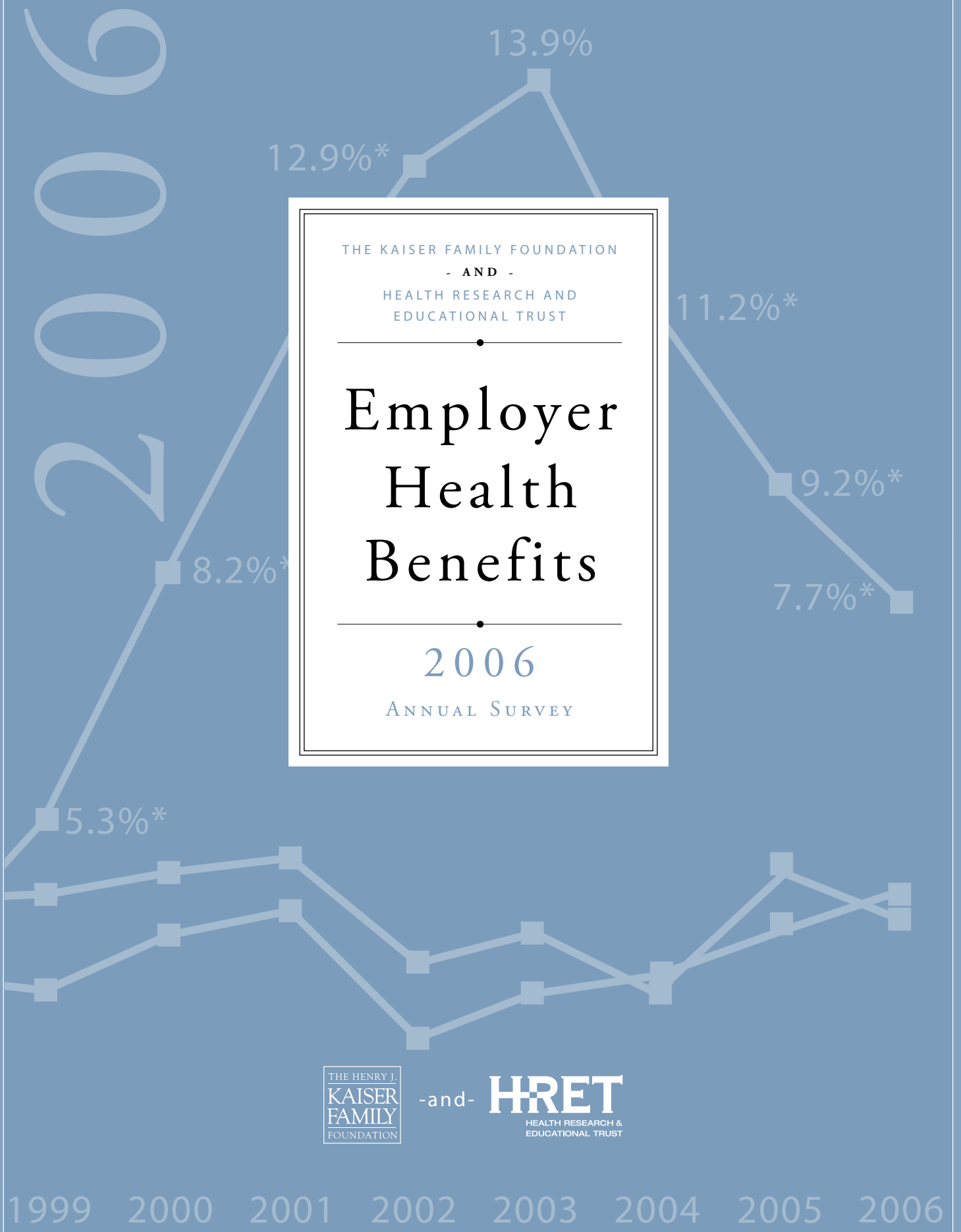


2006

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

Employer
Health
Benefits

2006
ANNUAL SURVEY



THE HENRY J.
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HEALTH RESEARCH AND
EDUCATIONAL TRUST

Employer Health Benefits

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-and-



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SUMMARY OF FINDINGS

EMPLOYER-SPONSORED HEALTH INSURANCE PROVIDES COVERAGE FOR OVER 155 MILLION NONELDERLY IN AMERICA.¹ TO PROVIDE CURRENT INFORMATION ABOUT THE NATURE OF EMPLOYER-SPONSORED HEALTH BENEFITS, THE KAISER FAMILY FOUNDATION (KFF) AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (HRET) CONDUCT AN ANNUAL NATIONAL SURVEY OF PRIVATE AND PUBLIC EMPLOYERS OF THREE OR MORE WORKERS.

The key findings show a moderation in the rate of premium growth for 2006, the third consecutive year in which the growth rate has declined. Even at this lower rate of growth, however, growth in health insurance costs outpaced the rate of inflation and the growth in workers' wages. Employers continue to offer consumer-directed health plans, including high deductible plans that can be paired with Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs), but the market share of these plans remains modest.

