visits with an obstetrician/gynecologist. In contrast, among covered workers in PPOs, only 88% are covered for an annual adult physical and 93% are covered for an annual visits with an obstetrician/gynecologist.
 - All plans are less likely to cover reproductive health services—including oral contraceptives, reversible contraceptives, sterilization, and abortion.
 - Across all plans, oral contraceptives (64%) are less likely to be covered than other kinds of prescription drugs (98%). However, only 41% have coverage for all types of reversible contraceptives. Sixty-seven percent of insured workers have coverage for sterilization and 31% have coverage for abortion services. For many workers, coverage for abortion has decreased somewhat recently. For example, 29% of workers in PPOs are now covered for abortion, compared to 36% in 1999.

EXHIBIT 8.1

How Levels of Benefits for Covered Workers Compare to Last Year, by Plan Type, 2001



SOURCE :

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

* Distribution is statistically different from All Plans.

EXHIBIT 8.2

Percentage of Covered Workers With Selected Benefits, by Firm Size, 2001

	<i>All Small Firms (3–199 Workers)</i>	<i>All Large Firms (200 or More Workers)</i>	<i>All Firms</i>
ALL PLANS			
Adult Physicals	89%	92%	91%
Prescription Drugs	99	97	98
Outpatient Mental	91*	99*	96
Inpatient Mental	90*	98*	95
Annual OB/GYN Visit	91	96	94
Prenatal Care	91*	99*	97
Oral Contraceptives	54*	69	64
Reversible Contraceptives	31*	45	41
Abortion	10*	41*	31
Sterilization	48*	76*	67

SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 8.3

Percentage of Covered Workers in Conventional, HMO, PPO, and POS Plans With Selected Benefits, by Firm Size, 2001

	<i>All Small Firms (3–199 Workers)</i>	<i>All Large Firms (200 or More Workers)</i>	<i>All Firms</i>
CONVENTIONAL PLANS			
Adult Physicals	58%	64%	63%
Prescription Drugs	99	100	99
Outpatient Mental	86	100	96
Inpatient Mental	87	100*	97
Annual OB/GYN Visit	83	80	81
Prenatal Care	91	99	97
Oral Contraceptives	45	43	43
Reversible Contraceptives	10*	32	27
Abortion	7*	52	41
Sterilization	59	71	68
HMO PLANS			
Adult Physicals	95%	98%	97%
Prescription Drugs	99	99	99
Outpatient Mental	88	99	96
Inpatient Mental	84	97	94
Annual OB/GYN Visit	90	98	97
Prenatal Care	91	100*	98
Oral Contraceptives	57	77	73
Reversible Contraceptives	29*	51	45
Abortion	10*	46	37
Sterilization	45*	78	70
PPO PLANS			
Adult Physicals	88%	88%	88%
Prescription Drugs	98	97	97
Outpatient Mental	91*	98	96
Inpatient Mental	90*	98	95
Annual OB/GYN Visit	91	94	93
Prenatal Care	90*	99*	96
Oral Contraceptives	53	65	61
Reversible Contraceptives	32	42	39
Abortion	12*	37	29
Sterilization	48*	69	62
POS PLANS			
Adult Physicals	92%	96%	94%
Prescription Drugs	100	93	96
Outpatient Mental	95	98	97
Inpatient Mental	92	97	95
Annual OB/GYN Visit	95	98	97
Prenatal Care	94	99*	97
Oral Contraceptives	55	81*	70
Reversible Contraceptives	34	56	47
Abortion	5*	44*	28
Sterilization	50	77*	65

SOURCE :

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

* Estimate is statistically different from All Firms within a plan type

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Prescription Drug and Mental Health Benefits

SECTION

9

PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS

OVER THE PAST FEW YEARS, EMPLOYERS HAVE GIVEN SIGNIFICANT ATTENTION ON WAYS TO CONTROL THE INCREASING COST OF BOTH PRESCRIPTION DRUGS AND MENTAL HEALTH BENEFITS. PRESCRIPTION DRUG AND MENTAL HEALTH CARVE OUTS, WHERE HEALTH PLANS PROVIDE SERVICES THROUGH SEPARATE ARRANGEMENTS IN AN ATTEMPT TO CONTROL SPENDING, ARE ONE COMMON FORM OF COST MANAGEMENT.

IN ADDITION TO MANAGING COSTS THROUGH “CARVE OUTS,” EMPLOYERS HAVE SHIFTED MORE OF THE RISING COST OF PRESCRIPTION DRUGS TO THEIR WORKERS. WITH FURTHER COST INCREASES THIS YEAR, EMPLOYERS HAVE UTILIZED SEVERAL STRATEGIES TO REDUCE THEIR EXPENSES. AMONG THESE INCREASINGLY PREVALENT STRATEGIES ARE COST SHARING ARRANGEMENTS UNDER WHICH THE WORKER IS GIVEN AN INCENTIVE TO SELECT LESS EXPENSIVE DRUGS, AND INCREASING DRUG COPAYS—DIRECTLY SHIFTING COSTS TO WORKERS. THIS YEAR, MORE WORKERS FACE FINANCIAL INCENTIVES TO ELECT GENERIC DRUGS, IN ADDITION TO FACING HIGHER PRESCRIPTION COPAYS, ESPECIALLY FOR BRAND NAME DRUGS WITH GENERIC SUBSTITUTES.

PRESCRIPTION DRUG BENEFITS

► Prescription drugs continue to be a standard benefit provided for covered workers (see EXHIBIT 8.2). To combat rising prices, firms are increasingly providing employees with financial incentives to encourage use of generic drugs and certain categories of preferred brand name drugs.

- The use of three-tier cost-sharing arrangements, where a worker faces one copay for generic drugs, a higher one for preferred drugs (brand

name drugs with no generic substitutes), and an even higher one for non-preferred drugs (brand named drugs with generic substitutes) has increased over the past year, growing from 29% of covered workers in 2000 to 36% in 2001 (EXHIBIT 9.1). Two-tier cost-sharing arrangements, where employees face one payment level when purchasing brand name drugs and another when using generic drugs, declined from 49% to 37% of covered workers, while the prevalence of plans that charge the same amount regardless of the type of drug has remained stable.

- The majority of workers in HMO, PPO, and POS plans have either a two-tier or three-tier cost sharing formula for prescription drugs (EXHIBIT 9.2). Workers in HMOs are most likely to have a three-tier cost sharing formula (46%).
- Workers in all small firms are less likely to have a three-tier cost sharing formula than workers in all large firms, for all plans (EXHIBIT 9.2). Twenty-three percent of covered workers in all small firms have a three-tier cost sharing formula, compared to 43% for all large firms.

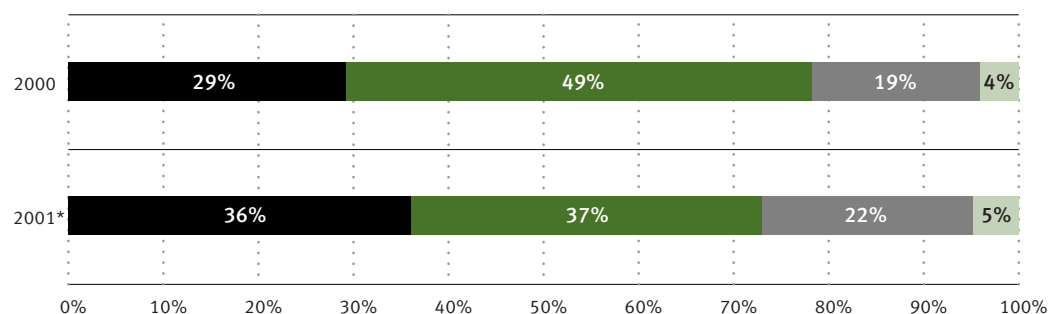
- ▶ Increases in cost sharing over the past two years have also shifted more of the overall financial burden of prescription drug costs to workers.
- *Copays average \$8 for generics, \$15 for brand name drugs with no generic substitute, and \$20 for brand name drugs with generic substitutes, with little variation by plan type (EXHIBIT 9.3). Average copays for brand name drugs with generic substitutes have increased over the last year, where the copay for such drugs increased from \$16 in 2000 to \$20 in 2001.*
- *For workers with coinsurance rather than copays, cost-sharing levels average 16% for generic drugs, 20% for brand name drugs with no generic substitute, and 21% for brand name drugs with no generic substitute. (EXHIBIT 9.4)*
- ▶ Nearly one-third (32%) of covered workers are in firms that “carve out” prescription drugs and provide them separately from their standard health plans (EXHIBIT 9.6). Among these, employers reported that prescription costs for family coverage increased 15.5%—a rate substantially faster rate than overall premium increases.
- ▶ Though employers are generally pessimistic that any approach will be very effective at controlling drug costs, when asked about the effectiveness of various efforts to control drug costs, small and large firms were both likely to point to government regulation as the most effective tool (EXHIBIT 9.7).
- *Forty percent of companies say government regulation of drug prices would be “very effective” at controlling drug costs. A variety of other mechanisms (price negotiations between health plans and drug manufacturers, limits on consumer advertising, and higher copayments for brand name drugs relative to generics) were each cited by about one-quarter of firms as being very effective. Employers had the least confidence in pharmacy benefit management companies (13% said they would be “very effective”), followed by drug formularies and regional purchasing pools.*
- *Covered workers in all small firms are less likely to have mental health benefits carved out from their plan (12%) than those in all firms (22%) (EXHIBIT 9.10).*
- ▶ Health plans continue to impose limits on the use of mental health services (EXHIBIT 9.11).
- *Overall, just 13% of covered workers have unlimited outpatient mental health visits and nearly one-quarter (24%) of workers are restricted to 20 visits or fewer per year. In 1991, approximately 36% of covered workers in all large firms (200 or more workers) were in plans with unlimited outpatient mental health visits.*
- *Workers in PPOs are the most likely to have unlimited outpatient mental health visits, at 15%. Workers covered by HMOs are most likely to be restricted to 20 visits or less per year (37%).*
- ▶ Unlimited inpatient mental health days are not frequently offered, with only 16% of covered workers having unlimited inpatient days in 2001, compared to 18% in 2000. A third of covered workers (33%) are limited to 21 to 30 inpatient mental health days per year (EXHIBIT 9.12).

MENTAL HEALTH BENEFITS

- ▶ The percentage of covered workers whose mental health benefits are carved out has remained stable, at 22% in 2001. Mental health carve-outs are the most common among workers covered by POS and conventional plans, and the least common among those in HMO plans (EXHIBIT 9.9).

EXHIBIT 9.1

Percentage of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000 and 2001



- THREE-TIER=ONE PAYMENT FOR GENERIC DRUGS, ANOTHER FOR NAME BRAND DRUGS WITH NO GENERIC SUBSTITUTE, AND A THIRD FOR NAME BRAND WITH A GENERIC SUBSTITUTE
- TWO-TIER=ONE PAYMENT FOR GENERIC DRUGS AND ONE FOR NAME BRAND
- PAYMENT THE SAME REGARDLESS OF TYPE OF DRUG
- OTHER/DON'T KNOW

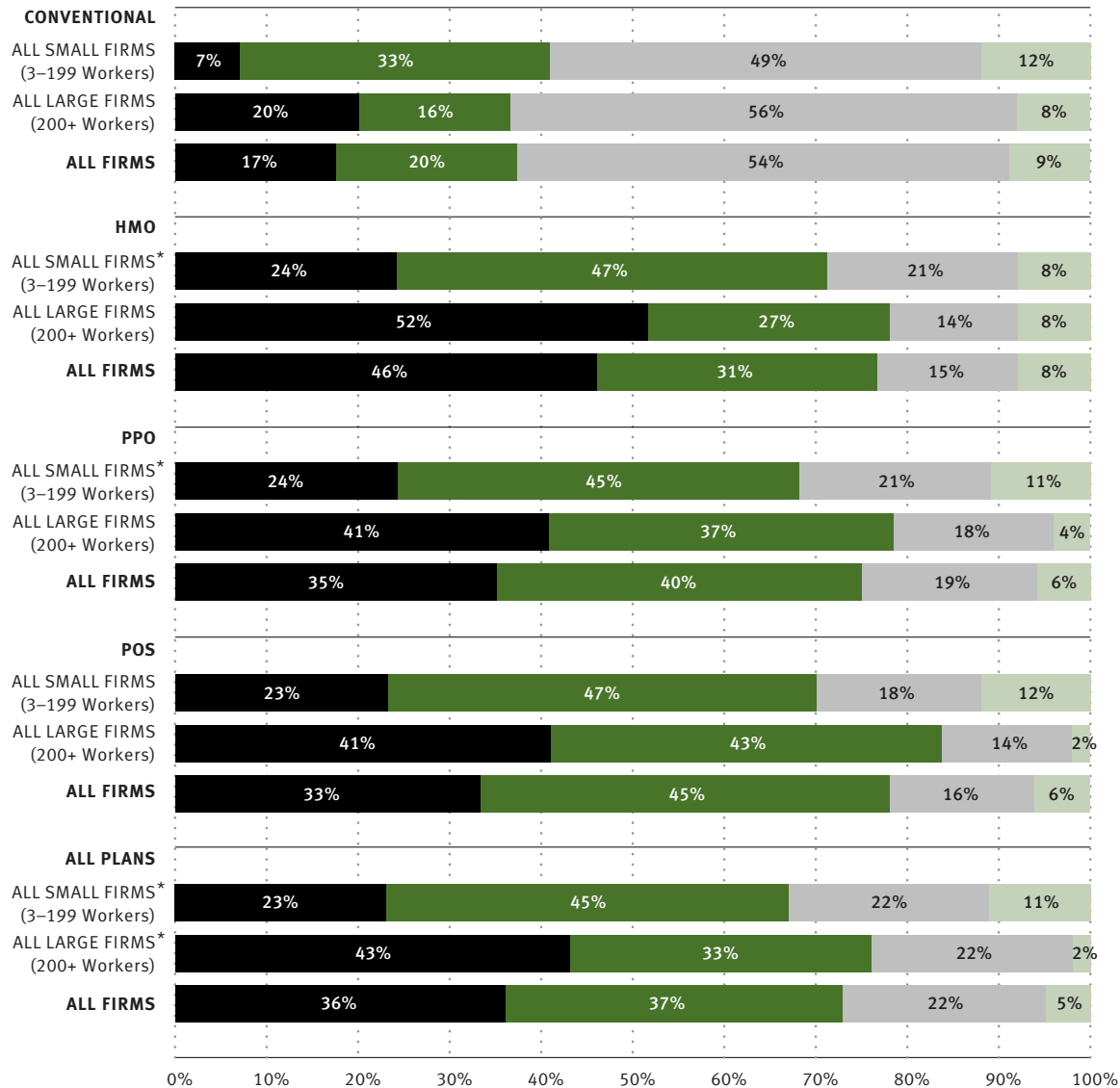
SOURCE :

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

* Distribution is statistically different from the previous year shown: 2000-2001.

