



**-And- HEALTH RESEARCH AND  
EDUCATIONAL TRUST**

# California Employer Health Benefits Survey

---

**March 2001**

# Overview

The California Employer Health Benefits Survey is a joint product of the Kaiser Family Foundation and Health Research and Educational Trust. The survey was designed and analyzed by researchers at the Kaiser Family Foundation and HRET, and administered by National Research LLC. The findings are based on a random sample of 857 interviews with employee benefit managers in private firms in California. The sample was drawn from the Dun & Bradstreet list of private employers with three or more workers. The margin of error for responses among all employers is +/- 4%.

The survey is based on a national employer survey conducted annually by the Kaiser Family Foundation and HRET. The U.S. results in this study are based on that survey, and are available on the Foundation's website at [www.kff.org](http://www.kff.org) or by calling the Foundation's Publications Request Line at 1-800-656-4533. Prior to 1999, the national survey was conducted by KMPG Peat Marwick LLP. A similar employer survey was also conducted in 1999 in California, in conjunction with the Center for Health and Public Policy Studies at the University of California, Berkeley.

For the purposes of reporting the data, firms were aggregated into five firm sizes and five industry categories. The firm sizes were: 3-9 workers, 10-49 workers, 50-199 workers, 200-999 workers, and 1,000+ workers. Analyses were also done by small (3-199) and large firms (200+ workers). The industry groupings are as follows: Manufacturing/Transportation/Utilities/Communications, Health/Finance, Retail/Wholesale, Service, Mining/Agriculture/Construction.

The survey asked questions about the following types of health plans: Health Maintenance Organizations (HMO), Preferred Provider Organizations (PPO), and Point-of-Service (POS) plans. Conventional (fee-for-service) plans are generally excluded from the plan type analyses because they comprise such a small share of the California market.

**The Kaiser Family Foundation** is an independent, national health philanthropy dedicated to providing information and analysis on health issues to policymakers, the media, and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.

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

**Survey Highlights**

## Survey Highlights

### Health Insurance Coverage

- In response to the strong economy and low unemployment, the percentage of California employers offering health insurance to their workers rose substantially from 1999 to 2000. However, California employers remain less likely than those nationally to provide coverage.
  - 60% of California businesses offered health insurance in 2000, up substantially from 48% in 1999. The percentage of employers offering coverage rose nationwide as well, but by a smaller amount -- from 61% in 1999 to 67% in 2000.
  - While virtually all large California employers – those with 200 or more workers – offer health insurance, fewer smaller businesses do so. Just over half (52%) of the smallest companies with 3-9 workers provide coverage in California.
  - Lower wage firms -- those where more than one third of workers make minimum wage -- are much less likely to offer health insurance: Only 21% of low wage small firms (fewer than 200 workers) offer coverage, compared to 59% of those with fewer numbers of minimum wage workers.
  - Employers are most likely to cite high premiums as the reason they don't offer insurance (57% of businesses with fewer than 200 employees who do not offer health insurance say it is the most important reason, followed by 20% who say it's because employees are covered elsewhere and 6% who say the firm is too new).
- Even when a firm offers health insurance, not all workers get covered.
  - In firms that offer coverage, 21% of workers in California are not eligible to enroll. Part-time employees and temporary workers are generally not covered – just 23% of firms offer coverage to part-time workers, and 4% cover temporary employees.

- While California firms are less likely than their national counterparts to offer health insurance, workers in California are more likely than those elsewhere to take it up when they are eligible (88% of eligible workers take up coverage in California, compared to 81% nationally).
  - Most employers (71%) say that employees most commonly decline insurance because they have coverage elsewhere (e.g., through a spouse), followed by 12% who say it's because employees cannot afford their share of the premium. Just 2% of employers say workers don't want or feel they need insurance.
  - Firms in California are more likely to offer health benefits to non-traditional partners than firms nationally: Nearly one-fourth (23%) of employers in California offer such benefits, compared to 9% nationally.
- The percentage of employers nationally offering health insurance coverage to retirees – the most common source of drug coverage for Medicare beneficiaries – has been falling (from 66% of all larger firms with 200 or more workers in 1988 to 37% in 2000). Employers in California are even less likely to offer retiree health benefits (29% of larger companies now do so). Small business (with fewer than 200 employees) rarely offer health benefits to retirees (5% in California and 9% nationally in 2000).

### **Cost of Health Insurance**

- Monthly premiums for employer provided health insurance in California averaged \$192 for single coverage and \$492 for family coverage.
- Health insurance costs remain lower in California than in the U.S. as a whole, where monthly premiums average \$202 for single coverage and \$529 for family coverage.
  - Premiums for Health Maintenance Organizations (HMOs) in California are lower than for other forms of insurance (\$166 for single coverage, \$423 for family coverage). Coverage in Preferred Provider Organizations (PPOs) – which provide greater choice of providers and fewer restrictions on access to care -- costs on average \$241 for single coverage and \$613 for family coverage.

- Premium increases averaged 6.0% in 2000, up from 4.8% in 1999.
- Though the overall cost of health insurance rose in 2000, the average amount that employees in California contribute did not.
  - Employees paid on average \$20 per month for single coverage (10% of the premium) and \$113 per month for family coverage (21% of the premium), virtually unchanged from 1999.
  - California workers pay less than their counterparts nationwide, where contributions averaged \$28 per month for single coverage (14% of the premium) and \$138 per month for family coverage (27% of the premium).

### **Health Plan Enrollment and Choice**

- Most California workers (55%) who have insurance are enrolled in an HMO, almost double the amount nationally (29%). Throughout the U.S., PPOs are the most common form of insurance, enrolling 41% of workers (compared to 25% in California).
- California employers are more likely than counterparts nationwide to offer their employees a choice of health plans.
  - Among small firms (with fewer than 200 workers), 80% of California companies that provide insurance offer a choice of only one health plan, compared to 91% nationwide.
  - Larger companies (with 200 or more workers) are much less likely to offer only one plan their employees in both California (21%) and nationally (43%).
- A purchasing pool established by the state to give small businesses greater purchasing clout and the ability to more easily offer a choice of health plans to their employees remains largely unknown among employers. Just 25% of small businesses said they were familiar with the state-sponsored Health Insurance Plan of California (HIPAC), which has now been privatized under the name PacAdvantage.

## **Benefits**

- HMOs tend to provide more comprehensive coverage of preventive benefits than PPOs (including adults physicals, well baby care, and oral contraceptives). However, PPOs are more likely to cover certain “alternative” services, including acupuncture (23% of workers have access to the service under HMOs, compared to 56% in PPOs) and chiropractic care (52% in HMOs and 85% in PPOs).
- Patient copayments in HMOs tend to be somewhat lower in California than in the U.S. as a whole. In both California and the U.S., the most common copayment for a physician office visit is \$10 (including 46% of HMO enrollees in California and 55% nationally). However, 34% of California HMO enrollees face copayments of less than \$10, compared to 19% nationally.
- As Congress debates providing prescription drug coverage to seniors under Medicare, the survey finds that virtually all active workers with insurance have drug coverage (99% in HMOs and 97% in PPOs).
  - Nationally, employers and health plans have moved rapidly to introduce tiered copayments for prescription drugs. For example, a three-tiered copayment might require one payment for generic drugs, another for brand name drugs with no generic substitute, and a third for brand name drugs with a generic substitute). A two-tiered formula would generally require one payment for generic drugs and another for all brand name drugs. 24% of all workers nationally are charged using a three-tiered copayment formula, and 42% with two tiers.

Fewer employers in California require different payments for brand name and generic drugs, with 11% of workers paying based on a three-tiered formula and 47% based on two tiers.

- Drug copayments are somewhat lower in California than nationally. Copayments average \$7 for generic drugs in California (versus \$8 nationally), \$11 for brand name drugs with no generic substitute (versus \$14 nationally), and \$12 for brand name drugs with generic substitutes (versus \$16 nationally). HMO drug copayments are the same in California and the US.

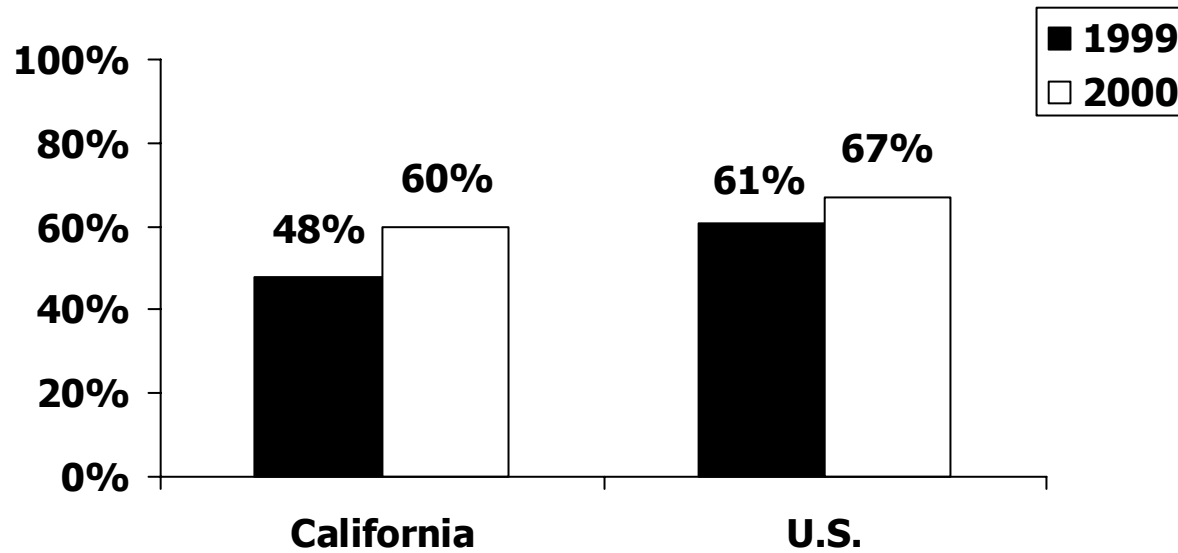
## **Outlook for the Future**

- Some have suggested that employers providing health insurance today may switch to a “defined contribution” approach, where they give employees cash to buy insurance directly rather than arranging for coverage as a group. The survey finds that most employers say they are unlikely to consider such an approach in the next five years, though California companies appear more open to the idea.
  - Among California companies, 63% say they are very or somewhat unlikely to switch to a defined contribution; 33% say they are very or somewhat likely to switch; and 5% say they don’t know.
  - Among U.S. firms, 78% say they are very or somewhat unlikely to switch; 20% say they are very or somewhat likely to do so; and 2% say they don’t know.
- Employers also say that individual workers would generally have a harder time buying health insurance than through an employer (e.g., in response to a tax credit that subsidized individually-purchased health insurance):
  - 81% of employers say workers would have a harder time finding or keeping insurance if they get sick.
  - 75% of firms say workers would have a harder time handling administrative issues with insurance companies.
  - 74% say workers would have harder time getting good prices for insurance.
  - 70% say workers would have a harder time picking good quality health plans.
  - However, far fewer employers (47%) say workers would have a harder time picking insurance plans tailored to their individual needs.