In response to changes in the market, high deductible health plans associated with a savings option (HDHP/SO) are now shown in the survey as a separate plan type and included in all of the tables that break out plan characteristics by plan type. Information about plan deductibles and out-of-pocket maximum amounts also has been expanded. In some cases these changes will mean that statistics from the 2006 survey cannot be directly compared with findings from previous years.²

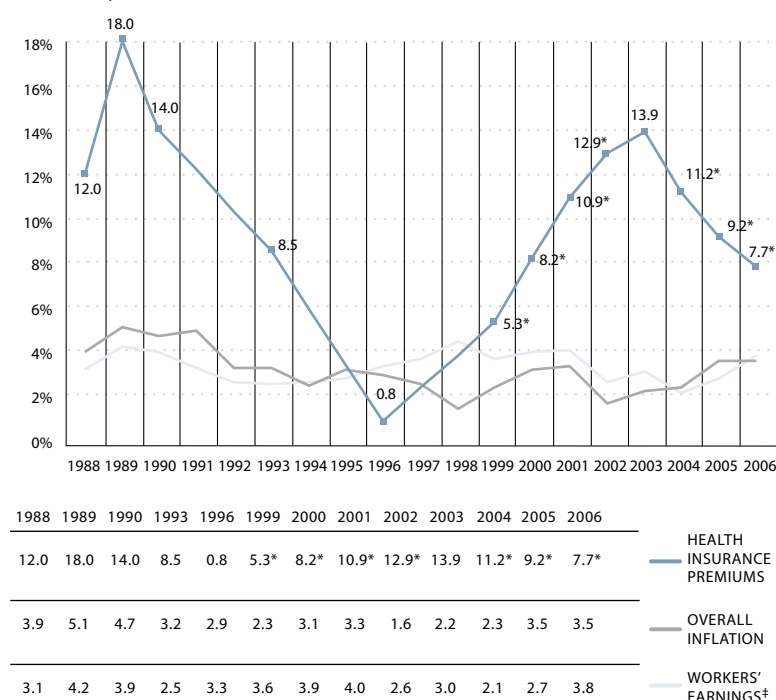
HEALTH INSURANCE PREMIUMS

Between spring of 2005 and spring of 2006, premiums for employer-sponsored health insurance rose by 7.7%, a slower rate than the 9.2% increase in 2005 and 11.2% increase in 2004 (Exhibit A).³ Despite this slowdown, premiums continued to increase much faster than overall inflation (3.5%) and wage gains (3.8%). Premiums for family coverage have increased by 87% since the year 2000.

Although the average premium increase for 2006 is 7.7%, many covered workers are in firms that experienced premium changes that were substantially above or below the average: 42% of covered workers work for firms where premiums increased by five percent or less, while 13% of covered workers work for firms where premiums increased by more than 15%.

EXHIBIT A

Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 1988–2006



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

† Data on percentage increase in workers' earnings are seasonally adjusted data from the Current Employment Statistics survey (April to April). For additional information about this data, see the Survey Design and Methods section in the full report.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For additional information about the increase in workers' earnings estimate, see the Survey Design and Methods section in the full report.

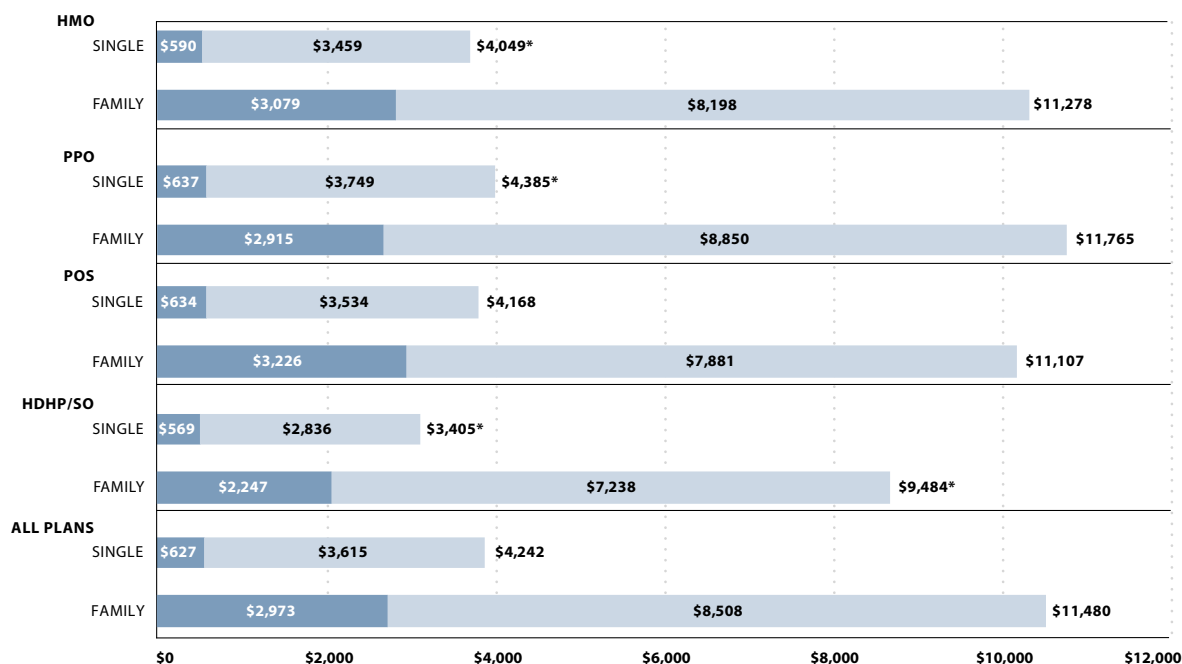
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988–2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988–2006.