EXHIBIT 9.2

Percentage of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits in Conventional, HMO, PPO and POS Plans, by Firm Size, 2001



SOURCE :

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

* Distribution is statistically different from All Firms by Plan Type.

- THREE-TIER=ONE PAYMENT FOR GENERIC DRUGS, ANOTHER FOR NAME BRAND DRUGS WITH NO GENERIC SUBSTITUTE, AND A THIRD FOR NAME BRAND WITH A GENERIC SUBSTITUTE
- TWO-TIER=ONE PAYMENT FOR GENERIC DRUGS AND ONE FOR NAME BRAND
- PAYMENT THE SAME REGARDLESS OF TYPE OF DRUG
- OTHER/DON'T KNOW

EXHIBIT 9.3

Average Copays for Generic Drugs, Brand Name Drugs With No Generic Substitutes, and Brand Name Drugs, With Generic Substitutes, in Conventional, HMO, PPO, and POS Plans, 2001



■ GENERIC
 ■ BRAND NAME WITH NO GENERIC SUBSTITUTES
 ■ BRAND NAME WITH GENERIC SUBSTITUTES

SOURCE :

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

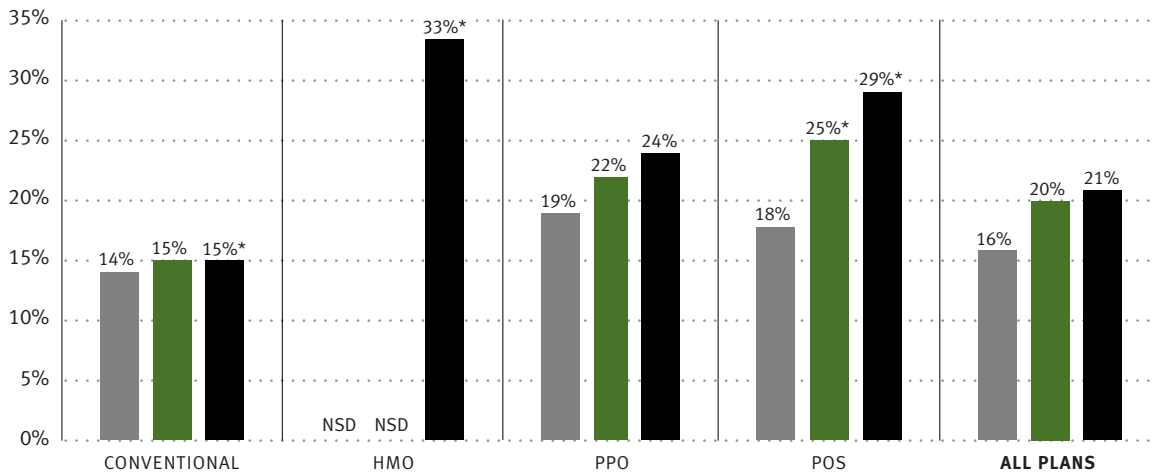
* Estimate is statistically different from All Plans by plan type.

Generic drugs: a drug product that is no longer covered by patent protection and thus may be produced and/or distributed by many firms.

Brand name drugs: a drug product that is covered by a patent and thus is manufactured occasionally occurs, allowing an additional firm(s) to market the drug. After the patent expires, the brand name remains with the original manufacturer's product.

EXHIBIT 9.4

Average Coinsurance Rate for Generic Drugs, Brand Name Drugs With No Generic Substitutes, and Brand Name Drugs, With Generic Substitutes, in Conventional, HMO, PPO, and POS Plans, 2001



■ GENERIC
 ■ BRAND NAME WITH NO GENERIC SUBSTITUTES
 ■ BRAND NAME WITH GENERIC SUBSTITUTES

SOURCE :

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

* Estimate is statistically different from All Plans by plan type.

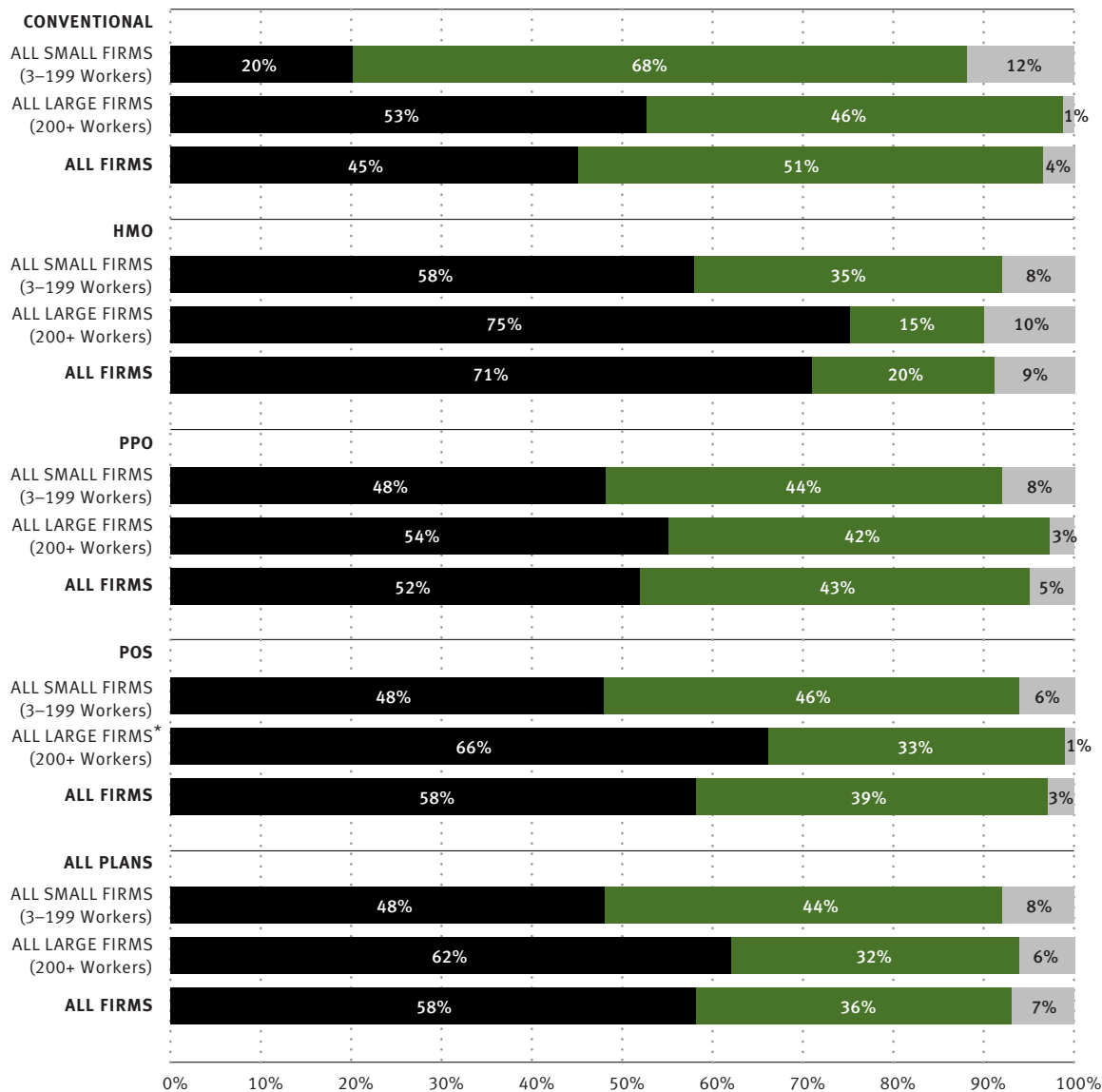
NSD: Not sufficient data.

Generic drugs: a drug product that is no longer covered by patent protection and thus may be produced and/or distributed by many firms.

Brand name drugs: a drug product that is covered by a patent and thus is manufactured occasionally occurs, allowing an additional firm(s) to market the drug. After the patent expires, the brand name remains with the original manufacturer's product.

EXHIBIT 9.5

Percentage of Covered Workers in Plans With a Formulary That Restricts Which Drugs Will Be Covered in Conventional, HMO, PPO, and POS Plans, by Firm Size, 2001



SOURCE:

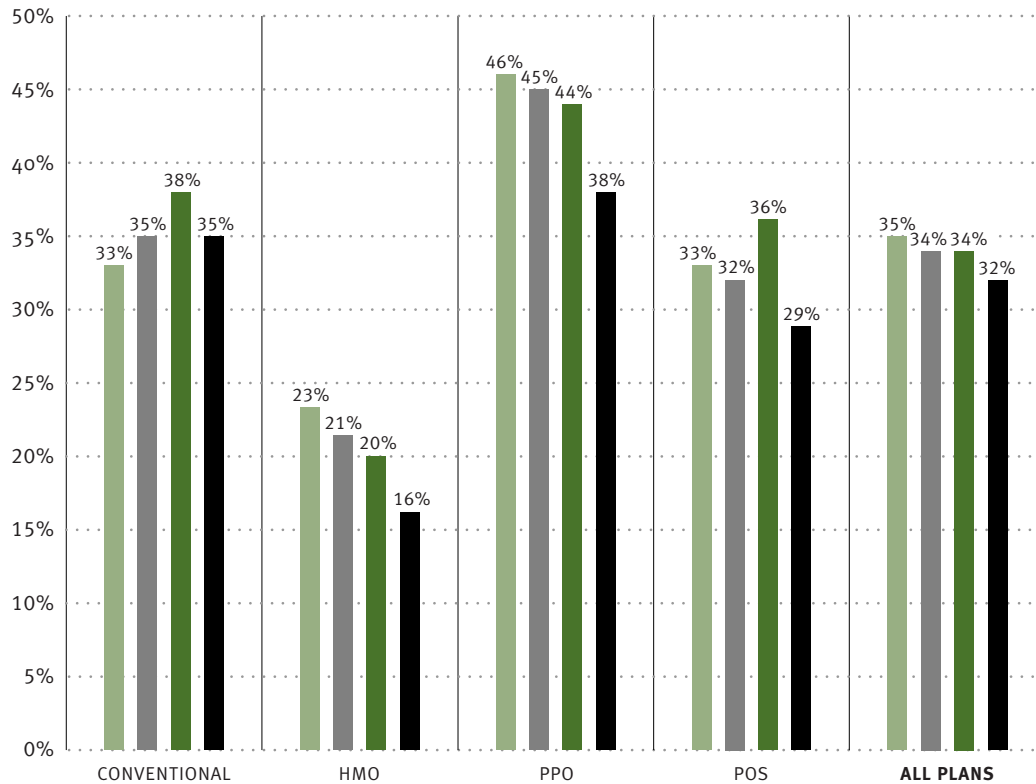
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Distribution is statistically different from All Firms within a plan type.

YES
 NO
 DON'T KNOW

EXHIBIT 9.6

Percentage of Covered Workers With Prescription Drug Carve-Outs, by Plan Type, 1998–2001*



1998
 1999
 2000
 2001

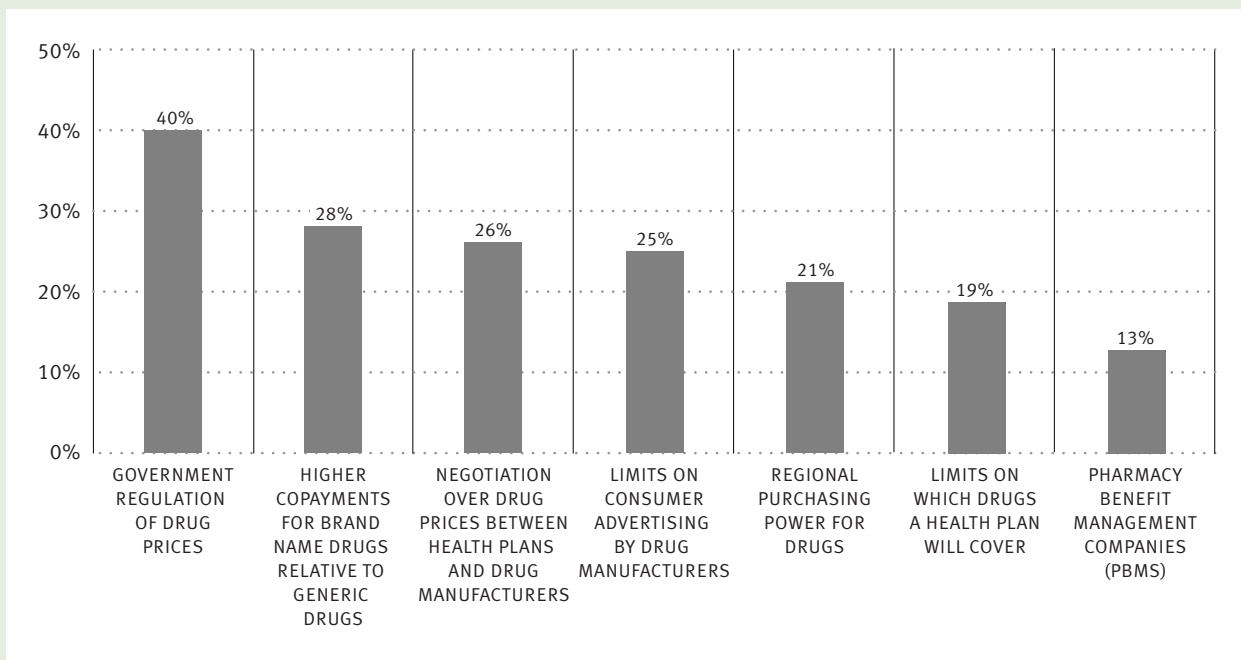
SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1998.