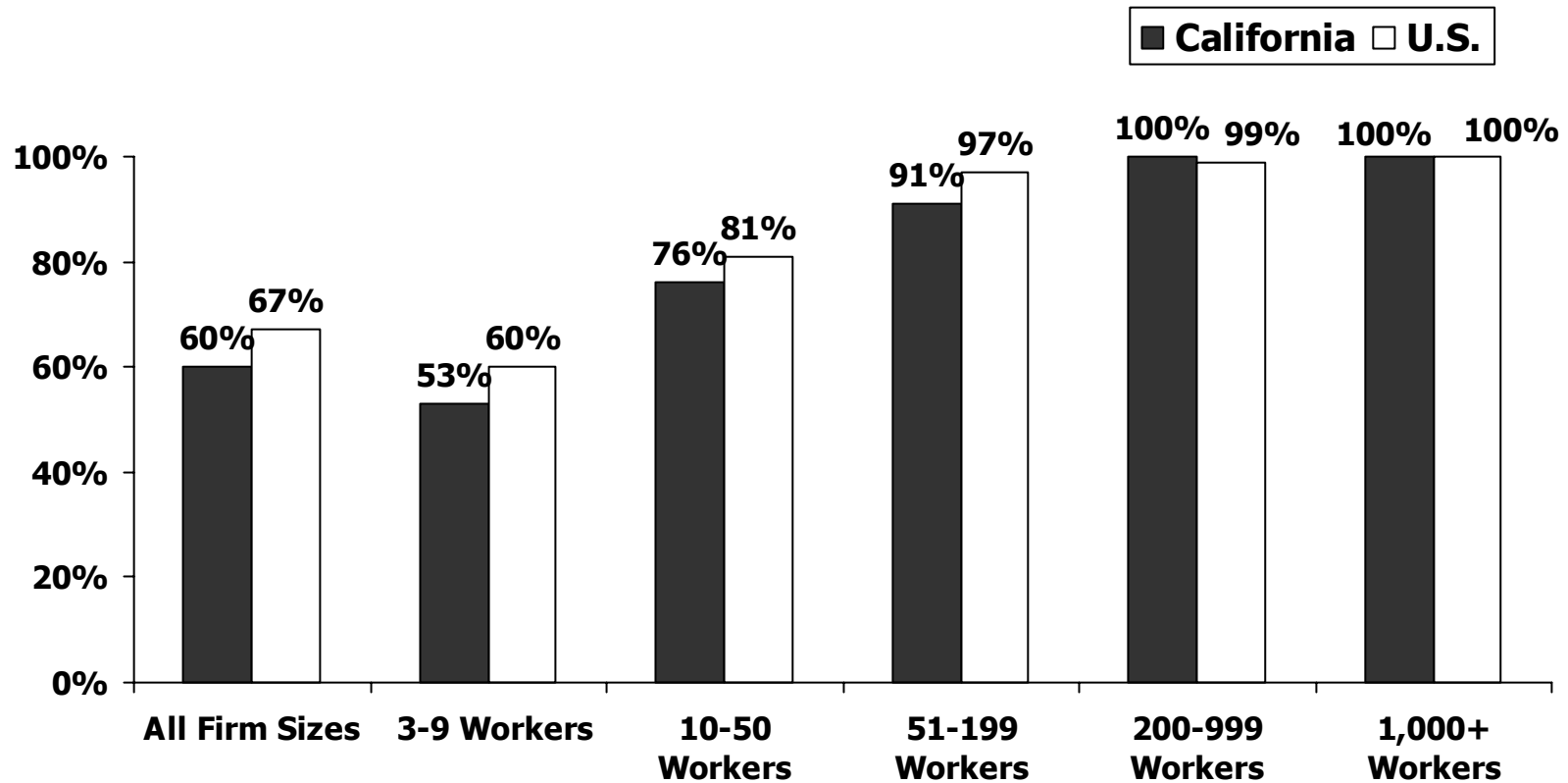
**Charts**

# Percentage of All Firms Offering Health Benefits, 1999 and 2000



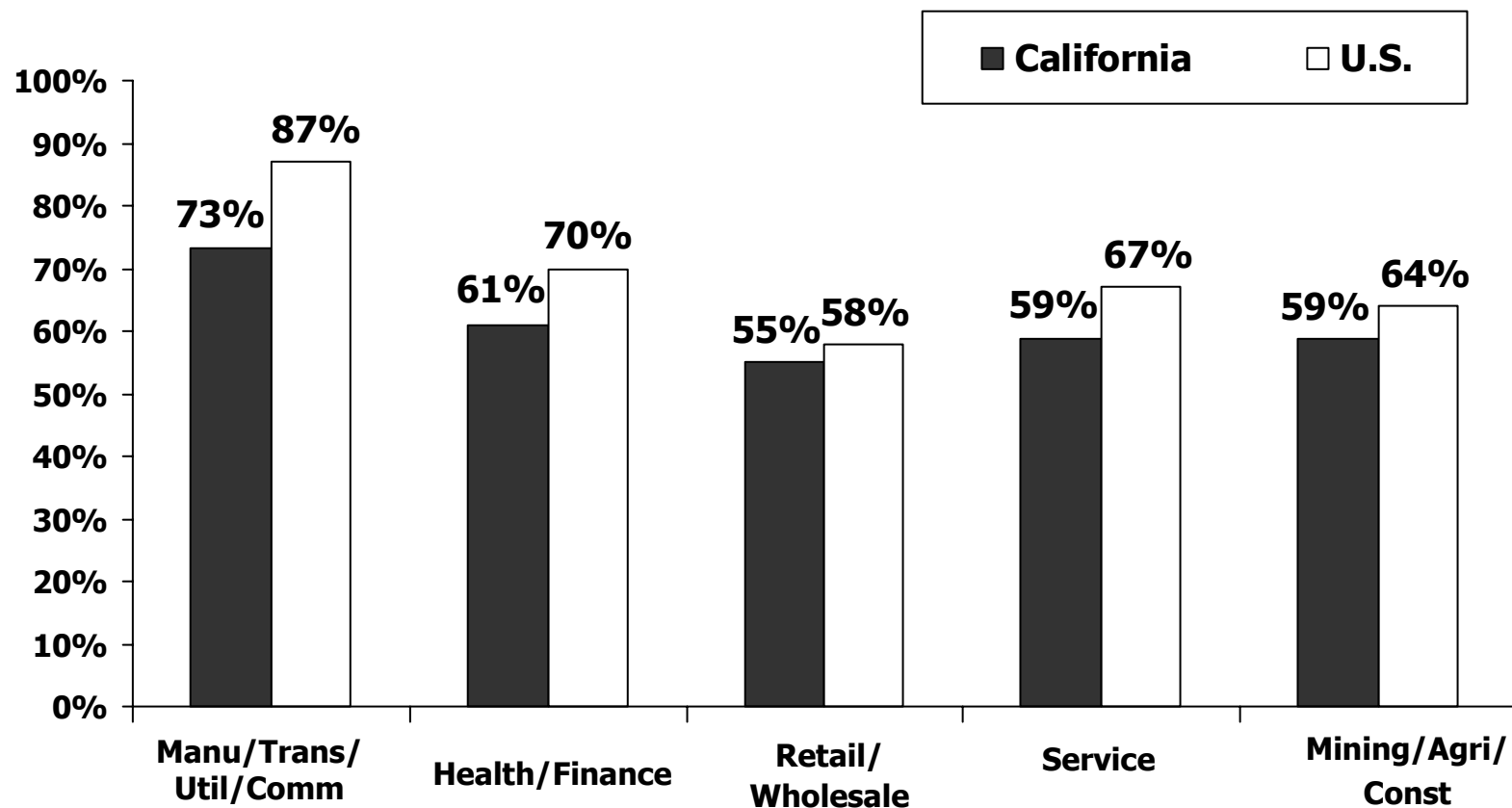
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey  
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

# Percentage of Firms Offering Health Benefits, by Firm Size, 2000



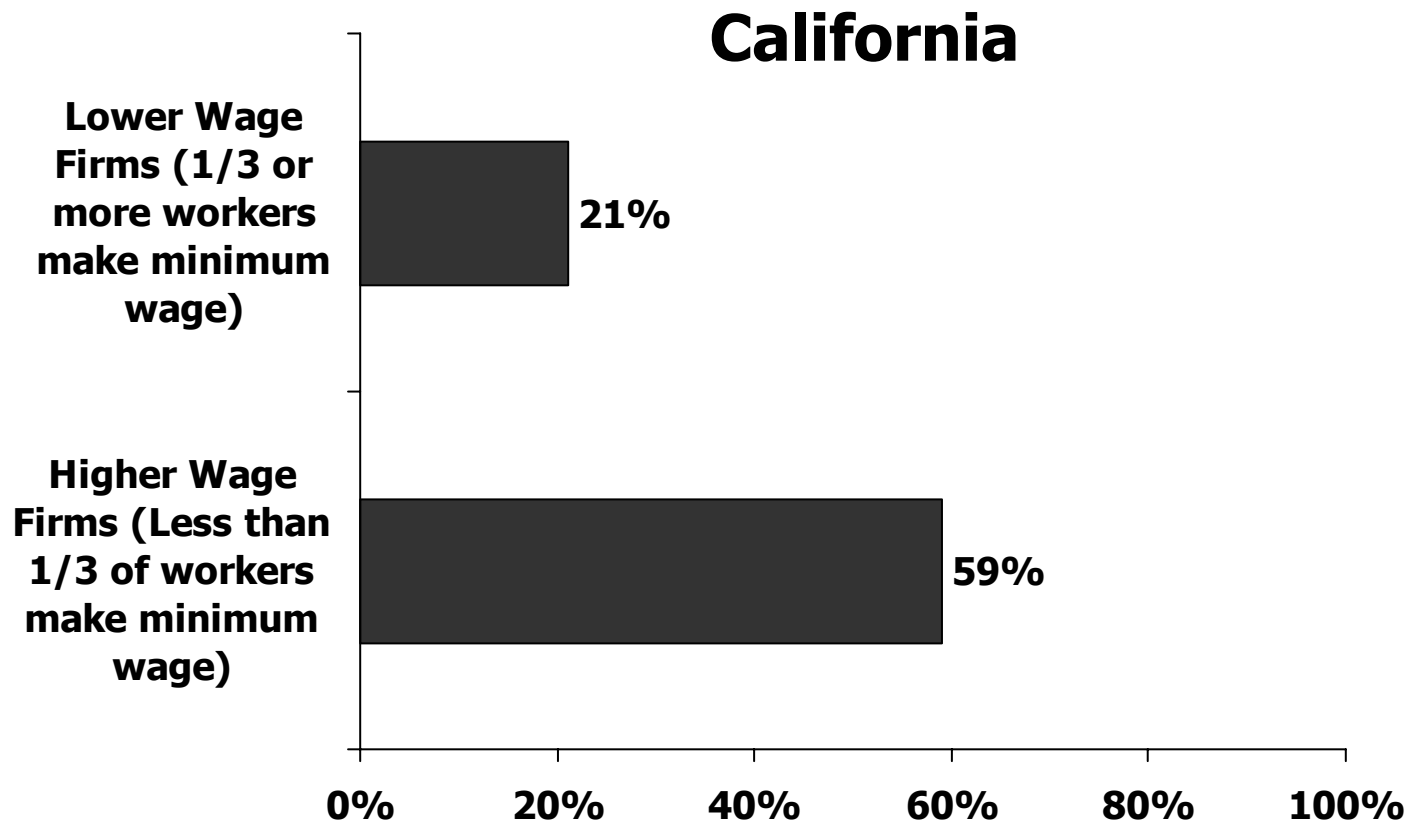
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

## Percentage of Employers Offering Coverage, by Type of Industry, 2000



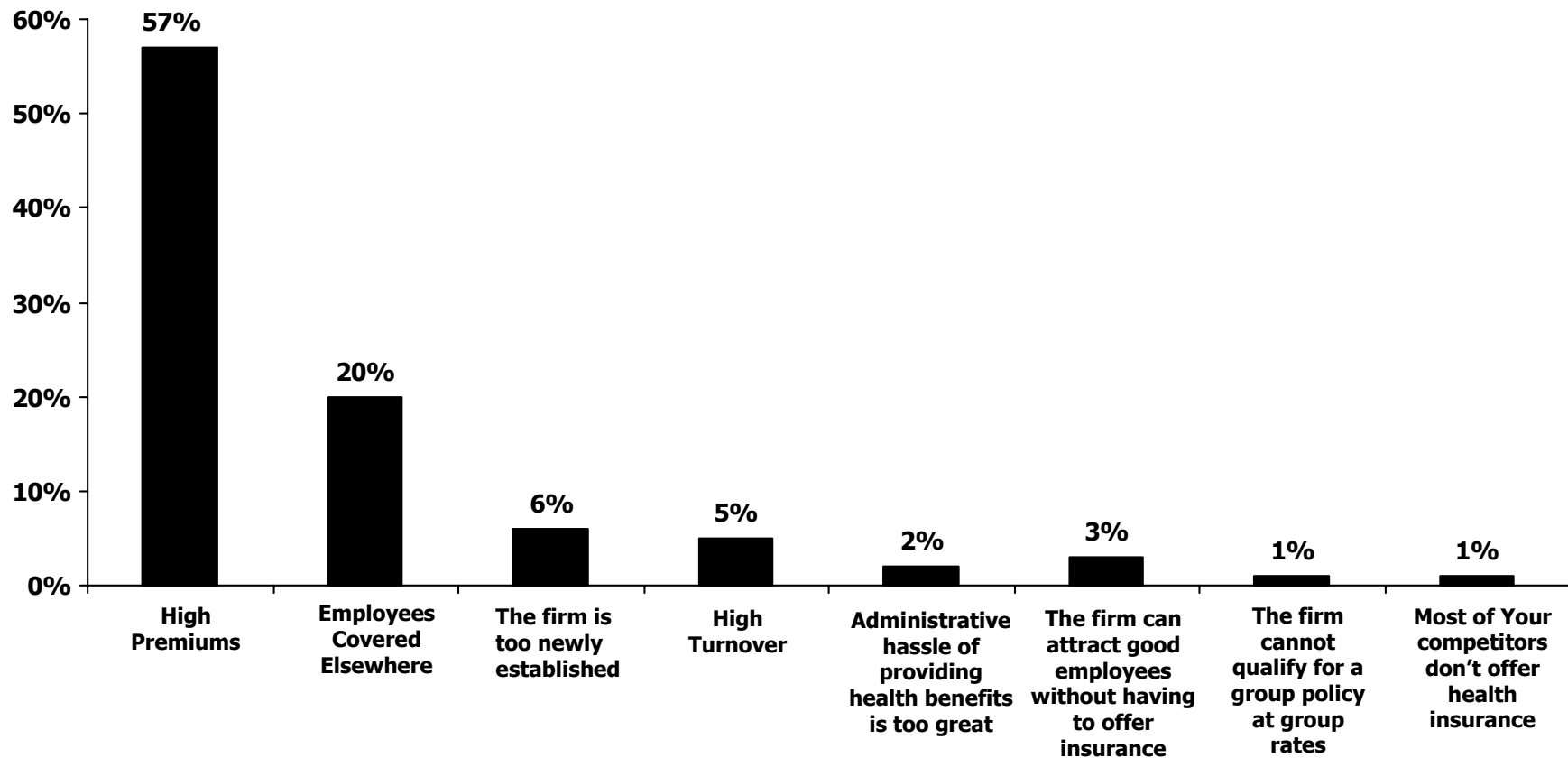
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