Premiums in fully insured plans grew more quickly than premium equivalents in self-funded plans (8.7% versus 6.8%). Average annual premiums for employer-sponsored coverage are \$4,242 for single coverage and \$11,480 for family coverage (Exhibit B).

Preferred provider organizations (PPOs) continue to cover a majority of workers (60%), with HMOs covering 20%, POS plans covering 13%, HDHP/SOs covering 4%, and conventional plans covering 3%. PPO market share remains high despite the

EXHIBIT B

Average Annual Firm and Worker Contribution to Premiums and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2006



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

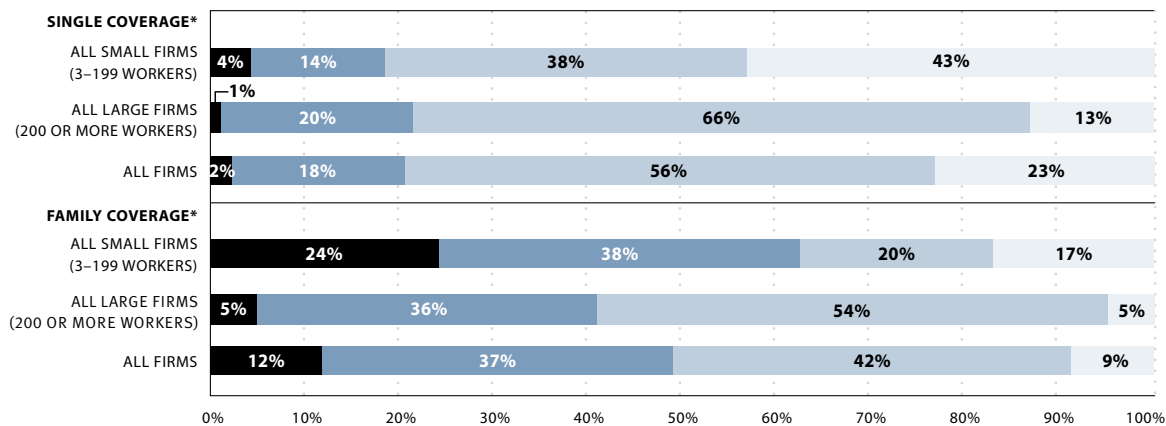
Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

■ WORKER CONTRIBUTION
■ FIRM CONTRIBUTION

EXHIBIT C

Distribution of Covered Workers by Percentage of Premium Contributed by Their Firm for Single and Family Coverage, by Firm Size, 2006



* Distributions are statistically different between All Small Firms and All Large Firms at $p < .05$.

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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

fact that premiums for PPOs are higher on average than premiums for HMOs, POS plans, and HDHP/SOs for both single and family coverage. Premiums for HDHP/SOs are lower than all other plan types for both single and family coverage.

Over 75% of covered workers with single coverage and over 90% of covered workers with family coverage make a contribution toward the total premium for their coverage (Exhibit C). Workers on average contribute \$627 annually toward the cost of single coverage and \$2,973 annually toward the cost of family coverage (Exhibit B). Since 2000, annual worker contributions have increased by \$293 for single coverage and by \$1,354 for family coverage. Covered workers in small firms (3–199 workers) on average make a significantly higher annual contribution towards single and family coverage than covered workers in larger firms (single: \$515 vs. \$689, family: \$3,550 vs. \$2,658). The average percentage of premiums paid by workers is statistically unchanged over the last several years, at 16% for single coverage and 27% for family coverage (Exhibit D).

EMPLOYEE COST SHARING

In addition to their premium contributions, most covered workers make additional payments when they use health care services. Sixty-nine percent of covered workers with single coverage in PPOs are in a plan with

a general plan deductible that must be met before many plan benefits are provided; this compares to 32% of covered workers in POS plans and only 12% of covered workers in HMOs.⁴ Even workers in plans without a general plan deductible, however, may face a specific deductible, copayment, or other charge when they use hospital services or have an outpatient procedure.