* Tests found no statistically different estimates from the previous year shown:
1998–1999, 1999–2000, 2000–2001.

EXHIBIT 9.7

Percentage of Firms That Report the Following Factors Would Be 'Very Effective' in Controlling Prescription Drug Costs, 2001



SOURCE:

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

EXHIBIT 9.8

Percentage of Covered Workers in Firms That Carve Out Their Prescription Drug Benefits, by Firm Size and Region, 2001

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plans</i>
FIRM SIZE					
All Small Firms (3–199 Workers)	18%	6%*	18%*	13%*	14%*
Midsize (200–999 Workers)	24	12	26*	20	22*
Large (1,000–4,999 Workers)	22	21	36	41	31
Jumbo (5,000 or More Workers)	47	19	65*	53*	52*
REGION					
Northeast	39%	20%	57%*	25%	38%
Midwest	35	13	41	41	40
South	35	19	29	29	26
West	28	11	25	15	17*
ALL REGIONS AND FIRM SIZES	35%	16%	38%	29%	32%

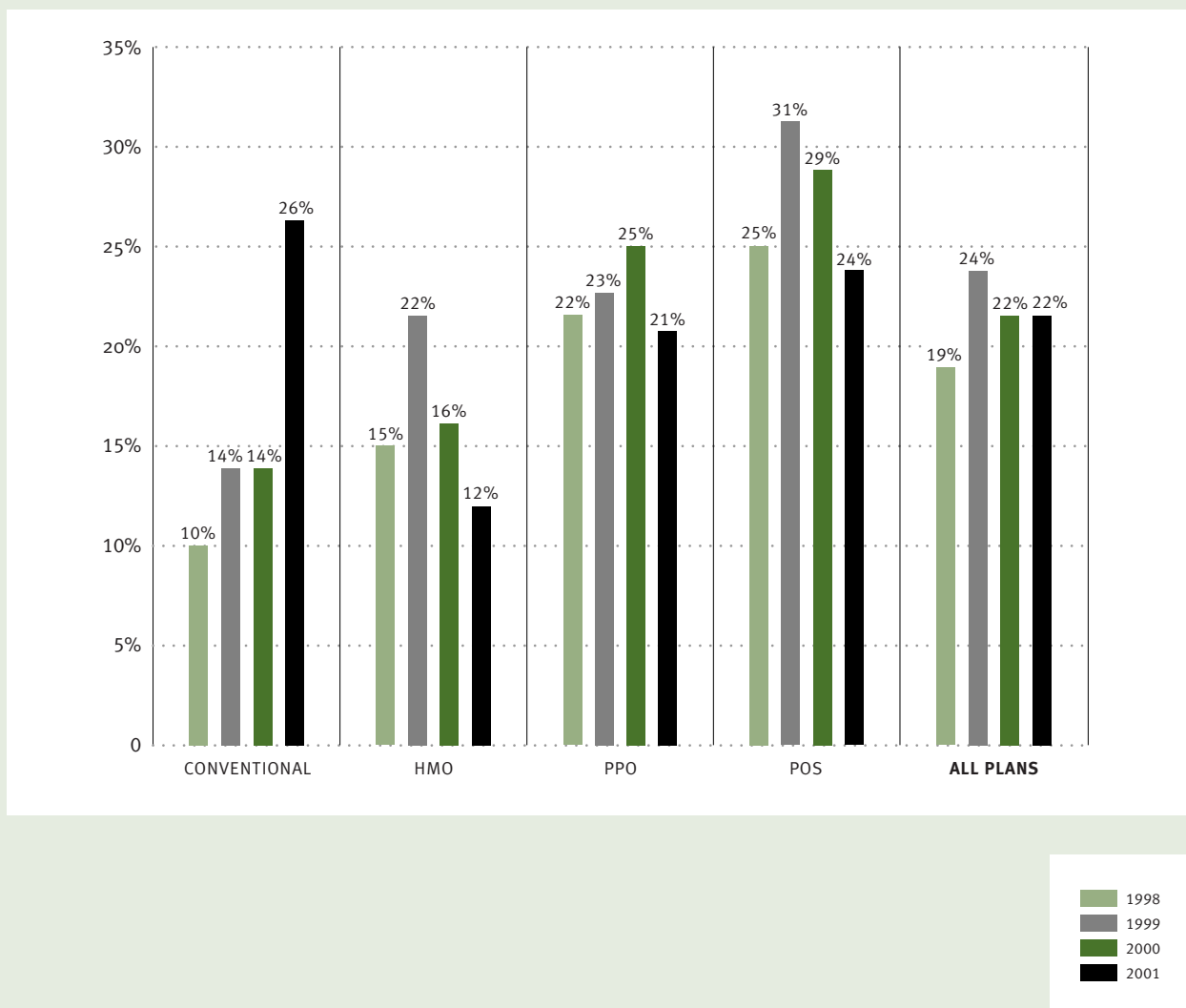
SOURCE :

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

* Estimate is statistically different from All Firms within a plan type.

EXHIBIT 9.9

Percentage of Covered Workers in Firms That Carve Out Mental Health Benefits,
by Plan Type, 1998–2001*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1998.

* Tests found no statistical difference from the previous year shown: 1998-1999, 1999-2000, 2000-2001.

EXHIBIT 9.10

Percentage of Covered Workers in Firms That Carve Out Their Mental Health Benefits,
by Firm Size and Region, 2001

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plans</i>
FIRM SIZE					
All Small Firms (3–199 Workers)	19%	7%	11%*	11%*	12%*
Midsized (200–999 Workers)	14	7	12	16	12*
Large (1,000–4,999 Workers)	25	15	10*	21	13*
Jumbo (5,000 or More Workers)	32	15	40*	46*	37*
REGION					
Northeast	24%	8%	28%	15%	21%
Midwest	33	11	23	24	26
South	10	16	18	34	21
West	16	13	12	20	17
ALL REGIONS AND FIRM SIZES	26%	12%	21%	24%	22%

SOURCE :

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

* Estimate is statistically different from All Firm Sizes.

EXHIBIT 9.11

Percentage of Covered Workers With Various Outpatient Mental Health Visit Annual Maximums, by Plan Type, 2001*

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plans</i>
20 Visits or Less	14%	37%	20%	26%	24%
21 to 30 Visits	17	22	25	19	24
31 to 50 Visits	8	6	14	10	10
More than 50 Visits	21	4	8	8	7
Unlimited	12	8	15	12	13
Don't Know	28	23	19	24	22

SOURCE :

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

* Tests found no statistically different distributions from All Plans.

EXHIBIT 9.12

Percentage of Covered Workers With Various Inpatient Mental Health Day Annual Maximums, by Plan Type, 2001*

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plans</i>
10 Days or Less	3%	4%	5%	3%	4%
11 to 20 Days	3	7	6	5	6
21 to 30 Days	31	35	34	29	33
31 or More Days	10	14	16	19	15
Unlimited	22	11	16	13	16
Don't Know	32	28	22	31	26

SOURCE :

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

* Tests found no statistically different distributions from All Plans.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Plan Funding
and the Use
of Pre-Existing
Condition
Clauses

SECTION

10

PLAN FUNDING AND THE USE OF PRE-EXISTING CONDITION CLAUSES

AS INTERPRETED BY THE COURTS, THE EMPLOYEE RETIREMENT INCOME AND SECURITY ACT (ERISA) OF 1974, EXEMPTS SELF-INSURED PLANS FROM STATE REGULATION, INCLUDING RESERVE REQUIREMENTS, MANDATED BENEFITS, PREMIUM TAXES, AND CONSUMER PROTECTION REGULATIONS. SELF-INSURANCE IS COMMON AMONG LARGE EMPLOYERS BUT IS LESS PREVALENT AND A FAR RISKIER UNDERTAKING FOR SMALLER FIRMS, WHO HAVE FEWER EMPLOYEES OVER WHICH TO SPREAD THE COSTS OF COSTLY CLAIMS. WITH PREMIUMS CHARGED BY INSURANCE COMPANIES AND HMOS RISING RAPIDLY, ADDITIONAL EMPLOYERS—EVEN RELATIVELY SMALL ONES—MAY CONSIDER SELF-INSURANCE AS AN OPTION.

SELF INSURANCE

► In 2001, 47% of covered employees are in a plan that is completely or partially self-insured, compared to 51% in 2000 (EXHIBIT 10.1). Rapidly increasing premiums generally lead to growth in the number of firms that self-insure, but these changes may not be apparent until next year.

- *The likelihood that a plan self-insures is highly related to the size of the firm. For example, 21% percent of covered workers in all small firms (3–199 workers) are in self-insured plans, versus 60% of workers in jumbo firms (5,000 or more workers). Self-insurance is virtually non-existent among firms with fewer than 50 workers (EXHIBIT 10.2).*

- *The proportion of covered employees in self-insured plans is lowest in HMO plans (29%), and highest in conventional plans (68%) and PPO plans (62%) (EXHIBIT 10.3–10.8). However, the percentage of HMO enrollees in self-insured plans has increased from 19% in 1999 to 29% in 2001, meaning larger numbers of workers exempt from an expanding array of state patients' rights laws.*

PRE-EXISTING CONDITIONS

► Since the passage of the federal Health Insurance Portability Act (HIPPA) in 1996—which put limits on pre-existing condition exclusions in both insured and self-insured plans—the use of pre-existing condition clauses has declined considerably among conventional, PPO, and POS plans, though there was little change in the last year (EXHIBIT 10.9).

- *Pre-existing condition clauses are least common in HMO plans (11% of covered workers), and most common in PPOs (45% of workers).*

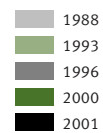
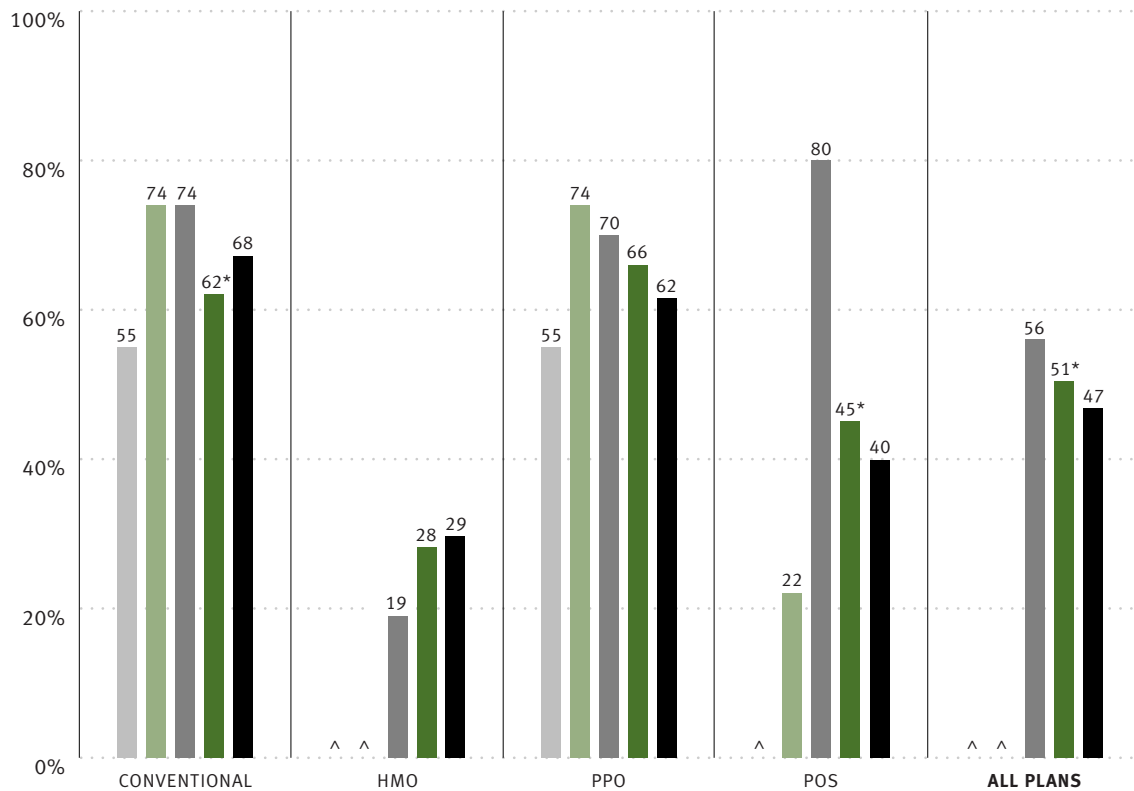
- *The percentage of workers in PPOs facing a pre-existing condition exclusion has dropped substantially in recent years, from 64% in 1996 to 45% this year.*

► Average waiting periods for individuals subject to pre-existing condition clauses remain fairly long, at 9.9 months across plan types (EXHIBIT 10.12). However, HIPAA provides portability of coverage for many workers, meaning that pre-existing condition exclusions are often waived for people moving from one plan to another.