# Percentage of Small Firms (< 200 Employees) That Offer Health Insurance – by Wage Level, 2000



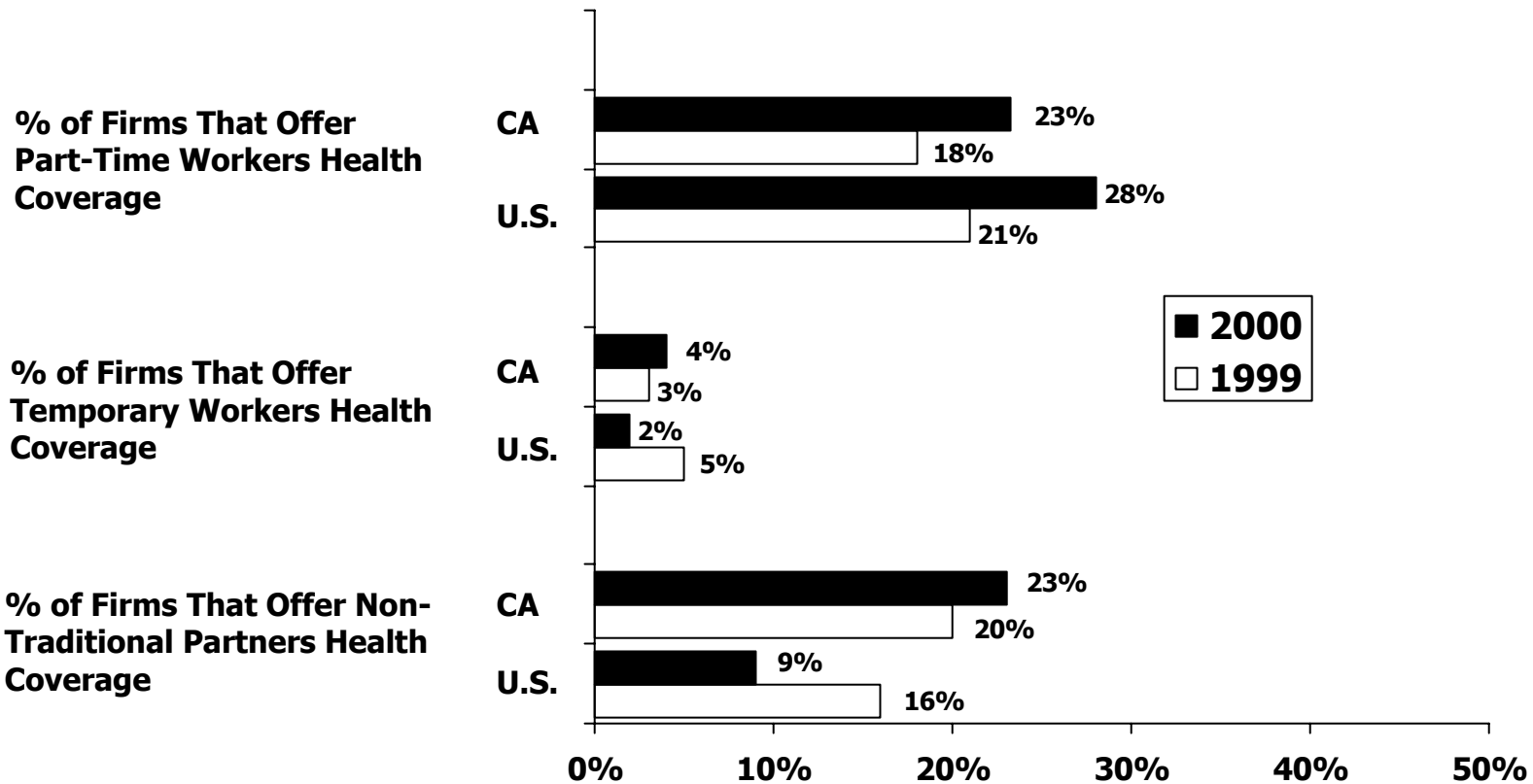
Source: Kaiser/HRET 2000 California Employer Health Benefits Survey

# Most Important Reason Why Firms Say They Do Not Offer Coverage, 2000



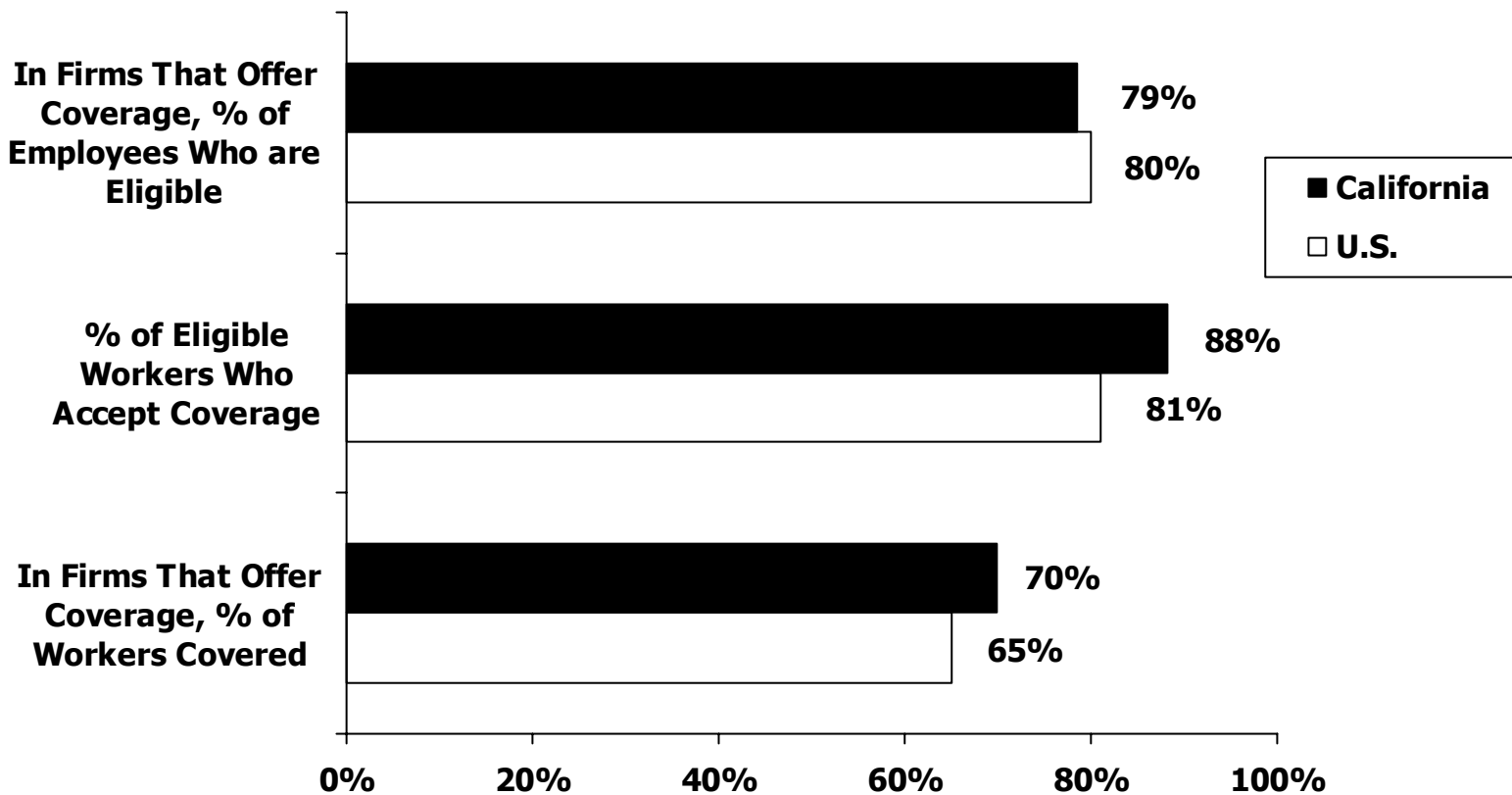
Source: Kaiser/HRET 2000 California Employer Health Benefits Survey

# Coverage for Part-time Employees, Temporary Workers, and Non-traditional Partners, 1999 and 2000



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey  
 Kaiser/HRET Employer Health Benefits Survey: 1999, 2000

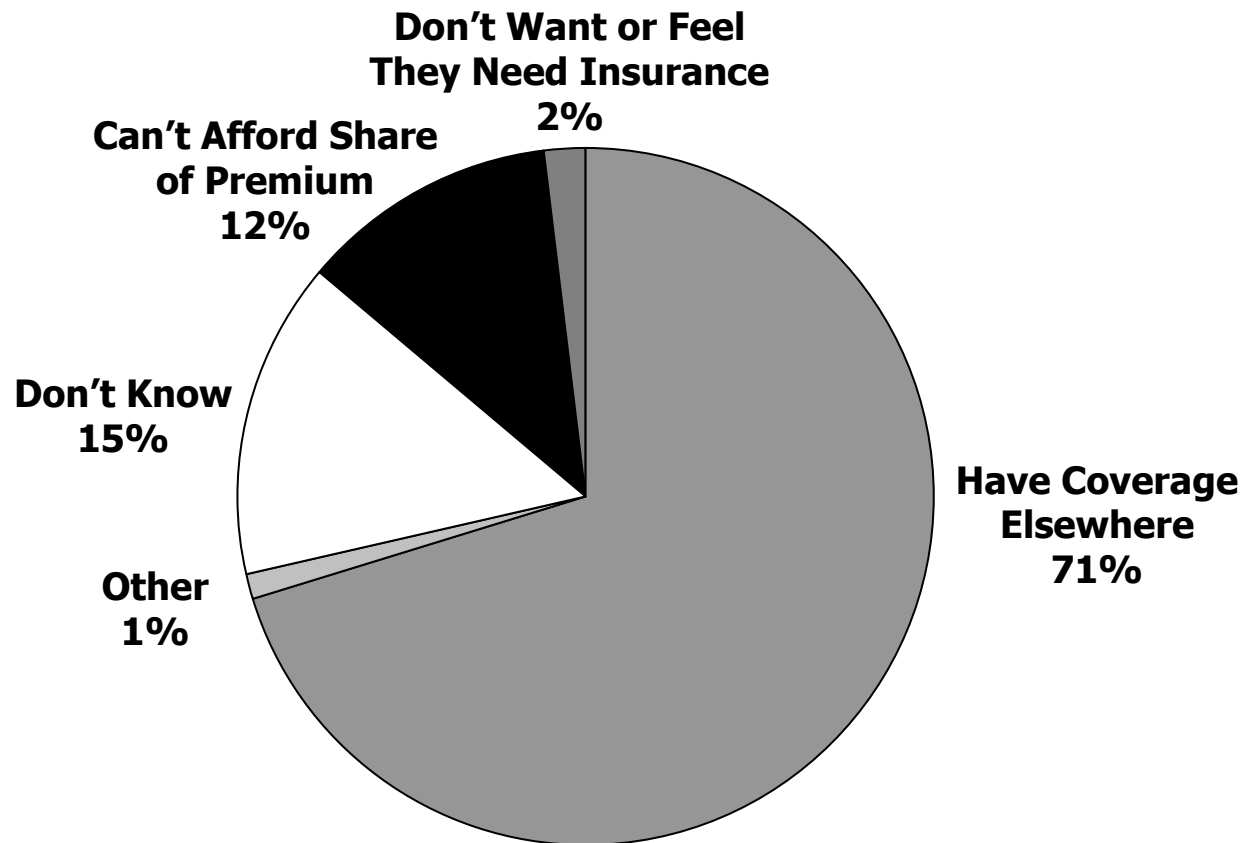
## Eligibility and Worker Take-Up in Firms That Offer Coverage, 2000