For workers in plans with a general plan deductible, the average annual deductibles for single coverage are \$352 for workers enrolled in HMOs, \$473 for workers enrolled in PPOs, \$553 for workers enrolled in POS plans, and \$1,715 for workers enrolled in HDHP/SOs. Average deductibles for covered workers with single coverage in small firms (3–199 workers) are substantially higher than average deductibles in large firms (200 or more workers) for covered workers in PPOs, POS plans, and HDHP/SOs.⁵ It should be noted that these deductibles may not apply to all covered services. Among covered workers in HMOs and PPOs with general plan deductibles, just over one-half are in plans where the general plan deductible does not apply to prescription drugs, and just under one-half are in plans that do not apply the deductible to preventive procedures.

About half of covered workers face cost sharing that is in addition to any general annual plan deductible when they are admitted to a hospital or have outpatient surgery. For hospitalizations, 25% of

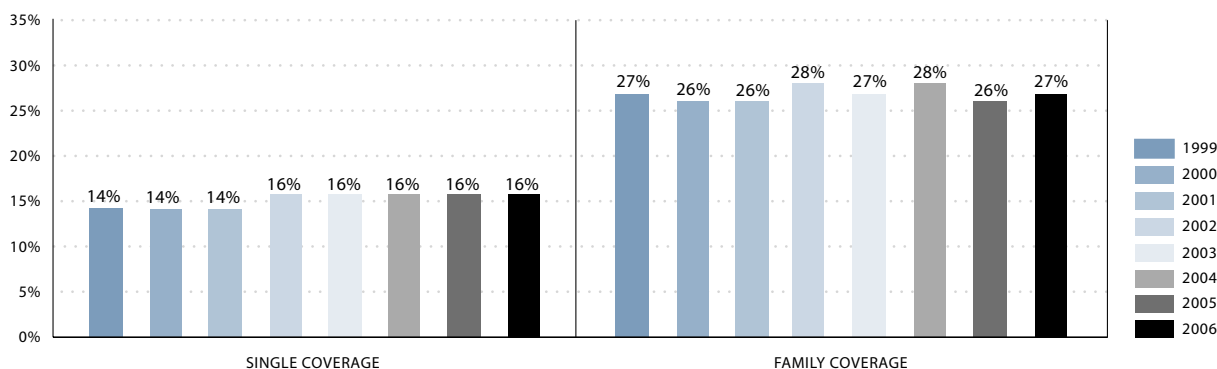
covered workers face a separate deductible or copayment for each hospital admission, with an average payment of \$231, and 22% face separate coinsurance when they are hospitalized, with an average coinsurance rate of 17%. Small shares of covered workers face both a copayment and coinsurance or a per diem charge when hospitalized.

The vast majority of covered workers face copayments when they go to the doctor. Among these covered workers, 60% are in plans with a copayment of \$15 or \$20, and an additional 15% are in a plan with a copayment of \$25. Unlike workers covered by other plan types, covered workers in HDHP/SOs are more likely to be in a plan with coinsurance than a copayment for physician office visits. A substantial portion of workers in HDHP/SOs also are in plans where the worker faces no cost sharing for physician office visits once the worker has satisfied the plan deductible.

As with physician office visits, most covered workers face cost-sharing for prescription drugs. The majority of covered workers are in plans that have multi-tier cost-sharing for drugs. Since 2000, the percentage of covered workers in a plan with three or more tiers of cost sharing for prescriptions has increased from 27% to 74%. Among workers who face cost sharing for prescription drugs, most face copayments rather than coinsurance; the average copayments are \$11 for generic drugs, \$24 for preferred drugs, and \$38 for

EXHIBIT D

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1999–2006*



* Tests found no statistical difference from estimate for previous year shown at $p < .05$.

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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

nonpreferred drugs. A small percentage of covered workers in plans also have a fourth-tier of prescription drug cost sharing. In plans with a fourth-tier, the percentages of covered workers facing copayments and coinsurance are roughly comparable; the average copayment amount for fourth-tier drugs is \$63 and the average coinsurance level is 42%.

Most covered workers are in a plan that partially or totally limits the cost sharing that a plan enrollee must pay in a year, generally referred to as an out-of-pocket maximum. About 80% percent of covered workers are in a plan that limits the amount of cost sharing that plan enrollees may have to pay. There is considerable variation in out-of-pocket maximum levels: among covered workers with an out-of-pocket maximum limit, over one-half are in plans with a limit for single coverage of less than \$2,000 while 18% are in plan with a limit of \$3,000 or more. However, even when health plans have a maximum out-of-pocket limit, the limit may not apply to all cost sharing under the plan. For example, among covered workers in PPO plans that have an out-of-pocket maximum limit, almost 40% are in a plan that does not count amounts that the enrollee spends in meeting the deductible, and over 80% are in a plan that does not count cost sharing for prescription drug expenses when determining whether an enrollee has reached the out-of-pocket maximum limit.

AVAILABILITY OF EMPLOYER-SPONSORED COVERAGE

Sixty-one percent of firms offer health benefits to at least some of their employees, a similar percentage to last year (Exhibit E). Since 2000, the percentage of firms offering health benefits has fallen from 69%. As we have seen in prior years, health benefit offer rates vary considerably by firm size, with only 48% of the smallest companies (3–9 workers) offering health benefits, compared to 73% of firms with 10 to 24 workers, 87% of firms with 25 to 49 workers, and over 90% of firms with 50 or more workers.