- *Average waiting times for pre-existing condition clauses vary significantly by region—the average waiting period is longest in the South at 10.9 months, and shortest in the West at 6.8 months.*

EXHIBIT 10.1

Percentage of Covered Workers in Partly or Completely Self-Insured Plans, by Plan Type, 1988–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

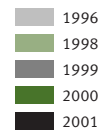
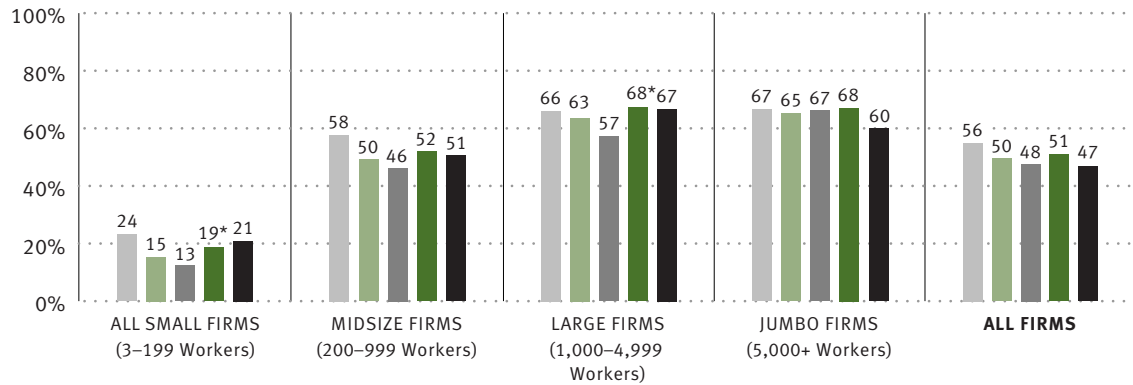
* Estimate is statistically different from the previous year shown: 1996–2000, 2000–2001.

^ Information was not obtained for HMO plans in 1988 and 1993, and POS plans in 1988.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

EXHIBIT 10.2

Percentage of Covered Workers in Partly or Completely Self-Insured Plans, by Firm Size, 1996–2001



SOURCE :

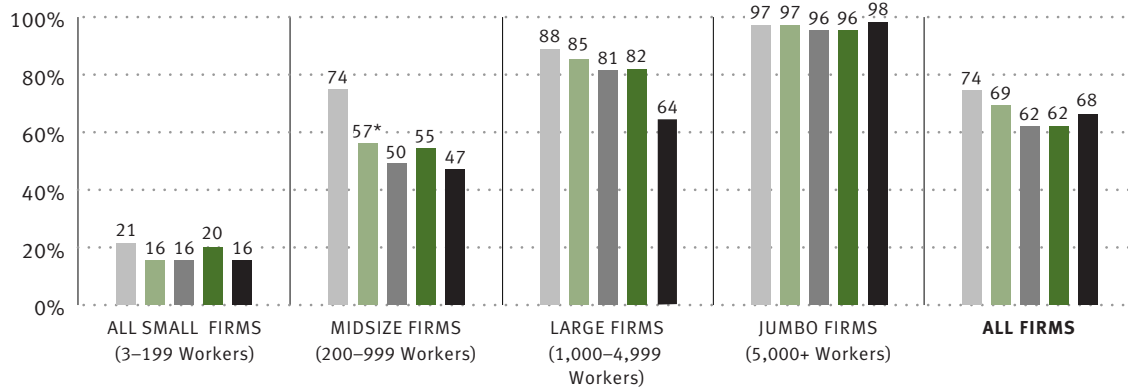
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1999–2000, 2000–2001.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

EXHIBIT 10.3

Percentage of Covered Workers in Partly or Completely Self-Insured Conventional Plans, by Firm Size, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

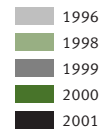
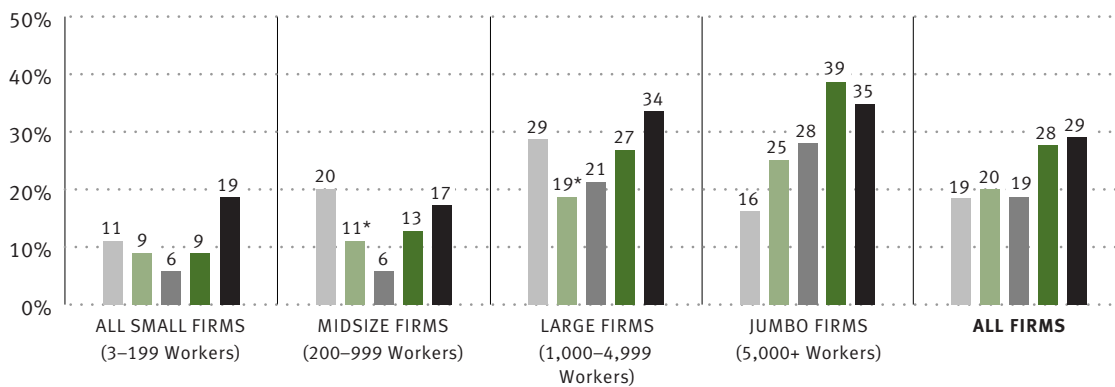


EXHIBIT 10.4

Percentage of Covered Workers in Partly or Completely Self-Insured HMO Plans, by Firm Size, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

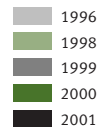
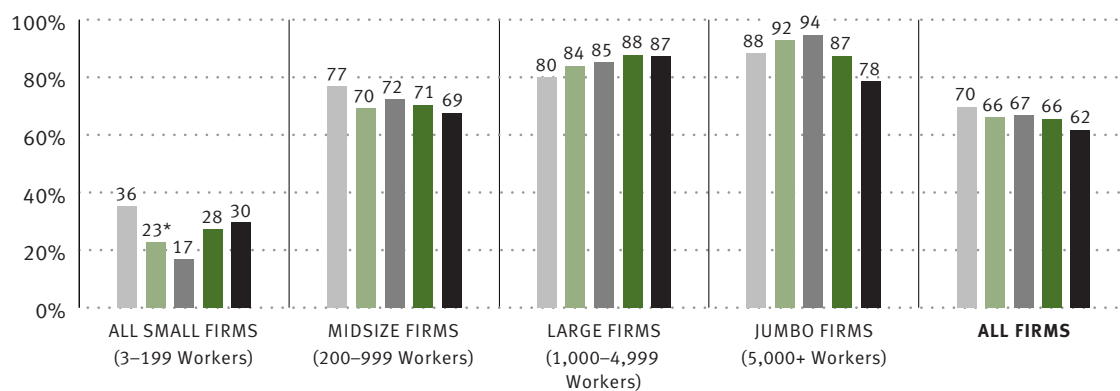


EXHIBIT 10.5

Percentage of Covered Workers in Partly or Completely Self-Insured PPO Plans,
by Firm Size, 1996–2001

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

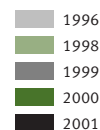
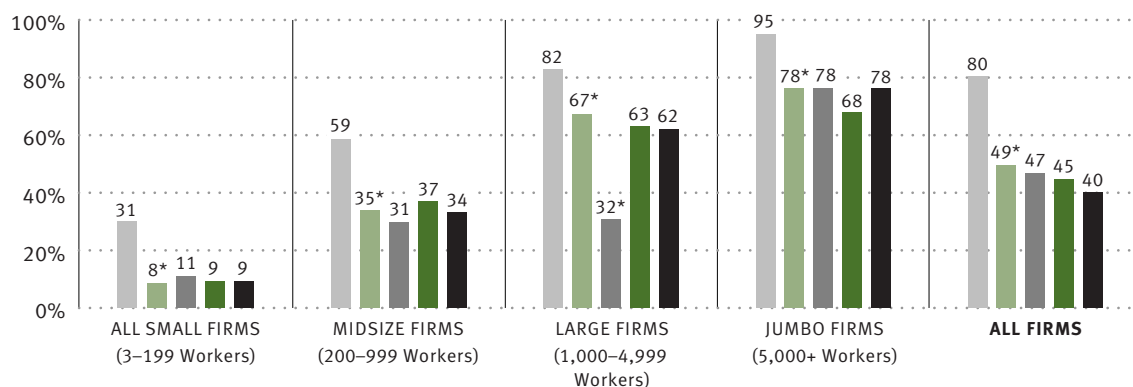


EXHIBIT 10.6

Percentage of Covered Workers in Partly or Completely Self-Insured POS Plans,
by Firm Size, 1996–2001

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

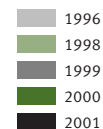


EXHIBIT 10.7 Continued on page 136

Percentage of Covered Workers Under Different Funding Arrangements in Conventional, HMO, PPO, and POS Plans, by Firm Size, 2001

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
CONVENTIONAL PLANS			
Small (3–9 Workers)	NSD	NSD	NSD
Small (10–24 Workers)	NSD	NSD	NSD
Small (25–49 Workers)	NSD	NSD	NSD
Small (50–199 Workers)*	77	23	0
ALL SMALL FIRMS (3–199 WORKERS)*	84%	16%	0%
Midsize (200–999 Workers)	53	47	0
Large (1,000–4,999 Workers)	36	64	0
Jumbo (5,000 or More Workers)*	2	98	0
ALL FIRM SIZES	32%	68%	0%
HMO PLANS			
Small (3–9 Workers)	NSD	NSD	NSD
Small (10–24 Workers)	87	11	2
Small (25–49 Workers)*	100	0	0
Small (50–199 Workers)	67	32	0
ALL SMALL FIRMS (3–199 WORKERS)	80	19	1
Midsize (200–999 Workers)	74	18	8
Large (1,000–4,999 Workers)	65	34	1
Jumbo (5,000 or More Workers)	65	35	0
ALL FIRM SIZES	70%	29%	1%
PPO PLANS			
Small (3–9 Workers)*	96%	1%	3%
Small (10–24 Workers)*	95	4	2
Small (25–49 Workers)*	95	1	4
Small (50–199 Workers)	48	51	1
ALL SMALL FIRMS (3–199 WORKERS)*	69	30	2
Midsize (200–999 Workers)	31	69	0
Large (1,000–4,999 Workers)*	13	87	1
Jumbo (5,000 or More Workers)*	22	78	0
ALL FIRM SIZES	37%	62%	1%

EXHIBIT 10.7 Continued from page 135

Percentage of Covered Workers Under Different Funding Arrangements in Conventional, HMO, PPO, and POS Plans, by Firm Size, 2001

	Coverage Underwritten by an Insurer	Self-Insured (Employer bears all or any of financial risk)	Don't Know
POS PLANS			
Small (3–9 Workers)	NSD	NSD	NSD
Small (10–24 Workers)*	93%	4%	4%
Small (25–49 Workers)*	94	6	0
Small (50–199 Workers)*	86	13	1
ALL SMALL FIRMS (3–199 WORKERS)*	90	9	1
Midsize (200–999 Workers)	51	34	15
Large (1,000–4,999 Workers)*	35	62	2
Jumbo (5,000 or More Workers)*	22	78	0
ALL FIRM SIZES	57%	40%	3%
ALL PLANS			
Small (3–9 Workers)*	97%	1%	2%
Small (10–24 Workers)*	93	4	2
Small (25–49 Workers)*	95	3	1
Small (50–199 Workers)	64	35	1
ALL SMALL FIRMS (3–199 WORKERS)*	78	21	1
Midsize (200–999 Workers)	45	51	5
Large (1,000–4,999 Workers)*	33	67	0
Jumbo (5,000 or More Workers)*	40	60	0
ALL FIRM SIZES	52%	47%	1%

SOURCE :

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

* Distribution is statistically different from All Firms within a plan type.