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

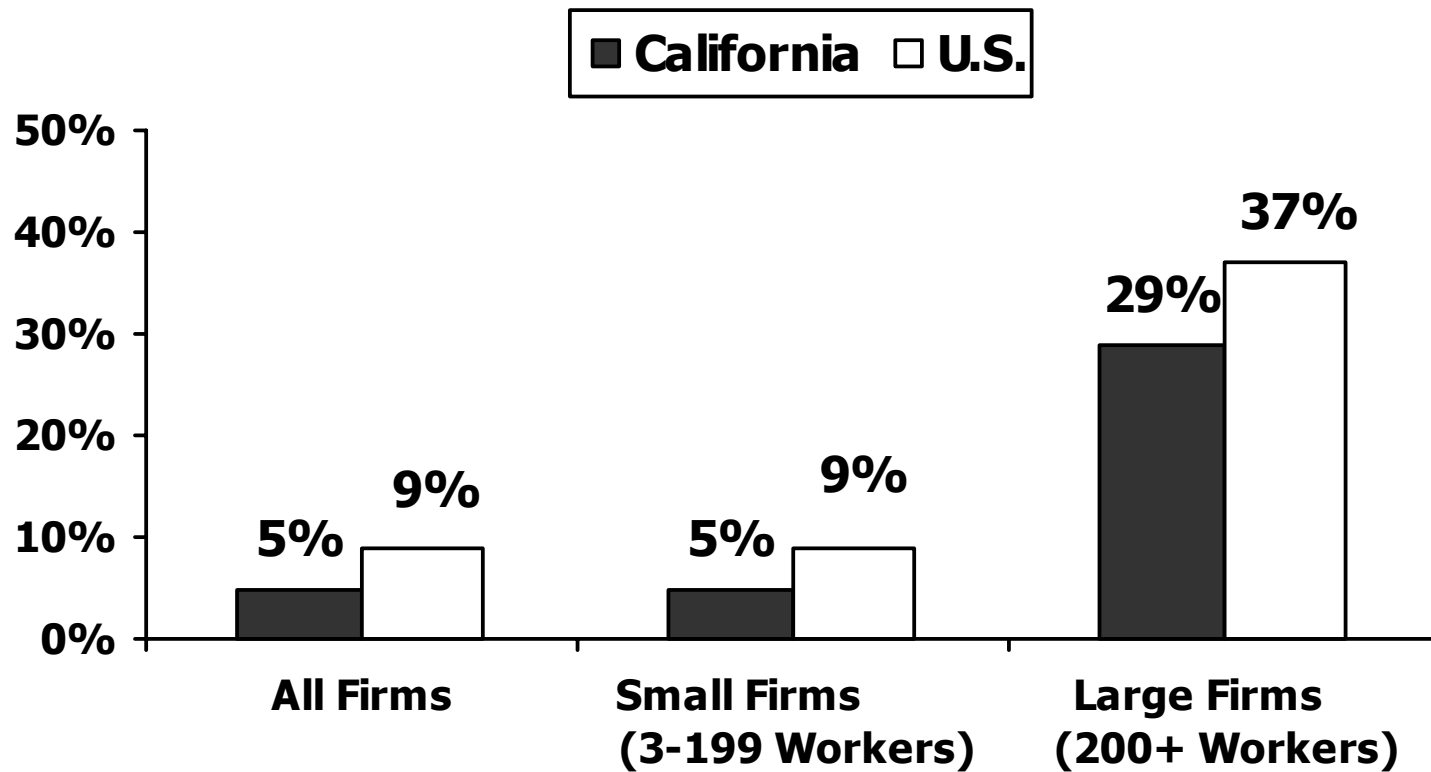


# Most Common Reasons Cited by Firms as to Why Workers Decline Coverage, 2000



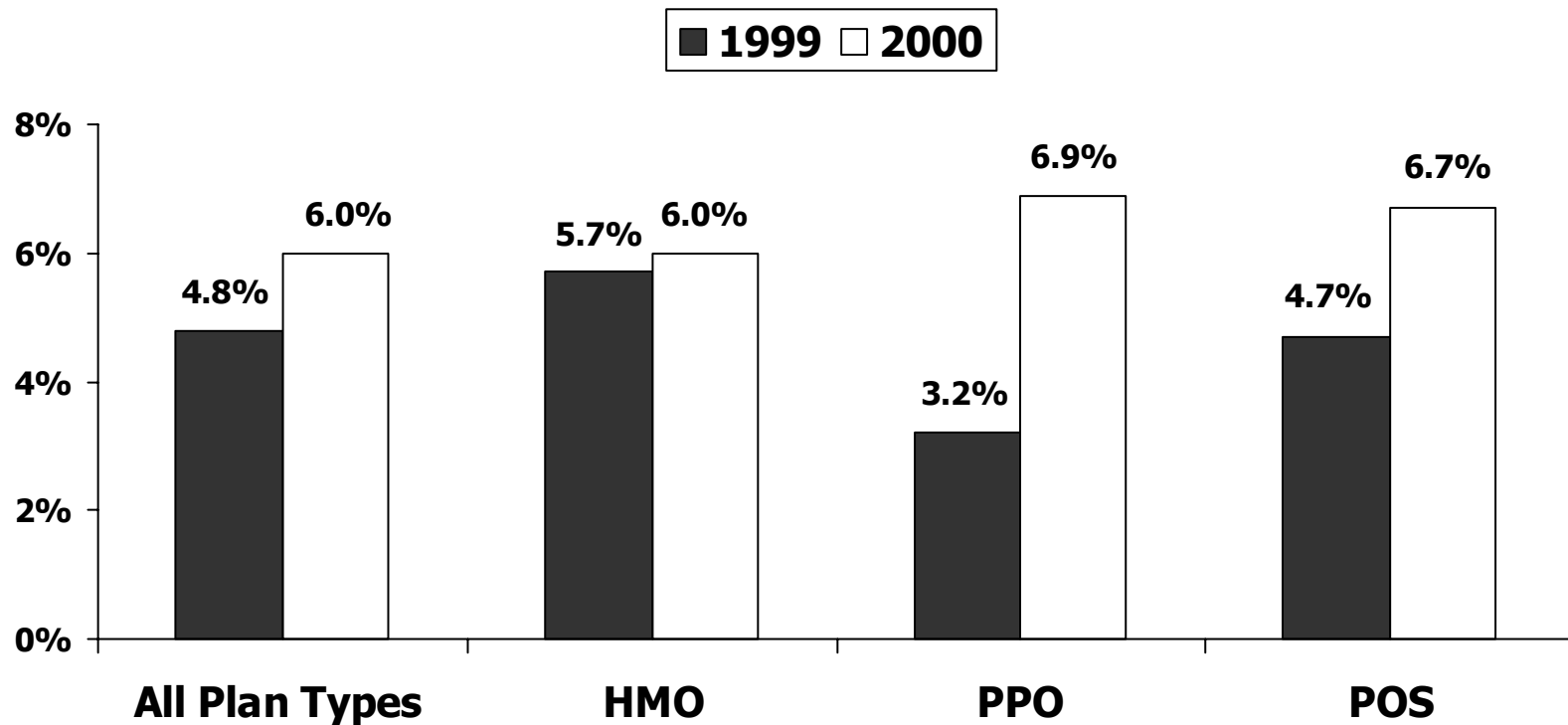
Source: Kaiser/HRET 2000 California Employer Health Benefits Survey

## Percentage of Firms That Offer Retiree Health Benefits, 2000



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

# Increases in Health Insurance Premiums From Previous Year, by Plan Type, 1999 and 2000



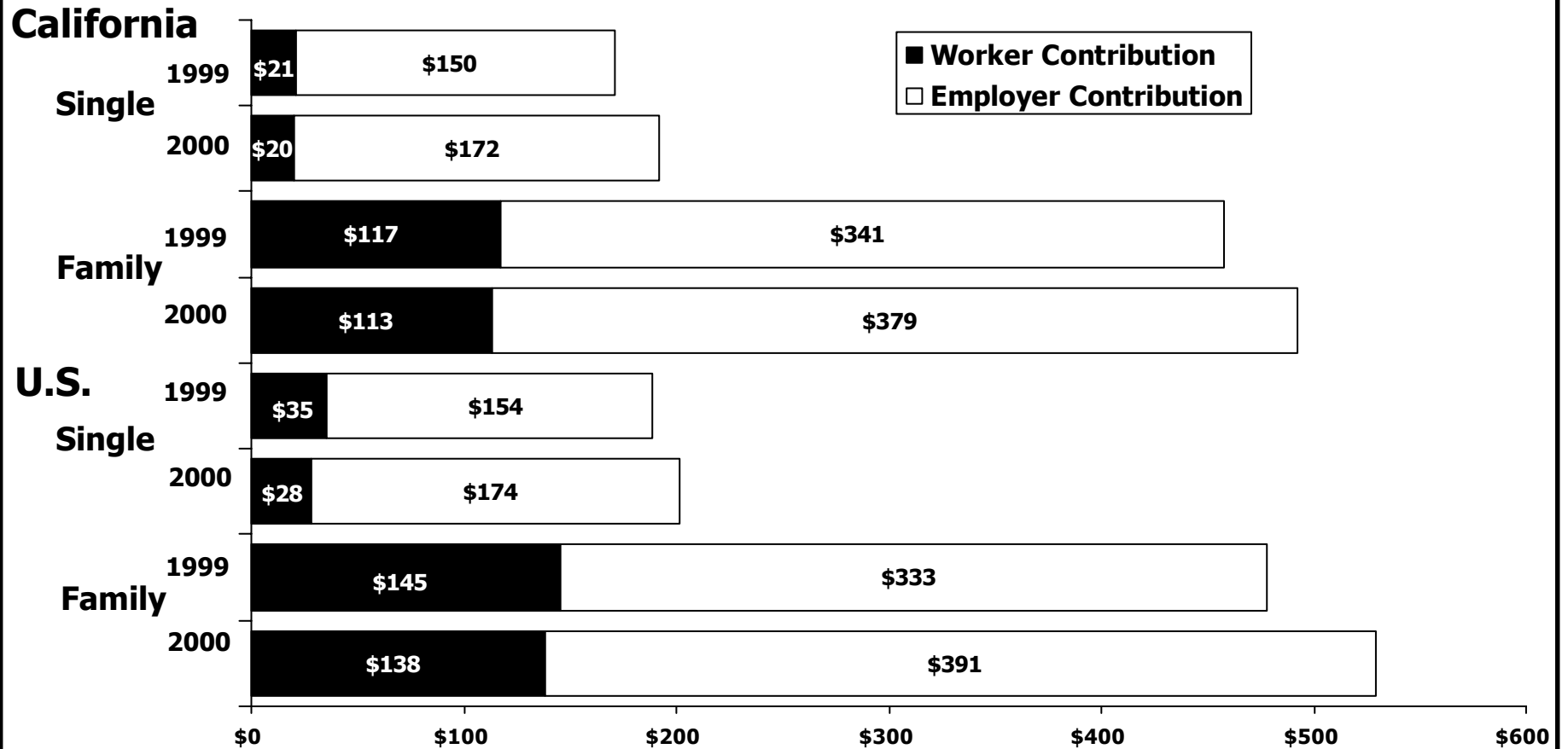
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey

## Average Monthly Premiums by Plan Type, 2000

	<u>Single</u>		<u>Family</u>	
	<u>California</u>	<u>U.S.</u>	<u>California</u>	<u>U.S.</u>
<b>All Plan Types</b>	<b>\$192</b>	<b>\$202</b>	<b>\$492</b>	<b>\$529</b>
<b>HMO</b>	166	181	423	487
<b>PPO</b>	241	210	613	538
<b>POS</b>	196	202	528	539
<b>Conventional</b>	N/A	238	N/A	608

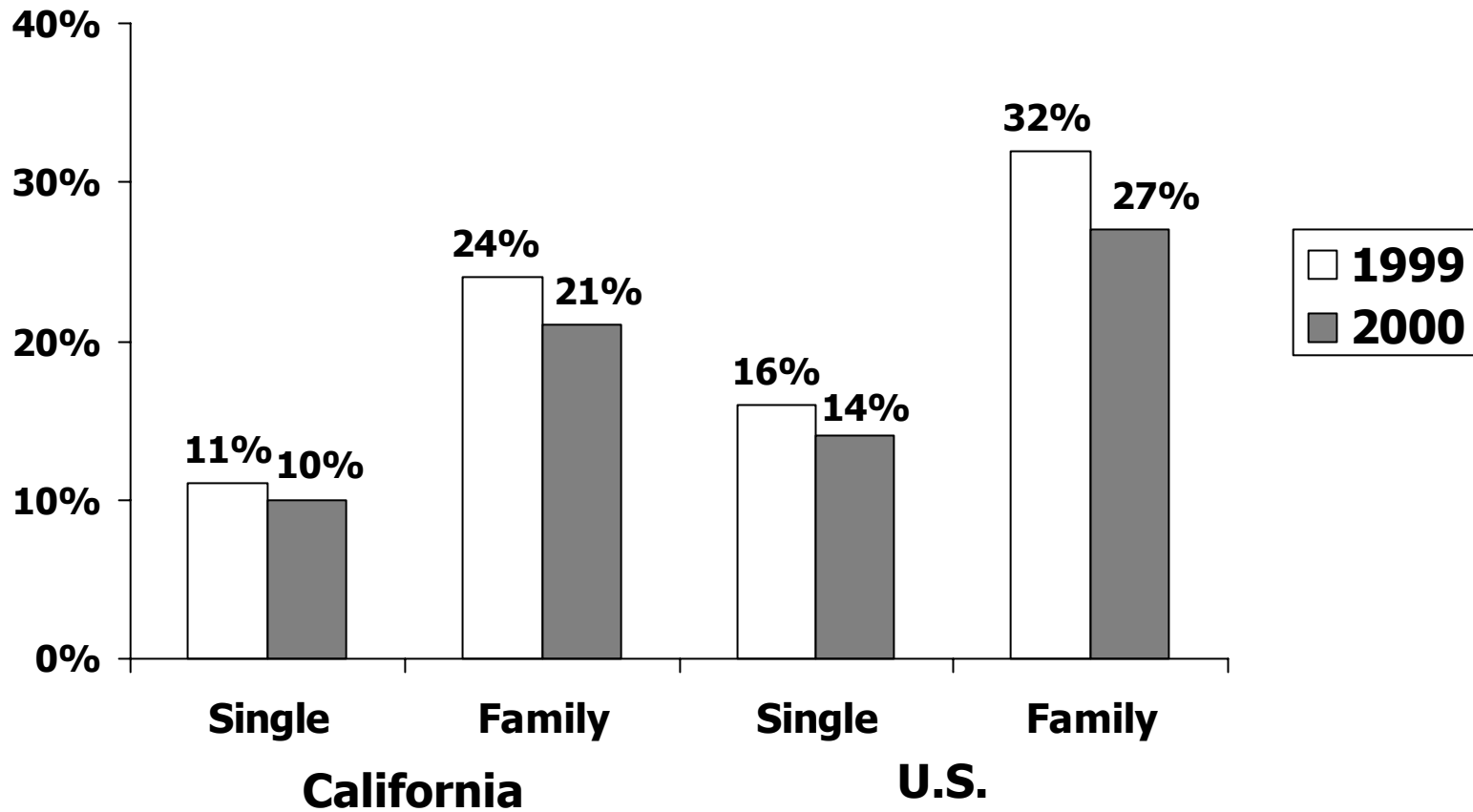
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

## Average Monthly Worker and Employer Contributions, 1999 and 2000



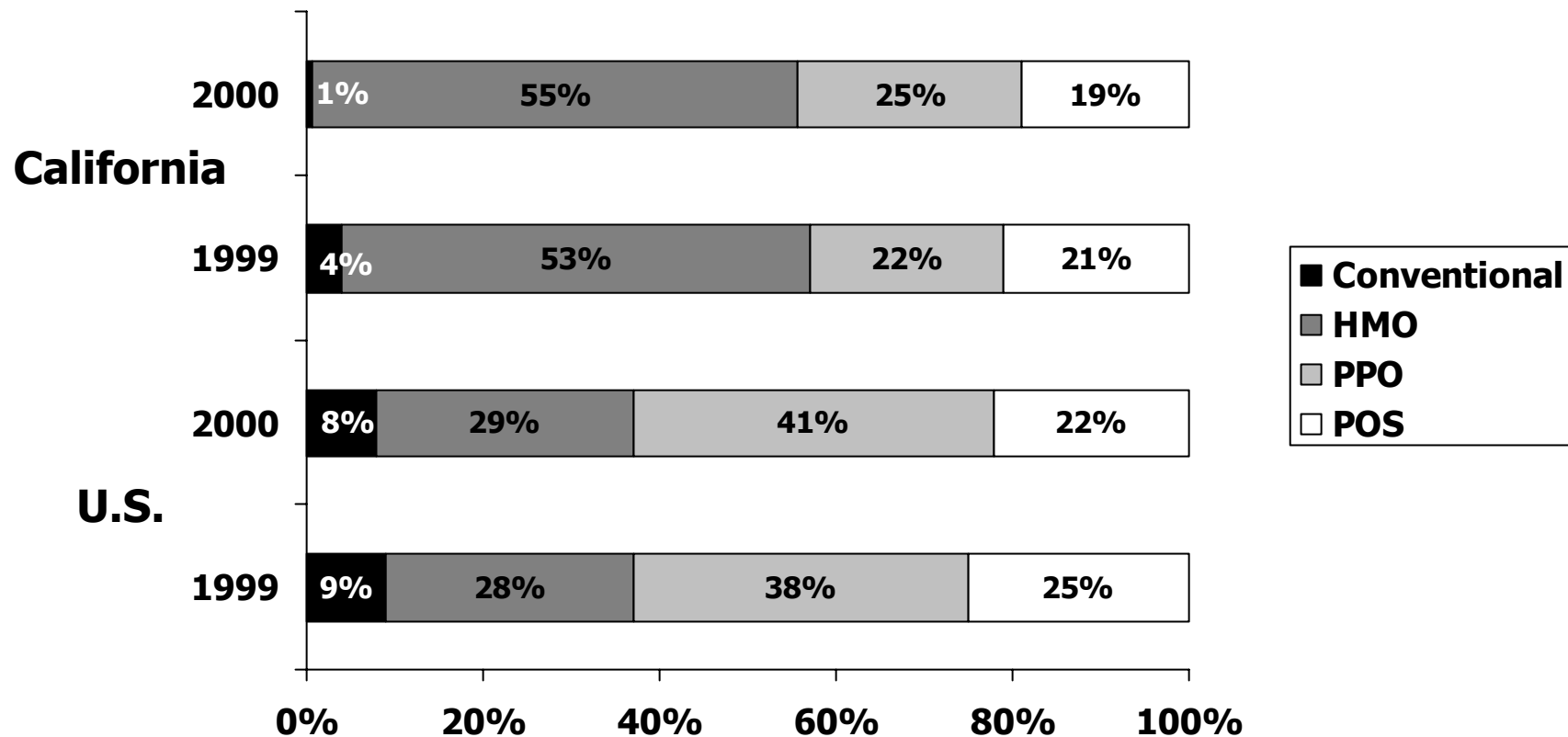
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey  
 Kaiser/HRET Employer Health Benefits Survey: 1999, 2000

## Percent of Premiums Paid by Workers, 1999 and 2000



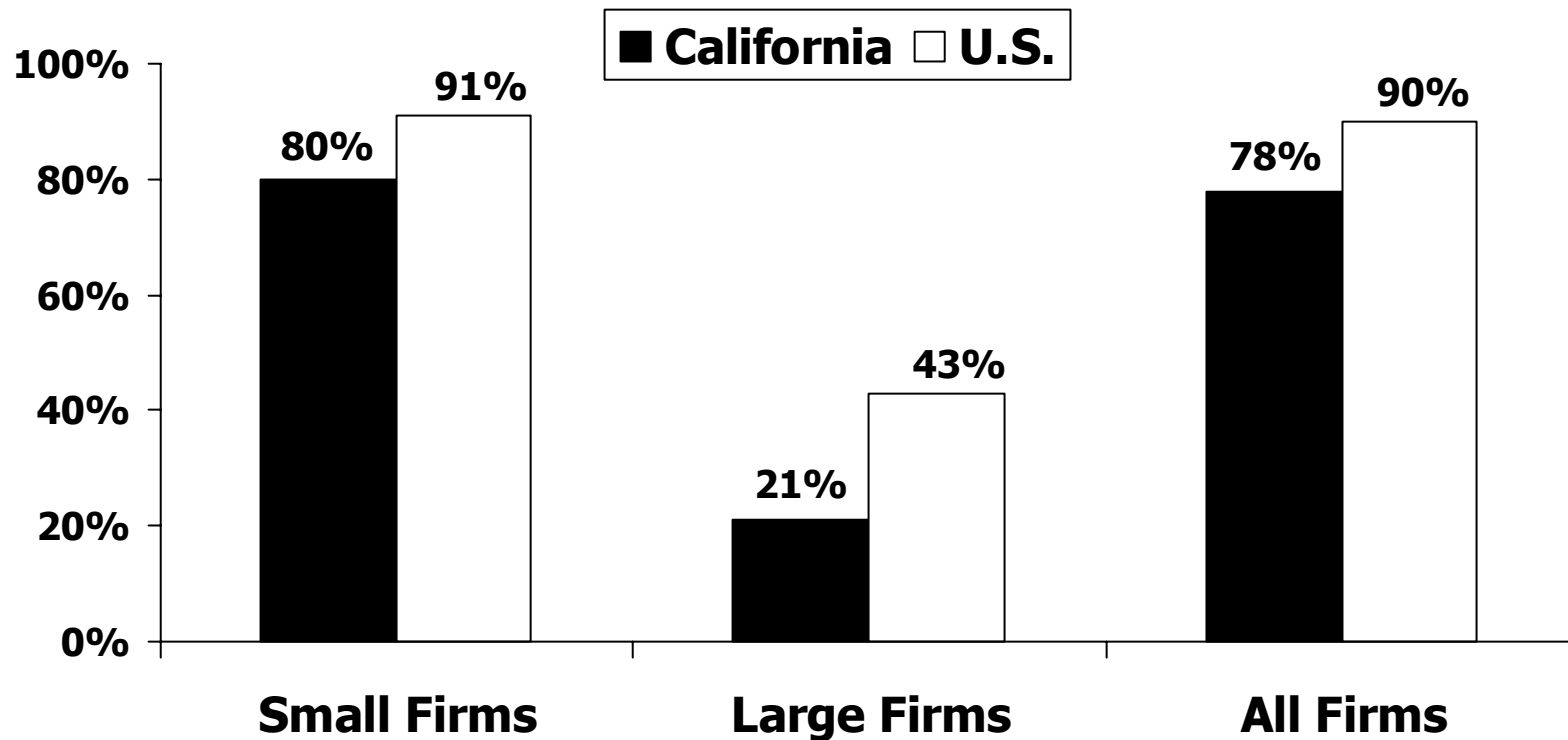
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey  
Kaiser/HRET Employer Health Benefits Survey: 1999, 2000

## Health Plan Enrollments for Covered Workers, by Plan Type, 1999 and 2000



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey  
Kaiser/HRET Employer Health Benefits Survey: 1999, 2000