The likelihood that a firm offers health benefits also varies with other firm characteristics, such as the proportions of lower-wage and part-time workers in the firm and whether the firm has union workers. Sixty-five percent of higher wage firms (less than 35% of workers earn \$20,000 or less annually) offer health benefits, compared with 42% of firms with a greater percentage of lower-wage workers. Sixty-seven percent of firms with relatively few part-time workers (less than 35% of workers work part-time) offer health benefits, compared with 44% of firms with a higher percentage of part-time workers. And, 87% of firms with at least some union workers offer health benefits, compared with 60% of firms that have no union employees.

Even when a firm offers health insurance, not all workers get covered. Some workers are not eligible to enroll as a result of waiting periods or minimum work-hour rules, and others choose not to enroll perhaps because they must pay a share of the premium or can get coverage through a spouse. Within offering firms, 78% of workers are eligible for coverage, and 82% of eligible workers take-up coverage from that employer. Sixty-five percent of workers at firms that offer health benefits have coverage through their own employer. Looking at workers both in firms that offer benefits and firms that do not, 59% of workers have coverage through their own employer, down from 63% in 2000.

DENTAL AND VISION BENEFITS

Among firms offering health benefits, 50% offer or contribute to a dental benefit and 21% offer or contribute to a vision benefit that is separate from any dental or vision coverage provided by the firm's health plan. Large firms (200 or more workers) are more likely than small firms to offer or contribute towards separate dental and vision benefits.

HIGH DEDUCTIBLE HEALTH PLANS WITH SAVINGS OPTION

This year the survey includes high deductible health plans with a savings

EXHIBIT E

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%
10–24 Workers	74	80	77	70*	76	74	72	73
25–49 Workers	86	91	90	86	84	87	87	87
50–199 Workers	97	97	96	95	95	92	93	92
All Small Firms (3–199 Workers)	65%	68%	68%	66%	65%	63%	59%	60%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	98%	99%	98%	98%
ALL FIRMS	66%	69%	68%	66%	66%	63%	60%	61%

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

Note: As noted in the Survey Design and Methods section of the full report, estimates presented in this exhibit are based on the sample of 3,159 firms, which includes both firms that completed the entire survey and those who answered just one question about whether they offer health benefits.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

option, or HDHP/SOs, as a plan type. HDHP/SOs include (1) health plans with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage offered with an HRA, and (2) high deductible health plans that meet the federal legal requirements to permit an enrollee to establish and contribute to an HSA. In most instances information about HDHP/SOs is presented in the same manner as information about PPOs, HMOs, and POS plans. In some cases we also show information separately for (1) HDHP/SOs that are offered with HRAs, referred to as “HDHP/HRAs,” and (2) HDHP/SOs that meet federal requirements to permit enrollees to establish an HSA, referred to as “HSA qualified HDHPs.”

Seven percent of firms offering health benefits offer an HDHP/SO in 2006 (Exhibit F). This is statistically unchanged from the 4% we reported in 2005. Among firms offering health benefits, 1% offer an HDHP/HRA and 6% offer an HSA qualified HDHP (Exhibit F). Firms with 1,000 or more workers are more likely (12%) than smaller firms (6%) to offer an HSA qualified HDHP. We estimate that 2.7 million workers are enrolled in HDHP/SOs in 2006, with 1.4 million workers enrolled in HSA qualified HDHPs and 1.3 million workers enrolled in HDHP/HRAs. The estimate of workers enrolled in an HSA

qualified HDHP is higher than the 0.8 million enrollees we reported last year.⁶

As expected, deductibles in these arrangements are relatively high: in HDHP/HRAs, annual deductibles average \$1,442 for single coverage and \$2,985 for family coverage (in plans with an aggregated family deductible⁷); in HSA qualified HDHPs, deductibles average \$2,011 for single coverage and \$4,008 for family coverage (in plans with an aggregated family deductible). There is, however, substantial variation around these averages; for example, 30% of covered workers in HSA qualified HDHPs are in a plan with a single deductible between \$1,050 and \$1,499, while over 60% are in a plan with a single deductible over \$2,000. Seventy-four percent of workers enrolled in HDHP/HRAs and 82% of workers enrolled in HSA qualified HDHPs are in a plan that does not apply the plan deductible to preventive benefits.