NSD: Not sufficient data.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

EXHIBIT 10.8 Continued on page 138

Percentage of Covered Workers Under Different Funding Arrangements in Conventional, HMO, PPO, and POS Plans, by Industry, 2001

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
CONVENTIONAL PLANS			
Mining/Construction/Wholesale	NSD	NSD	NSD
Manufacturing	8%	92%	0%
Transportation/Communication/Utility	NSD	NSD	NSD
Retail	NSD	NSD	NSD
Finance	NSD	NSD	NSD
Service	55	45	0
State/Local Government	31	69	0
Health Care	NSD	NSD	NSD
ALL INDUSTRIES	32%	68%	0%
HMO PLANS			
Mining/Construction/Wholesale	76%	23%	1%
Manufacturing	63	37	0
Transportation/Communication/Utility	57	43	0
Retail	75	25	0
Finance	67	32	1
Service	75	21	4
State/Local Government	80	20	0
Health Care	64	36	0
ALL INDUSTRIES	70%	29%	1%
PPO PLANS			
Mining/Construction/Wholesale	48%	52%	0%
Manufacturing*	21	79	0
Transportation/Communication/Utility	26	73	1
Retail	26	72	2
Finance	31	69	0
Service	50	49	1
State/Local Government	64	36	0
Health Care	33	67	0
ALL INDUSTRIES	37%	62%	1%

EXHIBIT 10.8 Continued from page 137

Percentage of Covered Workers Under Different Funding Arrangements in Conventional, HMO, PPO, and POS Plans, by Industry, 2001

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
POS PLANS			
Mining/Construction/Wholesale	62%	37%	2%
Manufacturing	60	40	0
Transportation/Communication/Utility	69	31	0
Retail	28	70	3
Finance	44	56	0
Service	65	28	6
State/Local Government	57	43	0
Health Care	52	43	5
ALL INDUSTRIES	57%	40%	3%
ALL PLANS			
Mining/Construction/Wholesale	58%	42%	0%
Manufacturing	42	58	0
Transportation/Communication/Utility	46	53	1
Retail	41	57	2
Finance	51	49	0
Service	61	36	3
State/Local Government	70	30	0
Health Care	43	57	0
ALL INDUSTRIES	52%	47%	1%

SOURCE :

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

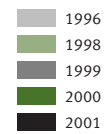
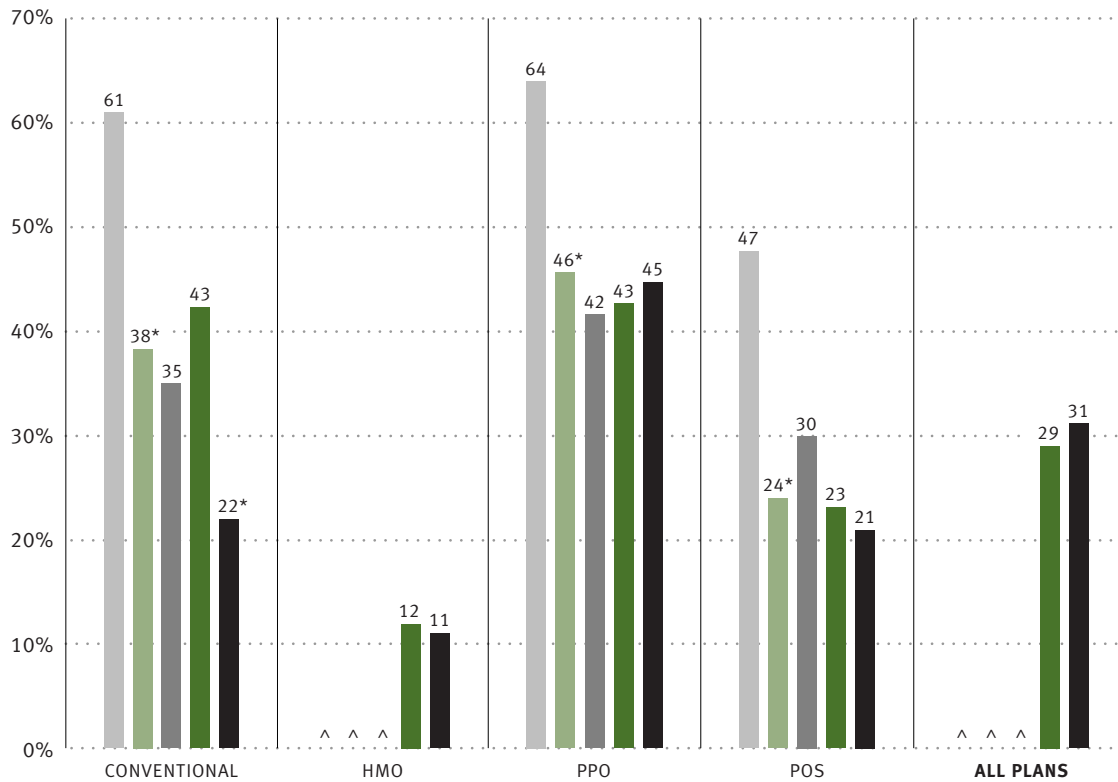
* Distribution is statistically different from All Firms within a plan type.

NSD: Not sufficient data.

Self-insured plans: this is where an employer assumes responsibility for health care claims rather than buying coverage from an insurer.

EXHIBIT 10.9

Percentage of Covered Workers With Pre-Existing Condition Clauses, by Plan Type, 1996–2001



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

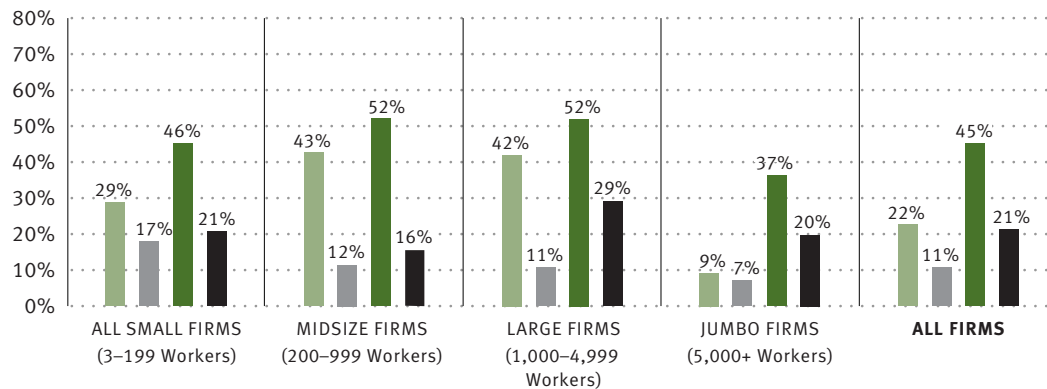
* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

^ Information was not obtained for HMO Plans in 1996, 1998, and 1999.

Pre-existing condition clauses: temporary exclusion from coverage for health conditions that existed prior to enrollment in the health plan.

EXHIBIT 10.10

Percentage of Covered Workers With Pre-Existing Condition Clauses, by Firm Size, 2001*



SOURCE :

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

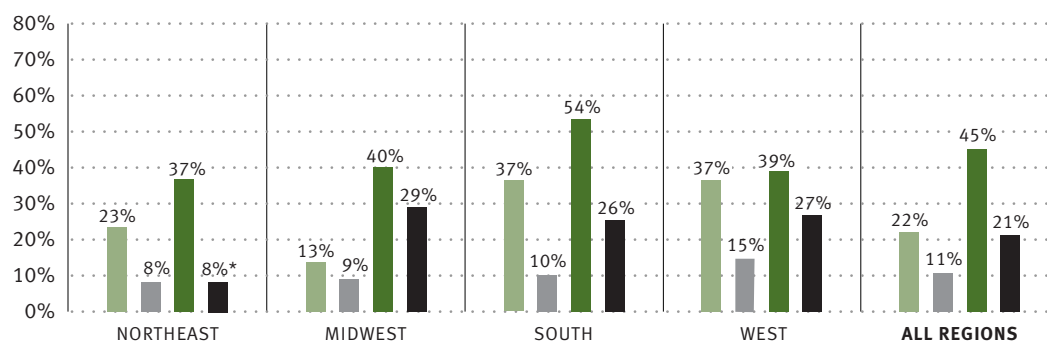
* Tests found no statistically different estimates from All Firms within a plan type.

Pre-existing condition clauses: temporary exclusion from coverage for health conditions that existed prior to enrollment in the health plan.

CONVENTIONAL
HMO
PPO
POS

EXHIBIT 10.11

Percentage of Covered Workers With Pre-Existing Condition Clauses, by Region, 2001



SOURCE :

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

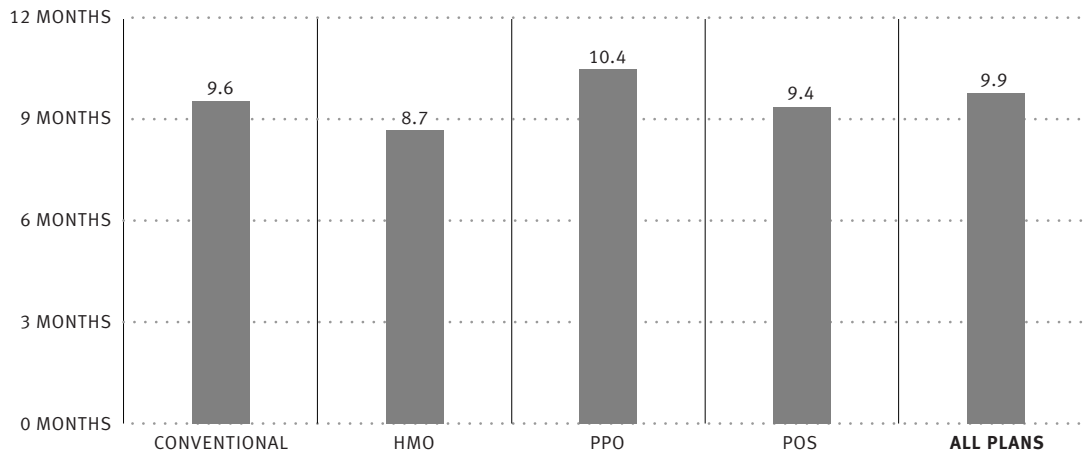
* Estimate is statistically different from All Regions within a plan type.

Pre-existing condition clauses: temporary exclusion from coverage for health conditions that existed prior to enrollment in the health plan.

CONVENTIONAL
HMO
PPO
POS

EXHIBIT 10.12

If Pre-Existing Condition Limitation Exists, Average Number of Months to Wait Before Coverage, 2001



SOURCE:

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

* Estimate is statistically different from All Firm Sizes, Regions, and Industries.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Retiree Health Benefits

SECTION

11

RETIREE HEALTH BENEFITS

RETIREE HEALTH BENEFITS ARE A KEY FACTOR FOR OLDER WORKERS (AGE 55–64) IN THEIR DECISION TO RETIRE. FOR THE POPULATION AGES 65 AND OVER, RETIREE HEALTH BENEFITS SUPPLEMENT MEDICARE, PROTECTING ENROLLEES AGAINST THE RISING COST OF HEALTH CARE SERVICES, ESPECIALLY PRESCRIPTION DRUGS. TO EMPLOYERS, RETIREE HEALTH BENEFITS REPRESENT A RISING COST OF DOING BUSINESS. SINCE THE 1980S THERE HAS BEEN A DECLINE IN THE PERCENTAGE OF FIRMS OFFERING RETIREE COVERAGE TO BOTH EARLY AND MEDICARE-ELIGIBLE RETIREES. WHILE THE INITIAL DECLINE IN COVERAGE WAS DUE IN LARGE PART TO CHANGES IN ACCOUNTING RULES THAT REQUIRED COMPANIES TO ACCOUNT FOR THE FUTURE COST OF BENEFITS ON THEIR BALANCE SHEETS, RECENT DECLINES APPEAR TO BE DRIVEN BY RISING COSTS.

FINDINGS FROM THE 2001 SURVEY INDICATE THAT RETIREE HEALTH BENEFITS HAVE CONTINUED TO DECLINE. AMONG EMPLOYERS THAT STILL OFFER THESE BENEFITS, PRIMARILY LARGE FIRMS WITH MORE THAN 200 WORKERS, MANY ARE EMBRACING COST-CONTAINMENT STRATEGIES THAT WILL RESULT IN HIGHER OUT-OF-POCKET COSTS TO RETIREES.

AVAILABILITY OF RETIREE BENEFITS

- ▶ Retiree benefits vary substantially by firm size—34% of all large firms (200 or more workers) offer retiree coverage, compared to just 3% of smaller businesses (EXHIBIT 11.2).
- ▶ The percentage of firms offering retiree coverage has declined significantly over time. Two-thirds (66%) of all large firms (200 or more workers) offered retiree coverage in 1988, compared to 37% last year and 34% in 2001. Furthermore, only 3% of all small firms (3–199 workers) are offering retiree health benefits this year, versus 9% in 2000 (EXHIBIT 11.1, 11.2).
- ▶ Among large firms offering retiree health benefits, the percentage of firms offering benefits to early retirees under the age of 65 (98%) and to Medicare-age retirees ages 65 and older (67%) changed little from last year (EXHIBIT 11.3–11.5).
- ▶ The vast majority of retiree plans include drug coverage (67%), though larger employers (with 200 or more workers) are more likely to cover drugs than smaller ones (76% and 64%, respectively). (If they offer multiple plans, employers were asked to report on their health plan with the largest number of Medicare-age retirees.) (EXHIBIT 11.6)

CHANGES IN COVERAGE

► Many employers offering retiree benefits have made changes in the last two years that shift costs to enrollees. (EXHIBIT 11.7)

- *Thirty-three percent of firms offering retiree coverage say they have increased the amount enrollees pay for prescription drugs. Thirteen percent of firms say they have introduced three-tiered cost sharing for drugs, where enrollee payments vary by the type of prescription (e.g. generic, name brand). Among jumbo firms (5,000 or more workers) — which are most likely to offer retiree coverage — 33% have done so.*
- *Twenty-six percent of companies say they have increased the retiree's share of the premium paid by retirees. Just 18% of all small firms (3–199 workers) did so, compared with 50% of jumbo firms (5,000 or more workers).*