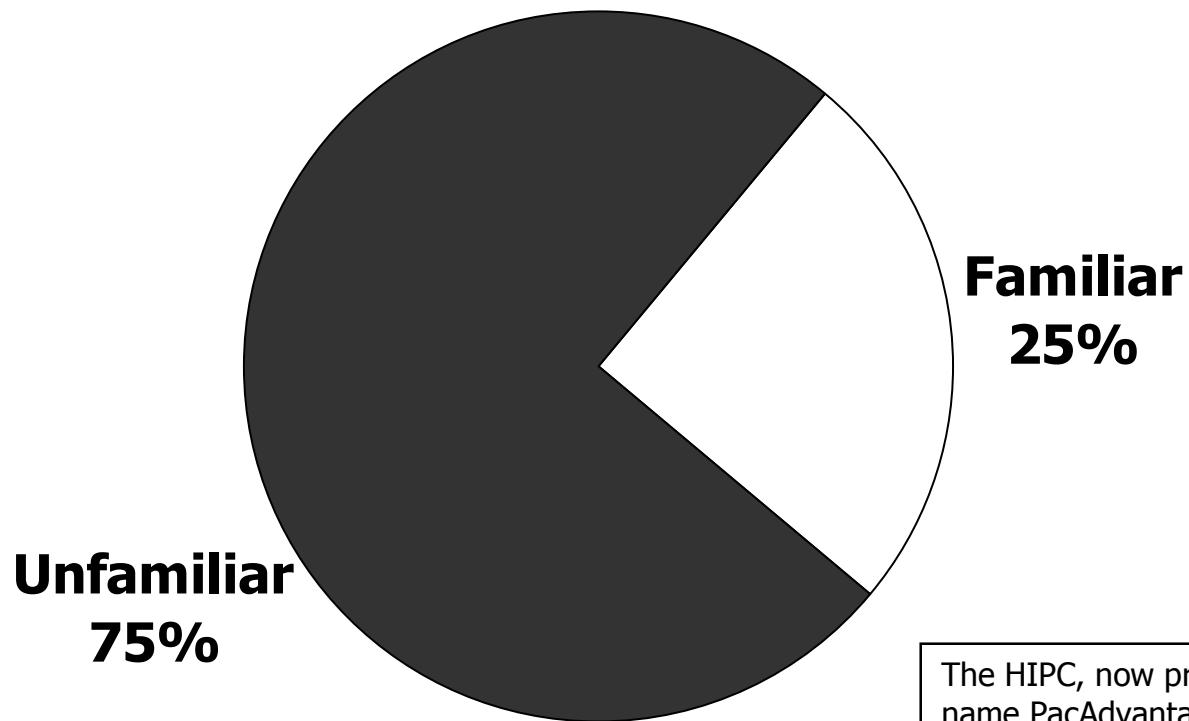
# Percentage of Employers Offering Only One Plan, 2000



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000



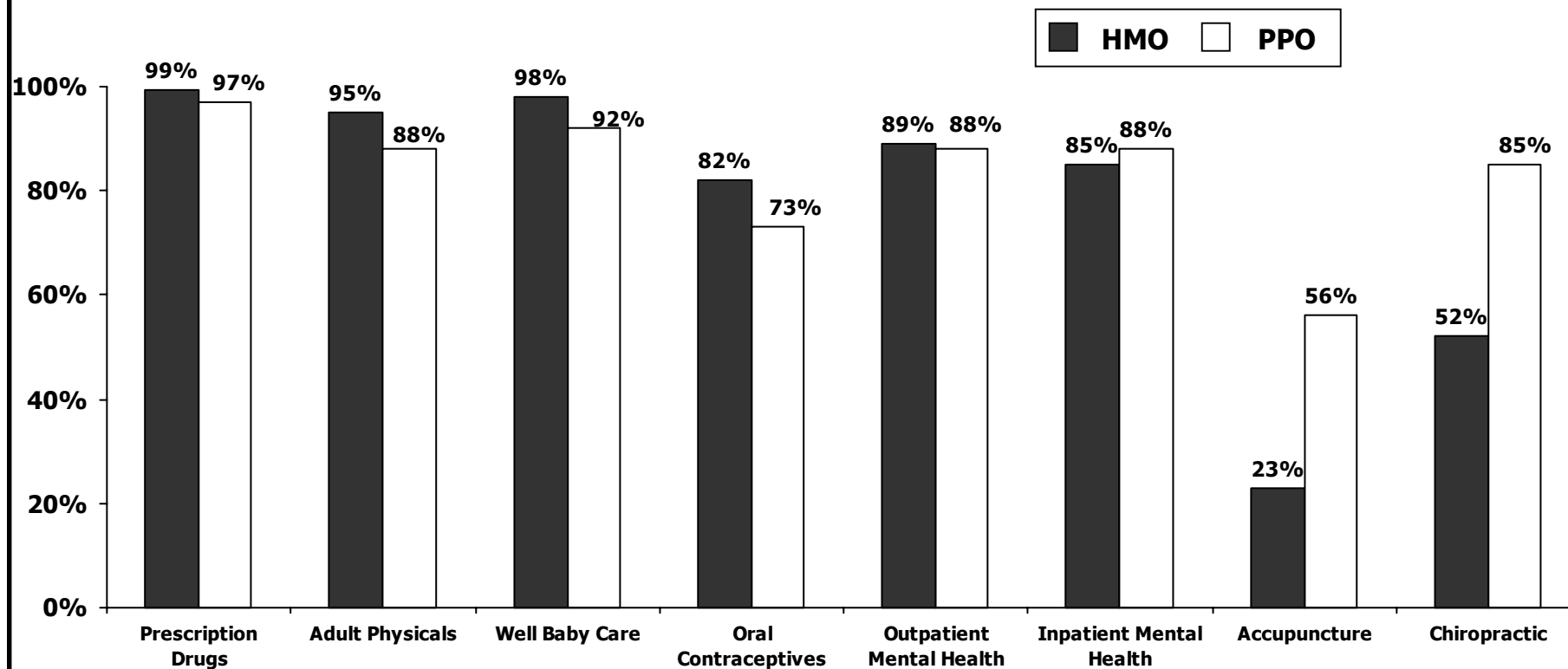
# **Small Employers' (Under 50 Employees) Familiarity With The Health Insurance Plan of CA (HIPC), 2000**



The HIPC, now privatized under the name PacAdvantage, is a purchasing pool established by the state to give small businesses greater purchasing clout and the ability to more easily offer a choice of health plans.

Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey

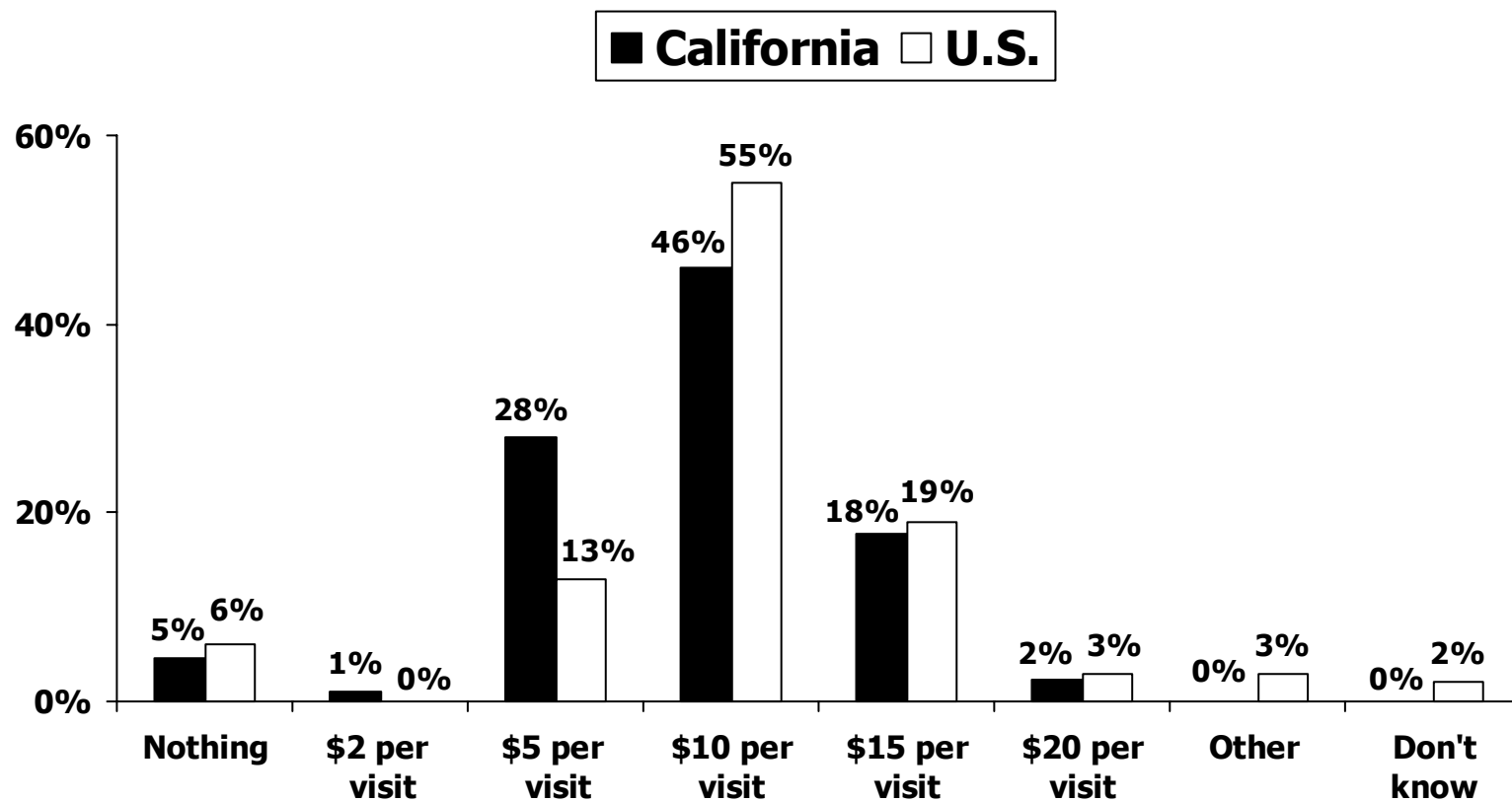
## Percentage of Workers Covered for Selected Benefits, by Plan Type, 2000\*



\* In certain instances, a large percentage of respondents indicated "Don't Know" as follows: Accupuncture: CA HMO (15.1%), CA PPO (9.3%); Oral contraceptives: CA HMO (8.0%), CA PPO (3.7%); Chiropractic CA HMO (6.7%), CA PPO (2.4%)

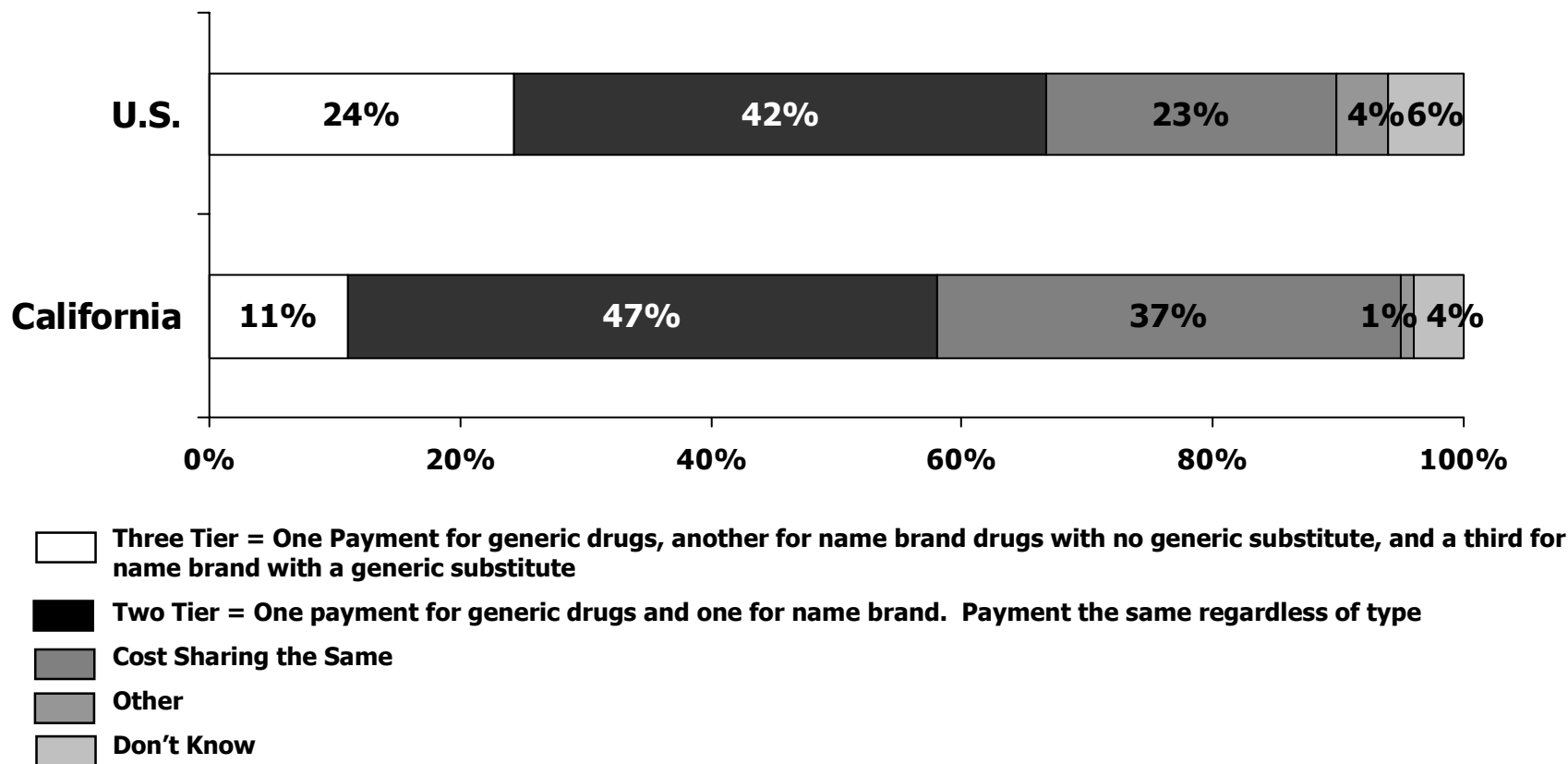
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey

## Percent of HMO Enrollees With Specified Co-Payments per Visit, 2000



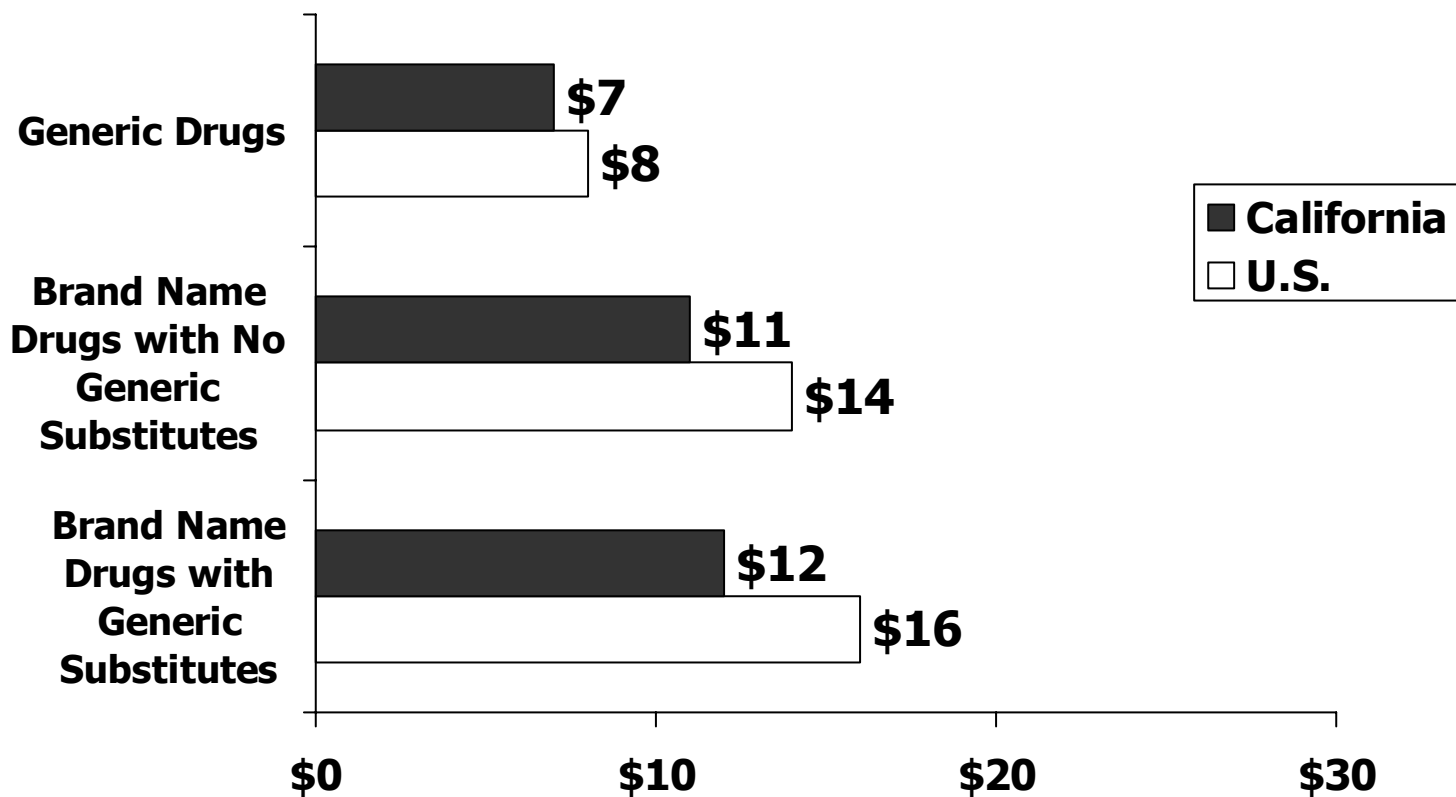
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey

## Percentage of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drugs, 2000



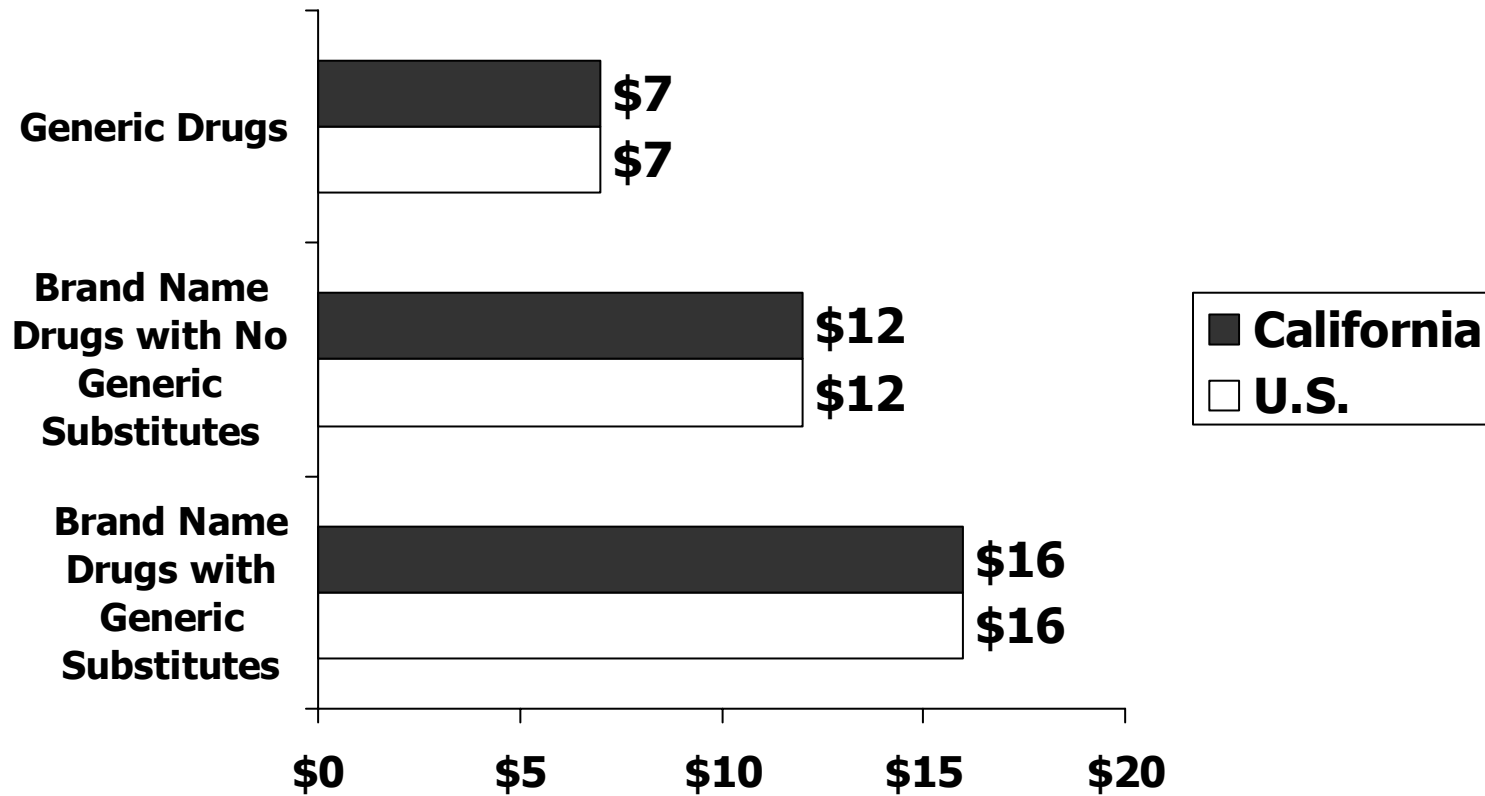
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Employer Health Benefits Survey: 2000

## Average Drug Co-payments, 2000



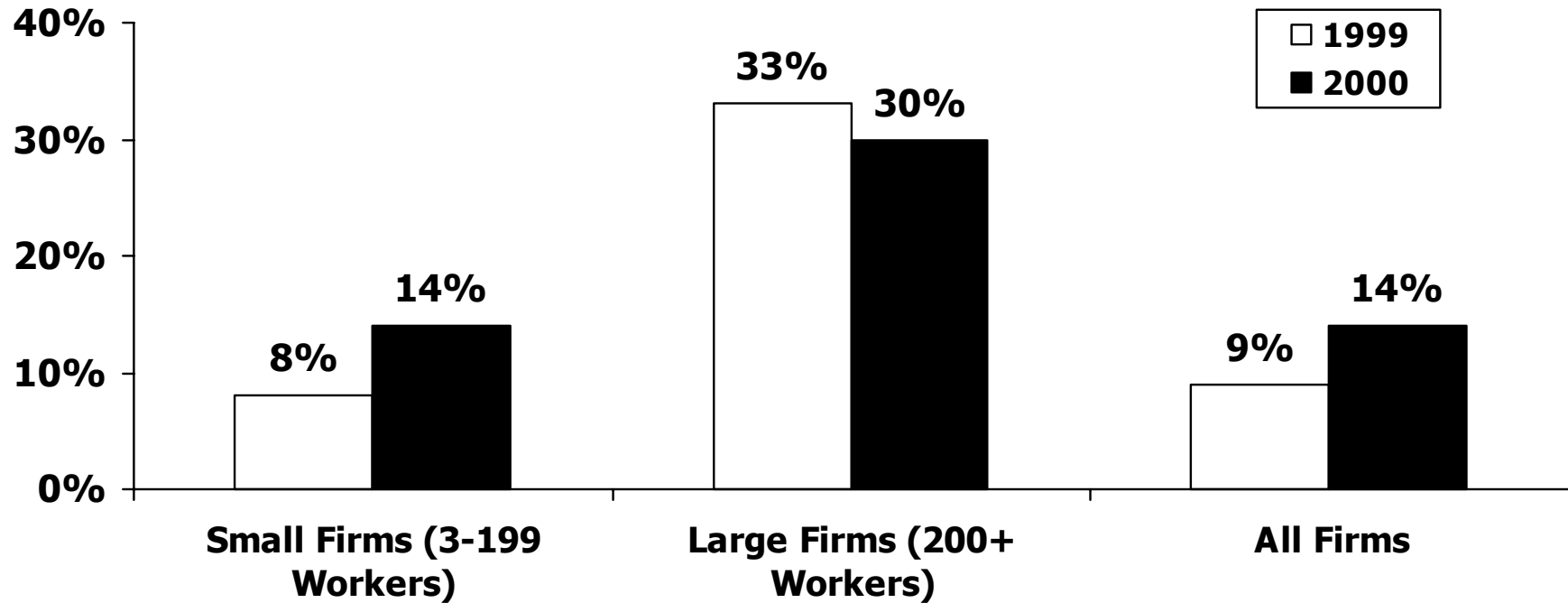
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey

## Average HMO Drug Co-Payment, 2000



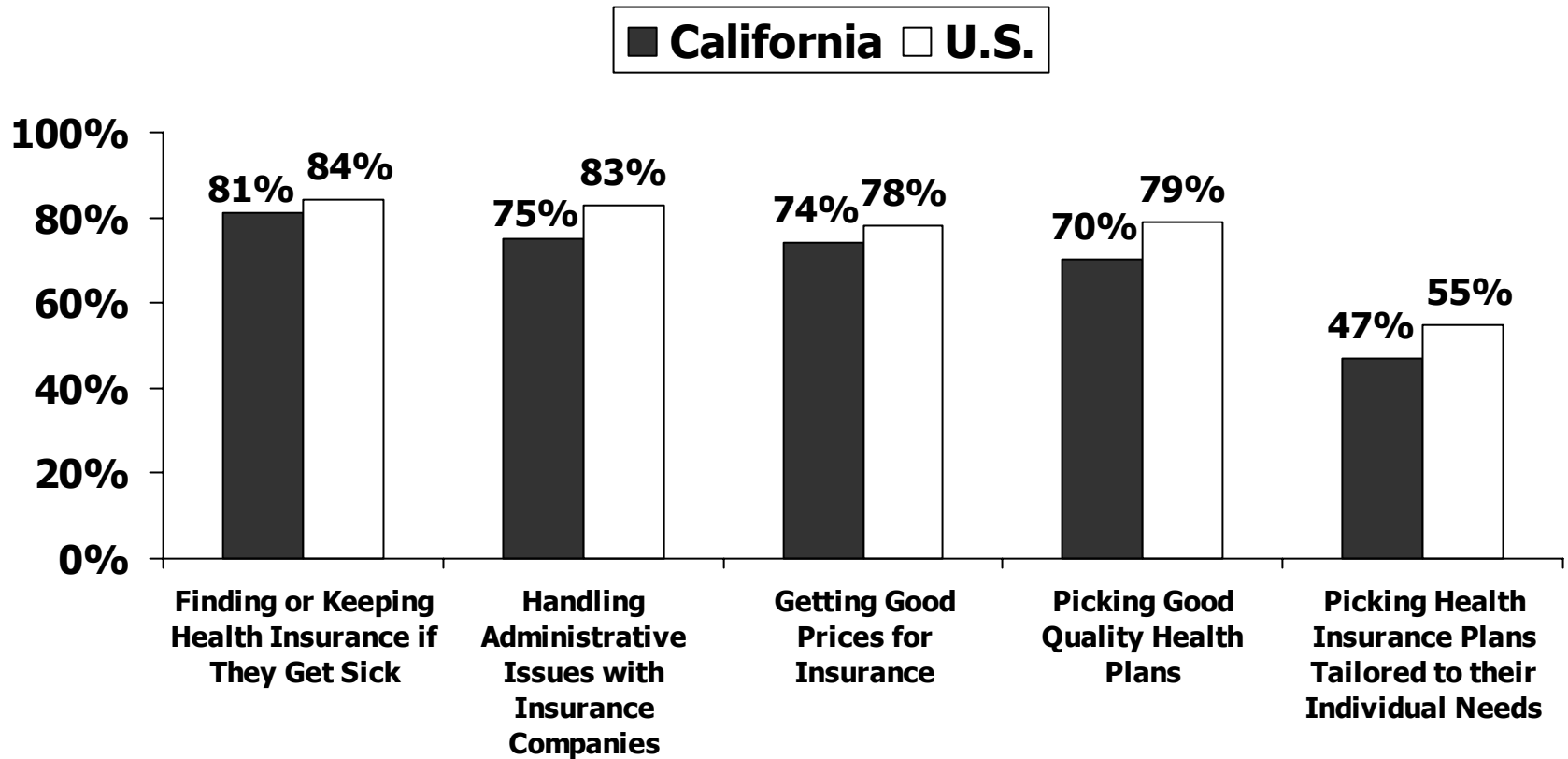
Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

## Percentage of California Firms Familiar With the National Committee for Quality Assurance (NCQA)



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET/UC Berkeley 1999 California Employer Survey  
Kaiser/HRET Employer Health Benefits Survey: 2000

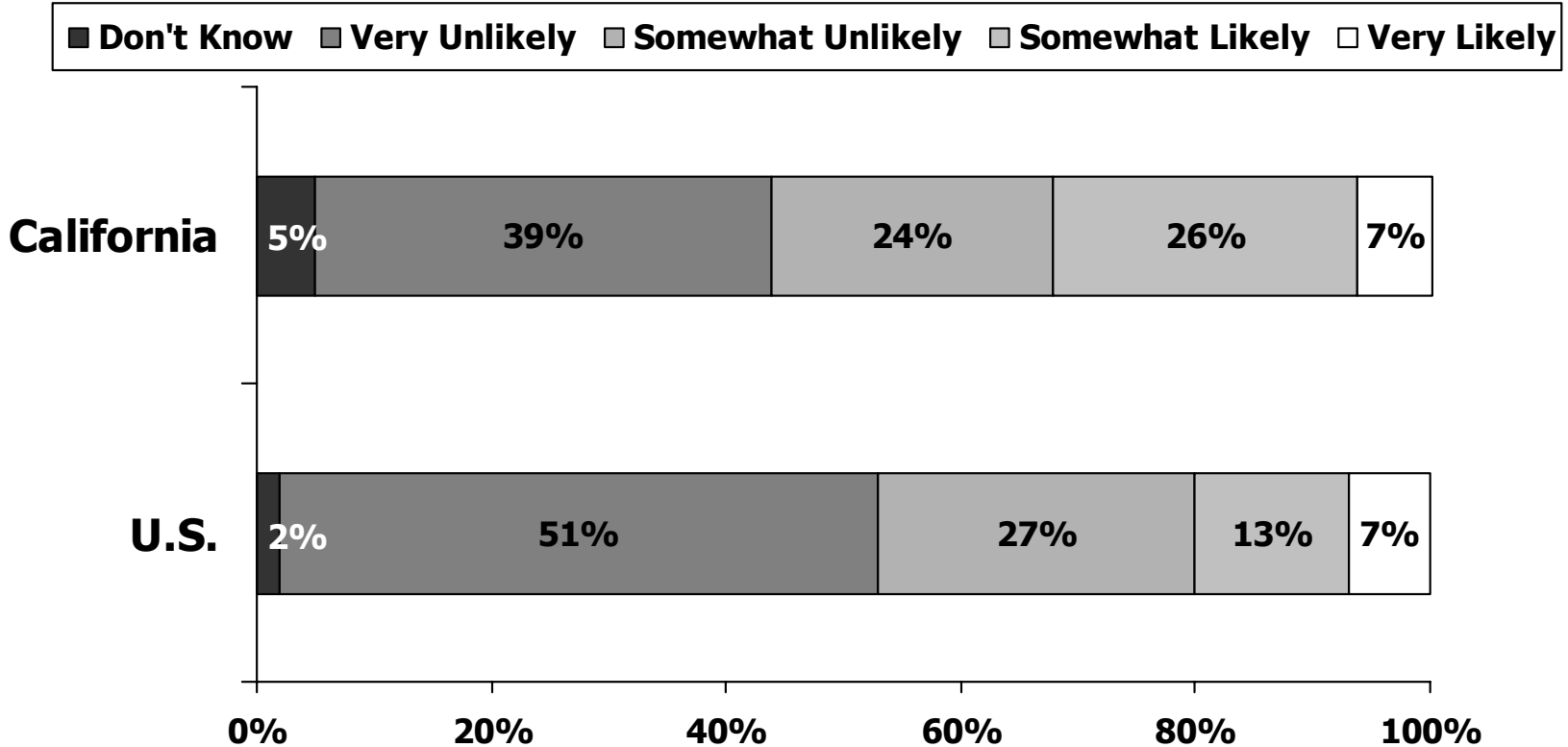
# Percentage of All Firms That Think Employees Would Have a Harder Time With the Following Issues if They Were to Buy Insurance Directly, 2000



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



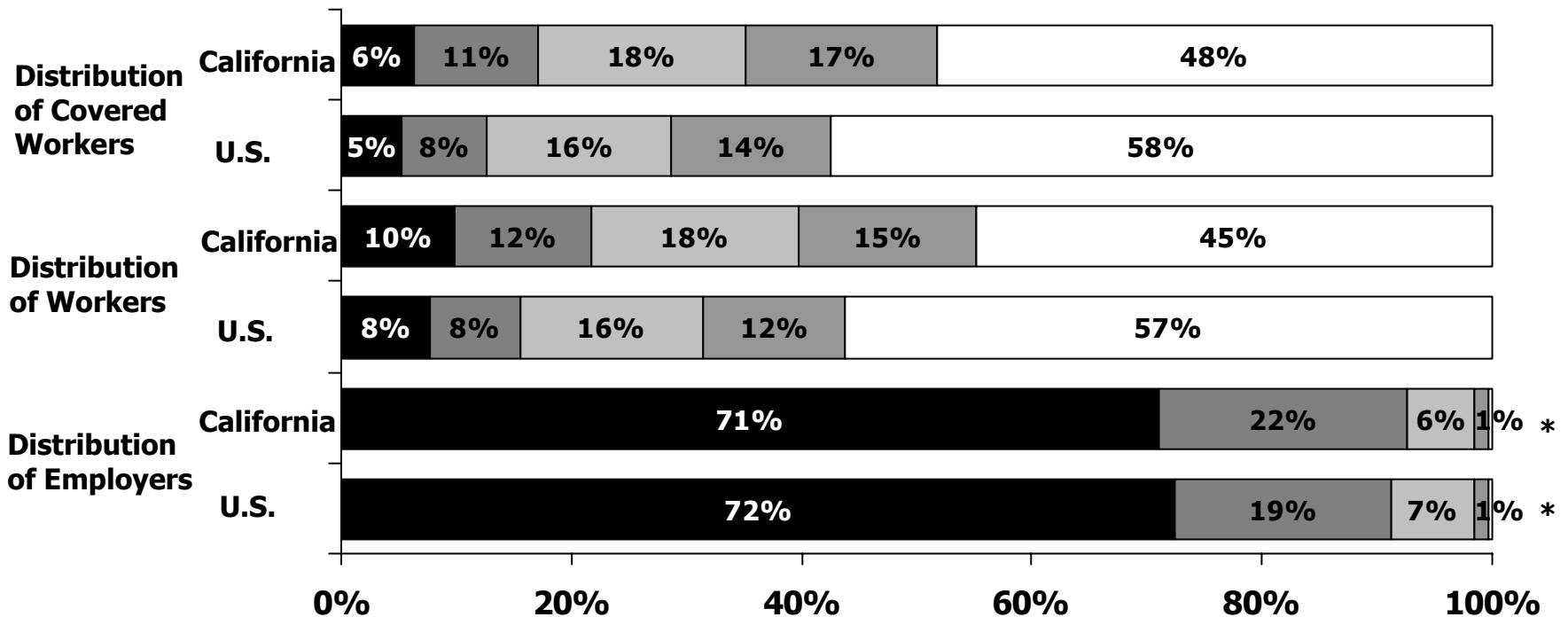
# Likelihood Employers Would Switch to Defined Contributions Within 5 years, 2000



Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000

# Distribution of Employers, Workers, and Workers Covered by Health Insurance, by Firm Size, 2000

■ 3-9 Workers ■ 10-49 Workers ■ 50-199 Workers ■ 200-999 Workers □ 1000+ Workers



\* 1,000+ Workers are less than 1%

Sources: Kaiser/HRET 2000 California Employer Health Benefits Survey; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000



**The Henry J. Kaiser Family Foundation**

2400 Sand Hill Road  
Menlo Park, CA 94025

650-854-9400 Facsimile: 650-854-4800

**Washington Office:**

1450 G Street N.W., Suite 250  
Washington, DC 20005

202-347-5270 Facsimile: 202-347-5274

**<http://www.kff.org>**

Additional free copies of this publication (# 3108)  
are available on the Kaiser Family Foundation website at  
[www.kff.org](http://www.kff.org) or by calling the Kaiser Family Foundation's  
Publication Request Line at 1-800-656-4533