Average premiums and premium contributions by employers are lower for both single and family coverage in HSA qualified HDHPs than in other plan types (Exhibit G, Exhibit B), although the difference for employer premium contributions disappears in most cases when additional employer contributions to the HSAs themselves are considered.⁸ The average worker premium contributions for

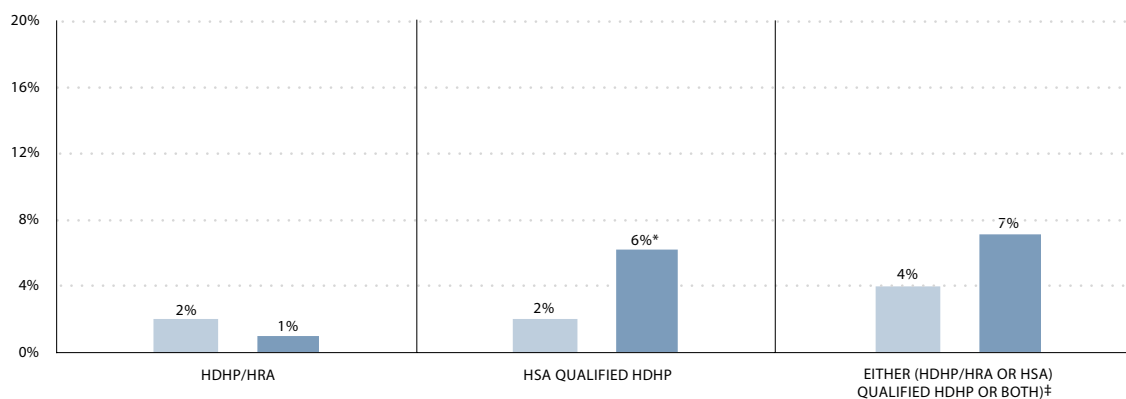
family coverage in HSA qualified HDHPs are significantly lower than the average worker premium contribution for other plan types; differences for single coverage are not statistically significant. Comparisons of premiums and premium contributions between HDHP/HRAs and other plan types are decidedly more mixed.⁹

On average, workers enrolled in an HDHP/HRA receive an annual employer contribution to their HRA of \$797 for single coverage and \$1,584 for family coverage. We note that employer contributions to HRAs are promises to pay toward the cost of services, and workers may not receive these full amounts if they leave the firm with a positive balance in their HRA. Workers enrolled in HSA qualified HDHPs on average receive an annual employer contribution to their HSA of \$689 for single coverage and \$1,139 for family coverage (Exhibit G). Thirty-seven percent of employers offering an HSA qualified HDHP (covering 30% of workers enrolled in these plans) do not contribute to HSAs established by their employees.

Exhibit H shows a general comparison between HDHP/SOs and PPOs, the most common plan type. Overall, health plan premiums for HDHP/SOs are lower than premiums for PPOs, but as the chart shows, there are no significant differences in total

EXHIBIT F

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005–2006



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

† The 2006 estimate includes 0.4% of all firms offering health benefits that offer both an HDHP/HRA and an HSA qualified HDHP. The comparable percentage for 2005 is 0.3%.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8 in the full report.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2006.

cost when the employer contribution to the HSA or HRA is included in the total cost.

RETIREE COVERAGE

The implementation of the new Medicare Part D drug benefit, combined with cutbacks in retiree coverage by several large national firms, has put a spotlight on retiree health benefits. In 2006, 35% of large firms (200 or more workers) offer retiree health coverage, virtually the same percentage as last year, but down from 66% in 1988. Among large firms offering retiree benefits, the vast majority (94%) offer benefits to early retirees, while 77% offer benefits to Medicare-age retirees.

DISEASE MANAGEMENT AND WELLNESS

Twenty-six percent of employers offering health benefits include one or more disease management programs in their largest health plan, with large firms (200 or more workers) being more likely than smaller firms to do so (55% vs. 25%).

Twenty-seven percent of employers offering health benefits offer one or more wellness programs to their employees, with 19% offering an injury prevention program, 10% offering a fitness program, 9% offering a smoking cessation program, and 6% offering a weight loss program. Large firms (200 or more workers) are more likely than small firms (3–199 workers) to offer one or more wellness programs (62% vs. 26%).

OUTLOOK FOR THE FUTURE

Although growth in health insurance premiums has moderated in each of the last three years, it continues to outpace inflation and average wage growth. Since the year 2000, health insurance premiums have grown by 87%, compared with cumulative inflation of 18% and cumulative wage growth of 20%. During this period, the percentage of employers offering health benefits has fallen from 69% to 61%, and the percentage of workers covered by their own employer also has fallen.

Despite these cost pressures, relatively few employers offering health benefits report that they are very likely or somewhat likely

to drop coverage (6%) or limit eligibility (6%) in the next year, although larger percentages report that they are very or somewhat likely to increase what employees pay for coverage (49%), increase plan deductibles (39%), increase copayments or coinsurance for office visits (39%), or increase worker payments for prescription drugs (39%). There is some interest among employers in new consumer-directed plan designs. Among firms offering benefits but not currently offering an HSA qualified HDHP, 4% say that they are very likely and an additional 19% say that they are somewhat likely to offer one in the next year. Employer interest in HDHP/HRAs is comparable (Exhibit I).

While discussions about price transparency, consumerism, and consumer-directed plan designs are common topics in health policy circles, they are mostly theoretical: the number of employers offering and the number of employees actually enrolling in consumer directed plans is quite modest. It may take several years, assuming that enrollment in these plans continues to grow, before we can assess their potential impact on the marketplace.