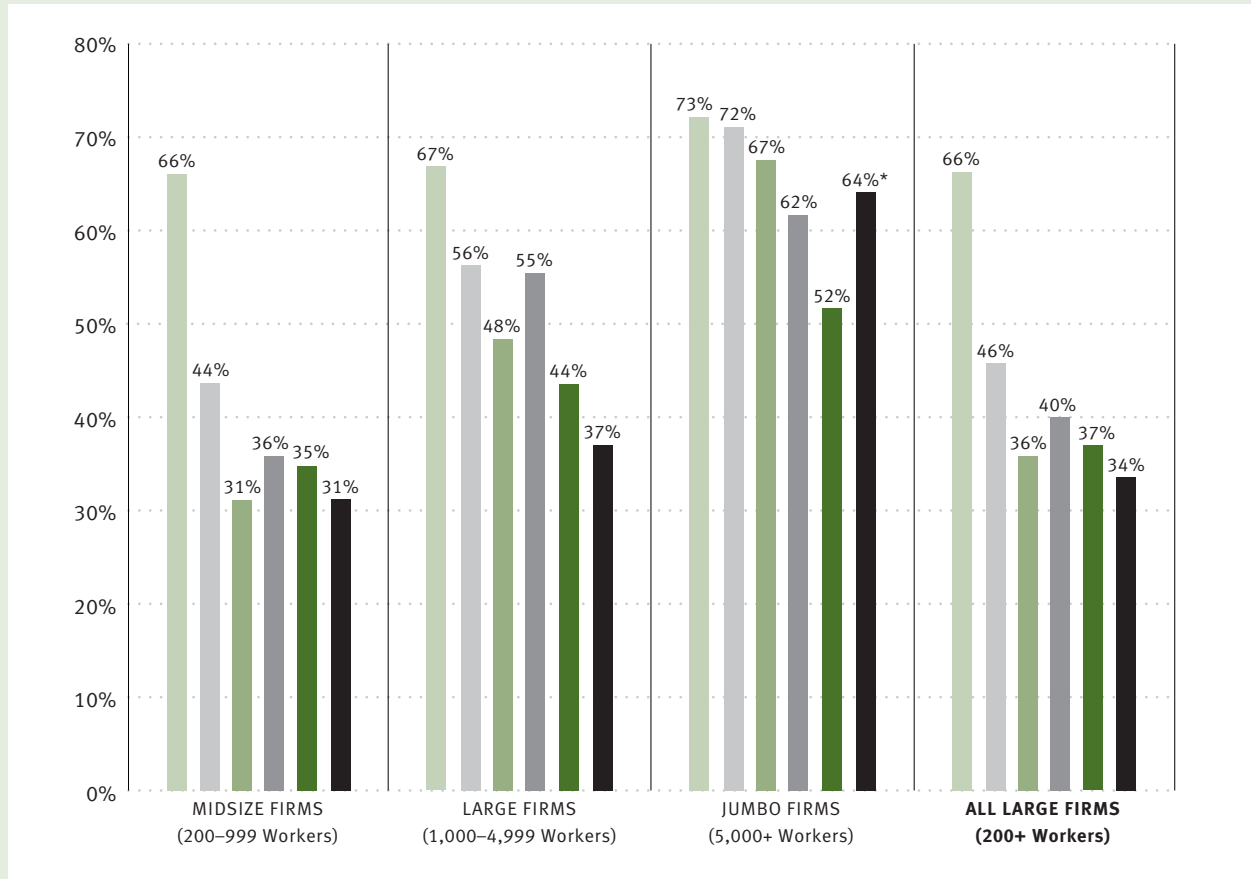
► Many employers also say they expect to make similar changes in the next two years.

- *Thirty-eight percent say it's very or somewhat likely that they will increase cost sharing for prescription drugs for retirees, and 18% say it's likely they will introduce three-tiered cost sharing for drugs (EXHIBIT 11.8). Again, the largest firms are much more likely to report these planned changes than small firms.*
- *Twenty-four percent of firms say they are very or somewhat likely to increase the share of the premium paid by retirees including 60% of jumbo firms (5,000 or more workers). (EXHIBIT 11.8)*

- *Yet, just 4% of companies now offering retiree coverage say they are likely to eliminate that coverage entirely in the next two years. Seven percent of firms say it's likely they will eliminate retiree benefits for new employees or for existing workers who have not yet retired (EXHIBIT 11.9, 11.10).*

However, while no jumbo firms indicate they would eliminate retiree health benefits entirely, 11% say they are likely to eliminate them for new employees or existing workers who have not yet retired.

EXHIBIT 11.1

Percentage of Employers Offering Retiree Health Benefits[^], by Firm Size, 1988–2001

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1991, 1993, 1995.

* Estimate is statistically different from the previous year shown: 2000–2001.

[^] Of firms that offer health benefits to active workers.

1988
1991
1993
1995
2000
2001

EXHIBIT 11.2

Percentage of Employers Offering Retiree Health Benefits[^], by Firm Size, Region, and Industry, 2001

	<i>All Small Firms (3–199 Workers)</i>	<i>All Large Firms (200 or More Workers)</i>
FIRM SIZE		
Small (3–9 Workers)	1%	—
Small (10–24 Workers)	2	—
Small (25–49 Workers)	9*	—
Small (50–199 Workers)	14*	—
ALL SMALL FIRMS (3–199 WORKERS)	3	—
Midsize (200–999 Workers)	—	31%
Large (1,000–4,999 Workers)	—	37
Jumbo (5,000 or More Workers)	—	64*
REGION		
Northeast	7%	30%
Midwest	3	39
South	1	28
West	1	39
INDUSTRY		
Mining/Construction/Wholesale	2%	49%
Manufacturing	3	27
Transportation/Communication/Utility	6	58*
Retail	1*	10*
Finance	2	33
Service	4	40
State/Local Government	29*	80*
Health Care	0*	21
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	3%	34%

SOURCE :

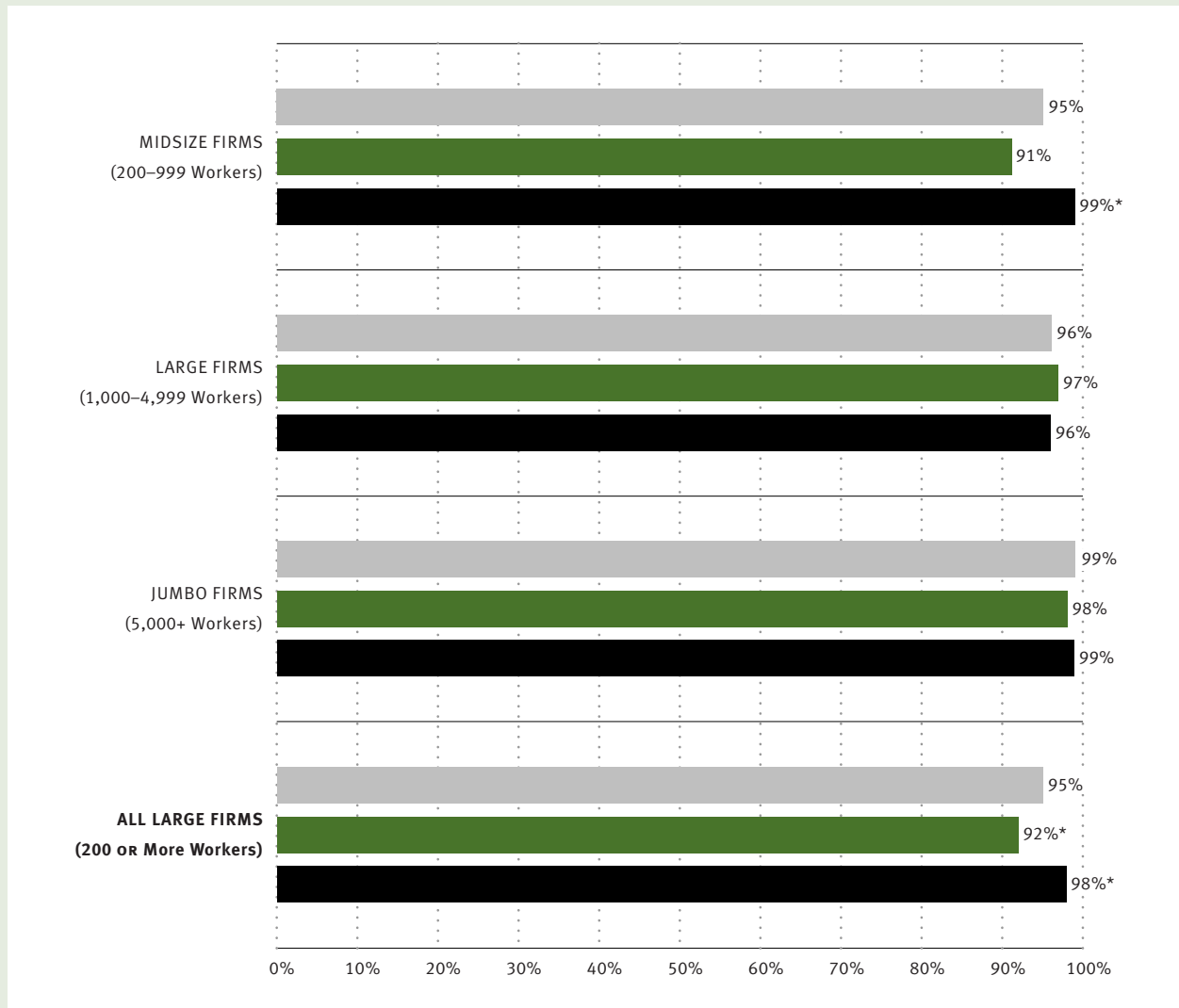
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001.

* Estimate is statistically different from All Firms within a plan type.

[^] Of firms that offer health benefits to active workers.

EXHIBIT 11.3

Percentage of Large Employers Offering Health Benefits to Early Retirees[^], Among Large Firms Offering Retiree Coverage, by Firm Size, 1999, 2000, and 2001



SOURCE :

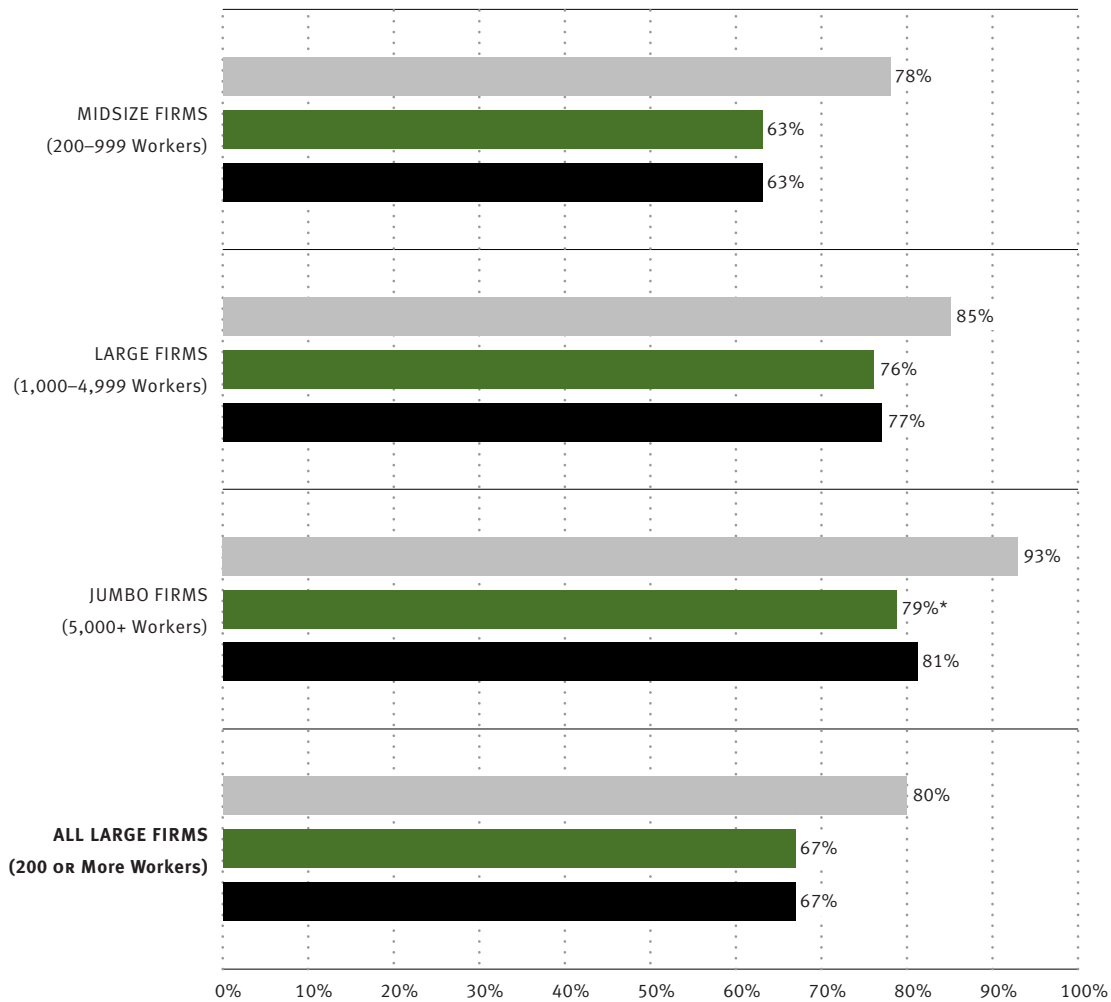
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001.

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

[^] Early retiree means those retiring before age 65.