EXHIBIT G

Average Annual Premiums and Contributions to Spending Accounts For Covered Workers, HDHP/HRA and HSA Qualified HDHP, 2006

	HDHP/HRA		HSA Qualified HDHP	
	Single	Family	Single	Family
Total Annual Premium	\$3,666	\$10,482	\$3,176	\$8,515
Worker Contribution to Premium	\$664	\$2,420	\$467	\$2,115
Firm Contribution to Premium	\$3,003	\$8,062	\$2,709	\$6,400
Firm Contribution to the HRA or HSA[‡]	\$797	\$1,584	\$689	\$1,139
Total Annual Firm Contribution (Firm Share of Premium Plus Contribution to HRA or HSA)	\$3,800	\$9,646	\$3,398	\$7,539
Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)	\$4,464	\$12,065	\$3,865	\$9,654

[‡] When those firms that do not contribute to the HSA are excluded from the calculation, the average employer contribution to the HSA for covered workers is \$988 for single coverage and \$1,632 for family coverage.

Note: Values shown in the table may not equal the sum of their component parts. The averages presented in the table are aggregated at the firm level and then averaged, which is methodologically more appropriate than adding the averages. This is relevant for Total Annual Premium, Total Annual Firm Contribution, and Total Annual Spending.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

EXHIBIT H

Average Annual Premiums, Worker and Firm Contributions For Covered Workers in PPO and HDHP/SO Plans, 2006

	PPO		HDHP/SO	
	Single	Family	Single	Family
Worker Contribution to Premium	\$637	\$2,915*	\$569	\$2,247*
Firm Contribution to Premium	\$3,749*	\$8,850*	\$2,836*	\$7,238*
Total Annual Premium	\$4,385*	\$11,765*	\$3,405*	\$9,484*
Firm Contribution to the HRA or HSA	NA	NA	\$743	\$1,359
Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)	\$4,385	\$11,765	\$4,148	\$10,844

* Estimates are statistically different between PPO and HDHP/SO plans at p<.05.

NA: Not Applicable.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

EXHIBIT I

Among Firms Offering Health Benefits, Distribution of Firms Reporting The Likelihood of Making the Following Changes in the Next Year, 2006

	Very Likely	Somewhat Likely	Not Too Likely	Not At All Likely	Don't Know
Increase the Amount Employees Pay for Health Insurance	21%	28%	21%	28%	2%
Increase the Amount Employees Pay for Prescription Drugs	10	29	28	29	3
Increase the Amount Employees Pay for Deductibles	12	27	25	31	5
Increase the Amount Employees Pay for Office Visit Copays or Coinsurance	8	31	25	32	4
Introduce Tiered Cost Sharing for Doctor Visits or Hospital Stays	1	16	32	43	8
Restrict Employees' Eligibility for Coverage	2	4	21	73	<1
Drop Coverage Entirely	2	4	7	86	1
Offer HDHP/HRA [‡]	6	18	31	44	1
Offer HSA Qualified HDHP [‡]	4	19	29	45	3

‡ Among firms not currently offering this type of HDHP/SO.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

¹ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, Health Insurance Coverage in America, 2004 Data Update, November 2005.

² For example, we no longer include covered workers with no (zero) deductible in calculating the average deductible amounts for each plan type. Beginning this year we also break out family deductibles into two types—aggregate deductibles and separate per person deductibles (for more detail see the introduction to Section 7). As a result of these changes, the amounts that we report for single and family deductibles cannot be directly compared to the amounts reported for prior years.

³ Data on premium increases reflect the cost of health insurance premiums for a family of four.

⁴ By the way that we define the plan type, all workers in HDHP/SOs are in plans with a general plan deductible.

⁵ For HMO coverage, there is insufficient data to report the result.

⁶ Because we had not designated HDHP/SOs as a plan type last year, we are unable to calculate a standard error for last year's estimated enrollment to test for statistical significance. As an alternative to the two sample t-test, we used a one sample t-test on 2006 estimates and found that enrollment in HSA qualified HDHPs is higher in 2006 than in 2005 (p=.0127). The one sample t-test is slightly less reliable, however, than the two sample t-test we ordinarily use.

⁷ See the introduction to Section 7.

⁸ The differences between the total average employer contribution to HSA qualified HDHPs (i.e., contribution to the health plan premiums and to the HSA) and the average employer contribution for PPO plan premiums is statistically significant for family coverage. Differences with other plans are not statistically significant.