EXHIBIT 11.4

Percentage of Large Employers Offering Health Benefits to Medicare-Age Retirees, Among Large Firms Offering Retiree Coverage, by Firm Size, 1999, 2000, and 2001



SOURCE:

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

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

EXHIBIT 11.5

Percentage of Large Employers Offering Retiree Benefits to Early[^] and Medicare-Age Retirees, Among Large Firms Offering Retiree Coverage, by Firm Size, Region, and Industry, 2001

	<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)	99%	63%
Large (1,000–4,999 Workers)	96	77
Jumbo (5,000 or More Workers)	99	81
REGION		
Northeast	98%	87%*
Midwest	98	73
South	99	70
West	98	39
INDUSTRY		
Mining/Construction/Wholesale	NSD	NSD
Manufacturing	97	65
Transportation/Communication/Utility	100*	79
Retail	NSD	NSD
Finance	99	82
Service	98	53
State/Local Government	98	71
Health Care	98	57
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	98%	67%

SOURCE :

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

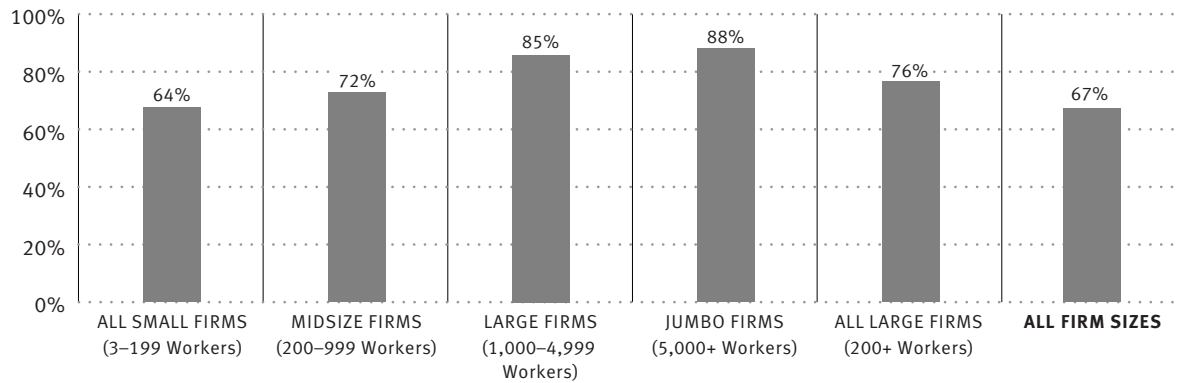
* Estimate is statistically different from All Firms.

[^] Early retiree means those retiring before age 65.

NSD: Not sufficient data.

EXHIBIT 11.6

Among Firms Offering Retiree Health Benefits, Percentage of Firms Offering Drug Coverage in the Largest Plan Serving Medicare-Age Retirees, 2001



SOURCE :

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

EXHIBIT 11.7

Among Firms Offering Retiree Health Benefits, Percentage of Firms Reporting the Following Changes in the Past Two Years, by Firm Size, 2001

	<i>Increased the Retiree Share of Premium</i>	<i>Increased the Amount Retirees Pay for Prescription Drugs</i>	<i>Introduced Three-Tiered Cost-Sharing for Drugs</i>
FIRM SIZE			
ALL SMALL FIRMS (3–199 WORKERS)	18%	33%	12%
Midsize (200–999 Workers)	57*	31	17
Large (1,000–4,999 Workers)	39	31	23
Jumbo (5,000 or More Workers)	50*	41	33*
ALL LARGE FIRMS (200 OR MORE WORKERS)	53*	32	19
ALL FIRM SIZES	26	33	13

SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 11.8

Among Firms Offering Retiree Health Benefits, Percentage of Those Reporting They Are Very or Somewhat Likely to Make the Following Changes in the Next Two Years, by Firm Size, 2001

	<i>Increased the Employee Share of Premium</i>	<i>Increased the Amount Employees Pay for Prescription Drugs</i>	<i>Introduced Three-Tiered Cost-Sharing for Drugs</i>
FIRM SIZE			
ALL SMALL FIRMS (3–199 WORKERS)	16%	33%	13%
Midsize (200–999 Workers)	43	52	32
Large (1,000–4,999 Workers)	59*	49	37*
Jumbo (5,000 or More Workers)	60*	48	22
ALL LARGE FIRMS (200 OR MORE WORKERS)	48*	51	32
ALL FIRM SIZES	24	38	18

SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 11.9

In Firms Offering Retiree Health Benefits, Changes That Will Be Made in the Next Two Years to Retiree Health Coverage: Eliminate Retiree Health Benefits Entirely, by Firm Size, 2001*

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
FIRM SIZE					
ALL SMALL FIRMS (3-199 WORKERS)	3%	0%	6%	70%	20%
Midsize (200-999 Workers)	3	3	5	70	19
Large (1,000-4,999 Workers)	5	3	10	80	1
Jumbo (5,000 or More Workers)	0	3	9	85	2
ALL LARGE FIRMS (200 OR MORE WORKERS)	3	3	6	73	15
ALL FIRM SIZES	3	1	6	71	19

SOURCE :

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

* Tests found no statistically different distribution from All Firms.

EXHIBIT 11.10

In Firms Offering Retiree Health Benefits, Changes That Will Be Made in the Next Two Years to Retiree Health Coverage: Eliminate Retiree Health Benefits for New Employees or for Existing Employees Who Have Not Yet Retired, by Firm Size, 2001*

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
FIRM SIZE					
ALL SMALL FIRMS (3-199 WORKERS)	4%	2%	7%	68%	19%
Midsize (200-999 Workers)	2	5	6	68	19
Large (1,000-4,999 Workers)	10	8	11	71	0
Jumbo (5,000 or More Workers)	7	4	10	76	4
ALL LARGE FIRMS (200 OR MORE WORKERS)	4	6	7	69	15
ALL FIRM SIZES	4	3	7	68	18

SOURCE :

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

* Tests found no statistically different distribution from All Firms.

EXHIBIT 11.11

In Firms Offering Retiree Health Benefits, Changes That Will Be Made in the Next Two Years to Retiree Health Coverage: Increase Share of Contributions for Premiums Required of Retirees, by Firm Size, 2001

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
FIRM SIZE					
ALL SMALL FIRMS (3-199 WORKERS)	5%	11%	23%	41%	20%
Midsize (200-999 Workers)	16	28	5	28	23
Large (1,000-4,999 Workers)*	39	20	9	31	1
Jumbo (5,000 or More Workers)*	34	26	7	29	3
ALL LARGE FIRMS (200 OR MORE WORKERS)*	22	26	6	29	18
ALL FIRM SIZES	9	14	19	38	20

SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 11.12

In Firms Offering Retiree Health Benefits, Changes That Will Be Made in the Next Two Years to Retiree Health Coverage: Offer a Medicare HMO, by Firm Size, 2001

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
FIRM SIZE					
ALL SMALL FIRMS (3-199 WORKERS)	2%	7%	5%	60%	26%
Midsize (200-999 Workers)	4	8	15	51	22
Large (1,000-4,999 Workers)*	13	11	11	62	2
Jumbo (5,000 or More Workers)	8	9	11	64	7
ALL LARGE FIRMS (200 OR MORE WORKERS)	6	8	14	54	17
ALL FIRM SIZES	3	7	7	59	24

SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 11.13

In Firms Offering Retiree Health Benefits, Changes That Will Be Made in the Next Two Years to Retiree Health Coverage: Introduce a Three-Tier Cost-Sharing Formula for Prescription Drugs, by Firm Size, 2001

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
FIRM SIZE					
ALL SMALL FIRMS (3–199 WORKERS)	1%	12%	21%	42%	24%
Midsize (200–999 Workers)	8	24	8	51	9
Large (1,000–4,999 Workers)*	15	21	7	54	2
Jumbo (5,000 or More Workers)*	12	10	10	62	6
ALL LARGE FIRMS (200 OR MORE WORKERS)*	9	23	8	53	7
ALL FIRM SIZES	3	15	18	45	20

SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 11.14

In Firms Offering Retiree Health Benefits, Changes That Will Be Made in the Next Two Years to Retiree Health Coverage: Increase Retirees' Cost-Sharing Requirements When Purchasing Prescription Drugs, by Firm Size, 2001

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
FIRM SIZE					
ALL SMALL FIRMS (3–199 WORKERS)	4%	29%	6%	37%	23%
Midsize (200–999 Workers)	12	40	13	25	10
Large (1,000–4,999 Workers)	15	34	16	33	2
Jumbo (5,000 or More Workers)*	20	29	17	31	4
ALL LARGE FIRMS (200 OR MORE WORKERS)	13	38	14	27	8
ALL FIRM SIZES	6	32	8	35	19

SOURCE :

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

* Distribution is statistically different from All Firms.

EXHIBIT 11.15

In Firms Offering Retiree Health Benefits, Changes That Will be Made in the Next Two Years to Retiree Health Coverage: Increase Share of Contributions for Premiums Required for Retirees, by Firm Size, Region, and Industry, 2001

	<i>Very Likely</i>	<i>Somewhat Likely</i>	<i>Somewhat Unlikely</i>	<i>Very Unlikely</i>	<i>Don't Know</i>
SIZE					
All Small Firms (3–199 Workers)	5%	11%	23%	41%	20%
Midsize (200–999 Workers)	16	28	5	28	23
Large (1,000–4,999 Workers)*	39	20	9	31	1
Jumbo (5,000 or More Workers)*	34	26	7	29	3
REGION					
Northeast	3%	5%	38%	26%	28%
Midwest	15	23	2	43	17
South	21	21	12	41	5
West	3	18	2	58	19
INDUSTRY					
Mining/Construction/Wholesale	6%	22%	12%	60%	0%
Manufacturing	30	41	2	16	10
Transportation/Communication/Utility	3	16	3	76	3
Retail	NSD	NSD	NSD	NSD	NSD
Finance	3	25	5	67	0
Service	8	6	31	18	37
State/Local Government	14	19	7	54	6
Health Care	26	21	6	47	0
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	9%	14%	19%	38%	20%

SOURCE :

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

* Distribution is statistically different from All Firms.

NSD: Not sufficient data.

EMPLOYER HEALTH BENEFITS
2001 ANNUAL SURVEY

Employer Attitudes and Opinions

SECTION

12

EMPLOYER ATTITUDES AND OPINIONS

EMPLOYERS PLAY A SIGNIFICANT ROLE IN PROVIDING HEALTH INSURANCE COVERAGE—PROVIDING HEALTH BENEFITS TO ABOUT TWO-THIRDS OF THE NON-ELDERLY—SO THEIR ATTITUDES, KNOWLEDGE, AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS.

THIS YEAR'S SURVEY ASKED EMPLOYERS ABOUT A NUMBER OF POLICY-RELATED ISSUES, INCLUDING HEALTH CARE QUALITY AND PATIENT SAFETY, PRIVACY, AND ENROLLMENT OF LOW-INCOME INDIVIDUALS IN THE MEDICAID AND CHILD HEALTH INSURANCE PLAN (CHIP) PROGRAMS.

- ▶ The 1999 Institute of Medicine (IOM) report on patient safety, “To Err is Human,” has spurred debate in the public and private sectors about the extent of medical errors and how to improve patient safety.
- Perhaps surprisingly, few employers report they are familiar with the study. Overall, 14% of firms say they are familiar with the IOM report. Even among the largest firms (5,000 or more employees), just over one-third of employers (35%) knew of the report (EXHIBIT 12.1).
- Most employers believe that health care providers are “very responsible” for ensuring medical quality (55%), but it is noteworthy that overall, employers feel they are nearly as responsible for medical quality as health plans (35% compared to 36%). Though larger firms are often perceived as having a greater role in promoting quality through their purchasing decisions, firms with 200 or more workers are more likely to believe health plans are “very responsible” for ensuring quality (45%) than are all small employers (36%) (EXHIBIT 12.2).
- ▶ Despite continuing efforts to educate firms about health plan quality, private sector efforts to accredit plans and measure quality remain largely unknown, particularly among smaller employers.
- Awareness of the accreditation activities of the National Committee for Quality Assurance (NCQA)—a non-profit organization that evaluates managed care plans—remains essentially unchanged from last year, and continues to rise by firm size. While just 12% of all small firms (3–199 workers) are familiar with NCQA, awareness rises to 71% among jumbo firms (5,000 or more employees) (EXHIBIT 12.3).

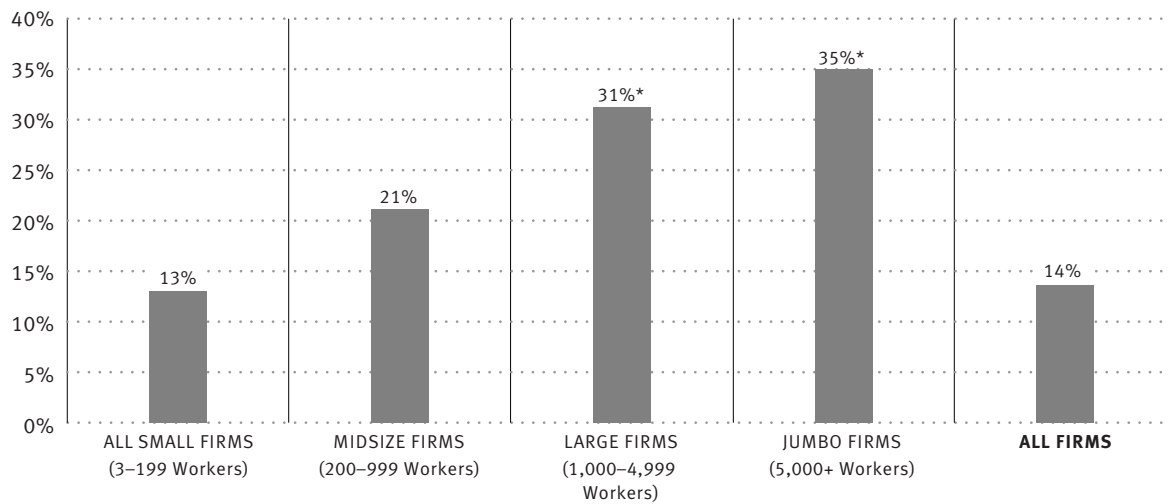
- *Knowledge of the Health Plan Employer Data and Information Set (HEDIS)—a set of health plan performance measures established by NCQA—is also much lower among small firms: 6% of all small firms (3–199 workers) are familiar with it, but knowledge rises to 52% among jumbo firms (5,000 or more workers) (EXHIBIT 12.4).*
- ▶ The privacy of medical records remains a contentious policy topic, as attention turns to implementing—and possibly amending—recently issued federal regulations.
- *Employers report substantial awareness of the regulations, as well as the fact that many of them have access to employees' medical claims information. Knowledge of the Federal Privacy Regulation⁶ is fairly widespread, with nearly half (49%) of all firms saying they are aware of the regulations. Nearly 70% of midsize firms (200–999 workers) and 88% of jumbo companies (5,000 or more workers) are familiar with them (EXHIBIT 12.5).*
- *Seventeen percent of all firms said that they could link medical claims data to individual employees, representing one-third (33%) of covered workers. Among the largest firms (5,000 or more employees), 41% said they could link claims to employees (EXHIBIT 12.6).*
- ▶ As the state and federal governments work to increase enrollment in Medicaid and the Child Health Insurance Program (CHIP), employers report a high degree of awareness of those programs and substantial willingness to help. Just over three-quarters of firms (76%) say they are aware that Medicaid and CHIP are available to working parents and their children whose incomes are low enough, including 86% of jumbo firms (5,000 or more workers) (EXHIBIT 12.7).
- *Almost all firms (96%) responded they would be willing to provide employees with information on how to apply for coverage through Medicaid and CHIP.*

NOTE:

⁶ The Federal Privacy Regulation went into effect on April 14, 2001. At the time the survey was conducted, the regulation had not been enacted and therefore the question asked about knowledge of the 'Proposed Federal Policy Regulation.'

EXHIBIT 12.1

Percentage of Firms That Are Familiar With The Institute of Medicine Report on Patient Safety, by Firm Size, 2001



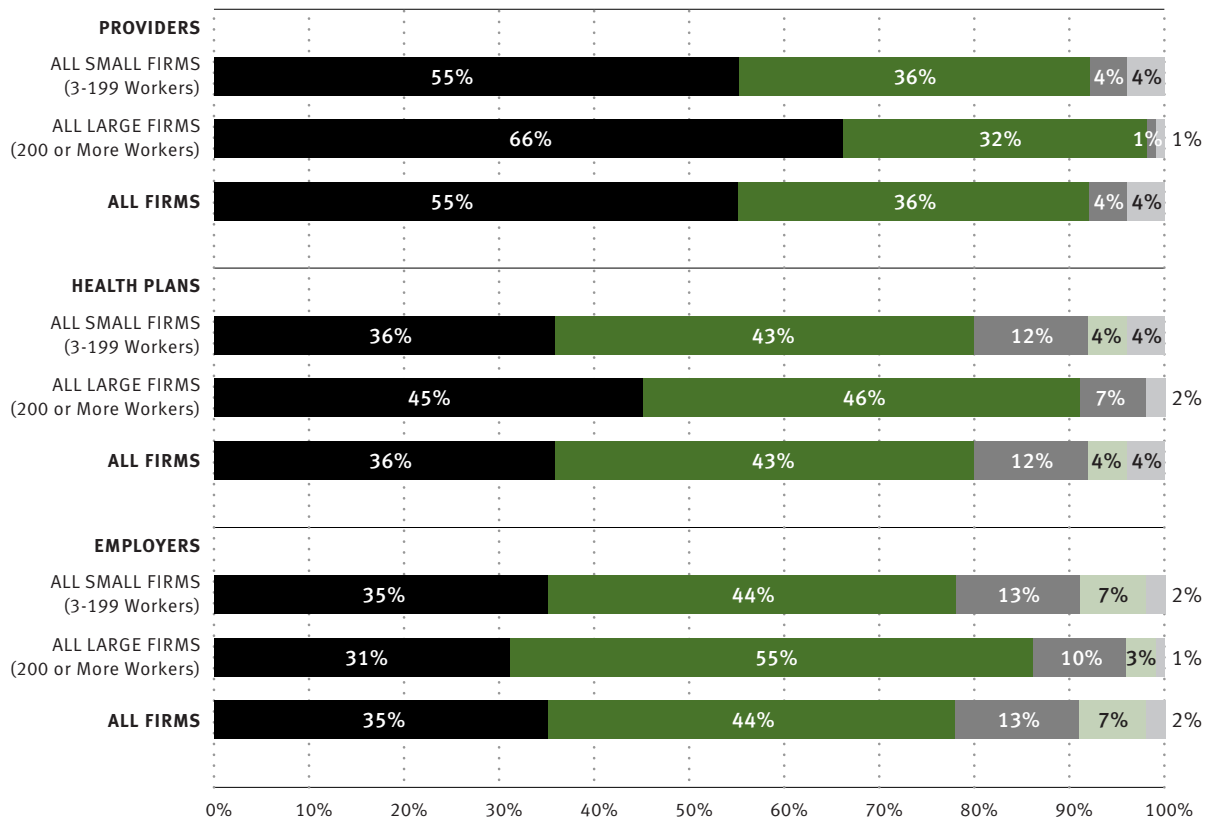
SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 12.2

Percentage of Firms That Think the Following Groups Are Responsible for Ensuring Medical Quality, by Firm Size, 2001*



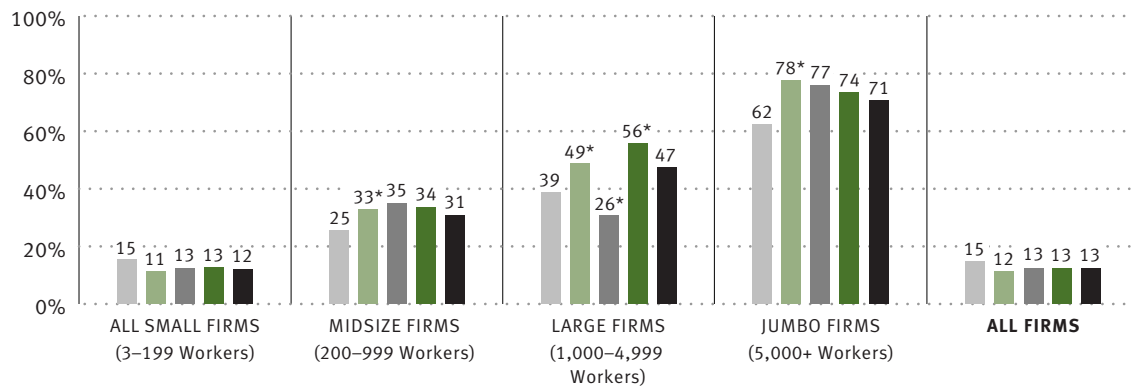
SOURCE :

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

* Tests found no statistically different distributions from All Firms.

EXHIBIT 12.3

Percentage of Firms That Are Familiar With NCQA Accreditation, by Firm Size, 1996–2001



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001;
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.

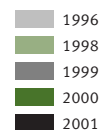
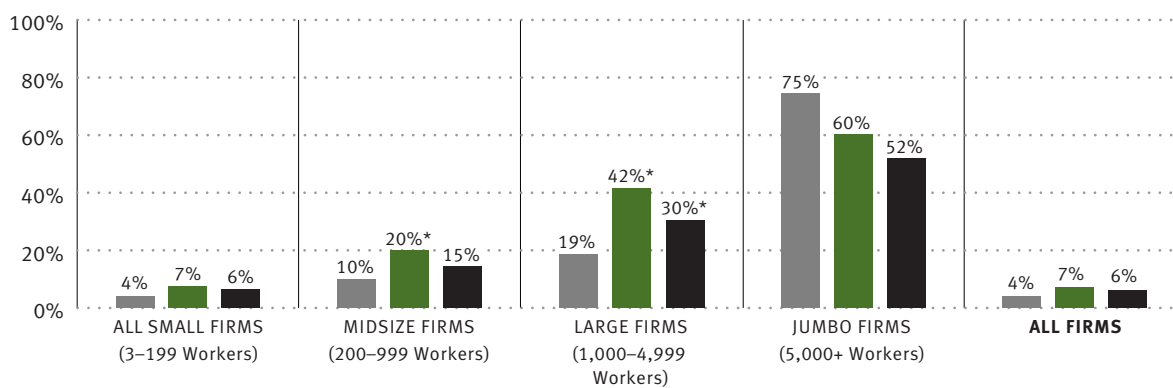


EXHIBIT 12.4

Percentage of Firms That Are Familiar with HEDIS, by Firm Size, 1999, 2000, and 2001



SOURCE :

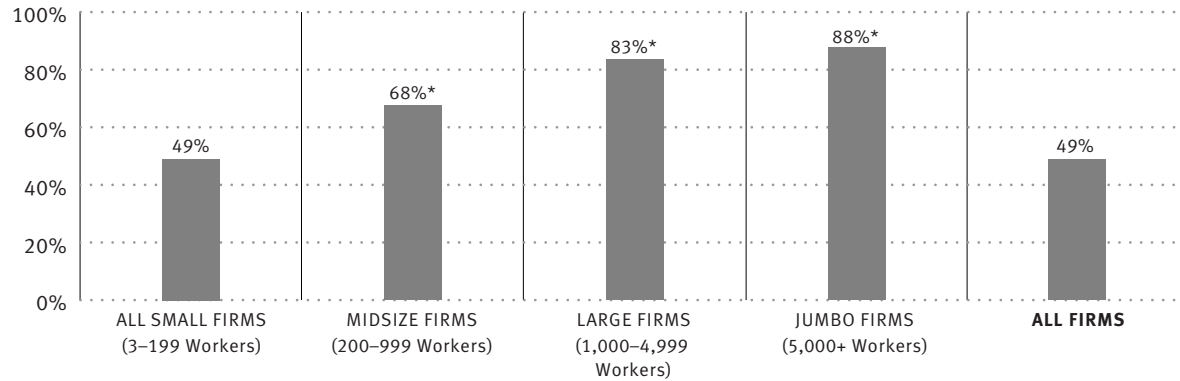
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001.

* Estimate is statistically different from the previous year shown: 1996–1998, 1998–1999, 1999–2000, 2000–2001.



EXHIBIT 12.5

Percentage of Firms That Are Aware of the Federal Medical Privacy Regulation, by Firm Size, 2001



SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 12.6

Percentage of Firms That Have the Ability to Link Medical Care Data to Individual Employees, by Firm Size, 2001



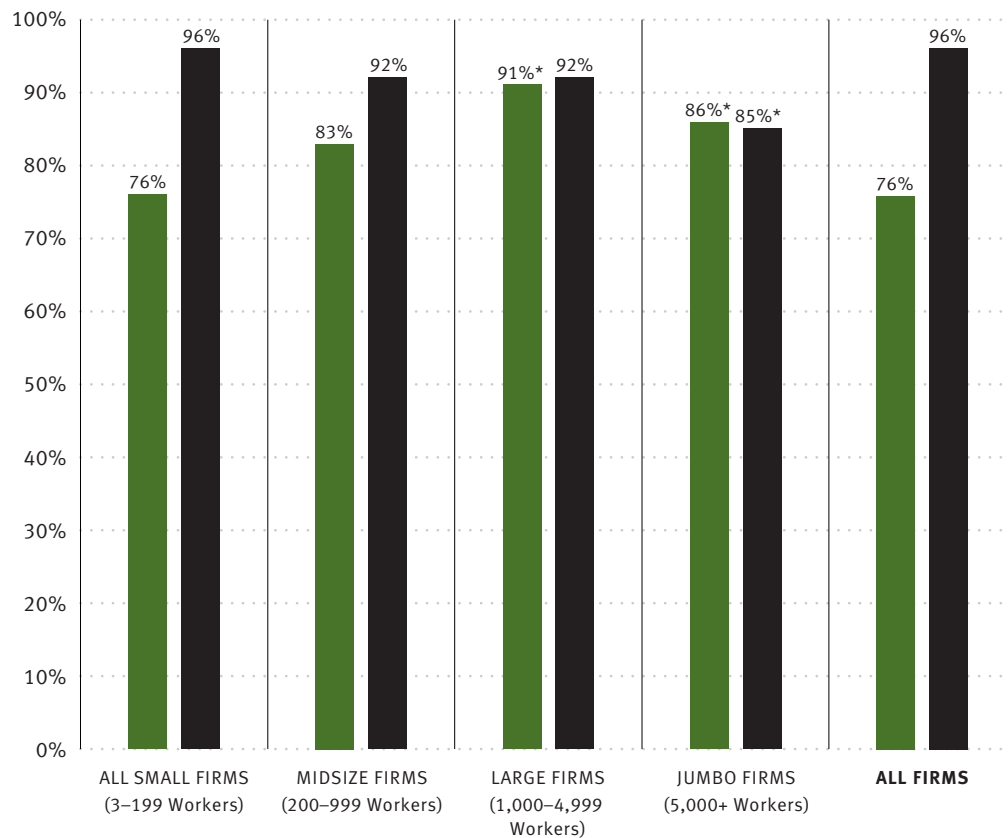
SOURCE :

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

* Estimate is statistically different from All Firms.

EXHIBIT 12.7

Percentage of Firms That Are Familiar With Medicaid and CHIP Eligibility, and Percentage of Firms Willing to Provide Employees With Information About How to Apply for Subsidized Health Insurance, by Firm Size, 2001



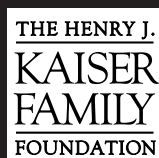
■ FIRMS AWARE THAT WORKING PARENTS AND THEIR CHILDREN MAY BE ELIGIBLE IF INCOMES ARE LOW ENOUGH

■ FIRMS WILLING TO PROVIDE EMPLOYEES WITH INFORMATION ABOUT HOW TO ENROLL IN MEDICAID AND CHIP

SOURCE :

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

* Estimate is statistically different from All Firms.



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