⁹ For HDHP/HRAs, premiums for single coverage are lower on average than premiums for other plan types (Exhibit G, Exhibit B). HDHP/HRA premiums for family coverage are lower than premiums for PPOs, but differences between HDHP/HRA premiums and premiums for HMOs and POS plans are not statistically significant. Average employer premium contributions for single coverage in HDHP/HRAs also are lower than average employer premium contributions for other plan types (Exhibit G, Exhibit B); differences in average employer premium contributions for family coverage in HDHP/HRAs and average employer premium contributions to HMOs, PPOs and POS plans are not statistically significant. In most cases worker premium contributions to HDHP/HRAs are not statistically different than worker premium contributions for other plan types.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Survey
Design
and
Methods

SURVEY DESIGN AND METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KAISER/HRET) CONDUCT THIS SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS. FOR MANY YEARS THE INTERNATIONAL CONSULTING AND ACCOUNTING FIRM, KPMG CONSULTING, INC. (NOW BEARING POINT), SUPPORTED THE STUDY. IN 1998, KPMG DIVESTED ITSELF OF ITS COMPENSATION AND BENEFITS PRACTICE, AND PART OF THAT DIVESTITURE INCLUDED DONATING THE ANNUAL SURVEY OF HEALTH BENEFITS TO HRET. HRET, A NONPROFIT RESEARCH ORGANIZATION, IS AN AFFILIATE OF THE AMERICAN HOSPITAL ASSOCIATION. THE KAISER FAMILY FOUNDATION PROVIDES FINANCIAL SUPPORT AND CONDUCTS THIS SURVEY IN PARTNERSHIP WITH HRET. HRET SUBCONTRACTS WITH RESEARCHERS AT THE CENTER FOR STUDYING HEALTH SYSTEM CHANGE, WHO WORK WITH FOUNDATION AND HRET RESEARCHERS IN CONDUCTING THE STUDY. 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 2006 WITH 3,159 FIRMS. THE KAISER FAMILY FOUNDATION PROVIDES INDEPENDENT RESEARCH AND ANALYSIS ON HEALTH POLICY ISSUES, AND IS NOT AFFILIATED IN ANY WAY WITH THE KAISER PERMANENTE HEALTH PLAN.

CHANGES TO 2006 SURVEY

As in past years, Kaiser/HRET asked each participating company as many as 400 questions about its largest health maintenance organization (HMO), preferred provider organization (PPO), point-of-service (POS), and high deductible health plan with savings option (HDHP/SO).¹ For the first time this year, Kaiser/HRET asked questions about the highest enrollment HDHP/SO as a separate plan type, equal to the other plan types. In prior years, data on HDHP/SO plans were collected as part of one of the other types of plans. Therefore, the removal of HDHP/SOs from the other plan types may affect the year to year comparisons for the other plan types. Given the decline in conventional health plan enrollment (see Exhibit 5.1) and the addition of HDHP/SO as a plan type option, Kaiser/HRET eliminated nearly all questions pertaining to conventional coverage from the survey instrument.² We continue to ask firms whether or not they offer a conventional health plan

and, if so, how much their premium for conventional coverage increased in the last year, but respondents are not asked additional questions about the attributes of the conventional plans they offer. Because we have limited information about conventional health plans, we must make adjustments in calculating all plan averages or distributions. In cases where a firm offers only conventional health plans, no information from that respondent is included in all plan averages. The exception is for the rate of premium growth, for which we have information. If a firm offers a conventional health plan and at least one other plan type, for categorical variables we assign the values from the health plan with the largest enrollment (other than the conventional plan) to the workers in the conventional plan. In the case of continuous variables, covered workers in conventional plans are assigned the weighted average value of the other plan types in the firm.

NOTE:

¹ HDHP/SO includes high deductible health plans offered with either a Health Reimbursement Arrangement (HRA) or a Health Savings Account (HSA). Although HRAs can be offered along with a health plan that is not an HDHP, the survey collected information only on HRAs that are offered along with HDHPs. For specific definitions of HDHPs, HRAs, and HSAs, see the introduction to Section 8.

² Using the 2005 dataset, Kaiser/HRET compared firm level aggregates of premiums, worker contributions, and cost sharing with data on conventional plans included and excluded from the aggregation. In all cases, firm level aggregates did not produce significantly different results when conventional plan data was excluded from the calculations.

This year Kaiser/HRET began asking employers if they had a health plan that was an exclusive provider organization (EPO). We treat EPOs and HMOs together as one plan type and report the information under the banner of “HMO”; if an employer sponsors both an HMO and an EPO, they are asked about the attributes of the plan with the larger enrollment.

As in past years, this year’s survey included questions on the cost of health insurance, offer rates, coverage, eligibility, health plan choice, enrollment patterns, premiums,³ employee cost sharing, covered benefits, prescription drug benefits, retiree health benefits, health management programs, and employer opinions. However, this year, information about plan deductibles and out-of-pocket maximum amounts has been expanded. Throughout this report, we use the term “in-network” to refer to services received from a preferred provider and “out-of-network” to refer to services received from a non-preferred provider. Family coverage is defined as health coverage for a family of four. Changes related to industry classification, weight trimming, and statistical testing are discussed below.

RESPONSE RATE

Kaiser/HRET drew its sample from a Dun & Bradstreet list of the nation’s private and public employers with three or more workers. To increase precision, Kaiser/HRET stratified the sample by industry and the number of workers in the firm. Kaiser/HRET attempted to repeat interviews with prior years’ survey respondents (with at least ten employees) who also participated in either 2004 or 2005. As a result, 1,426 firms in this year’s total sample of 2,122 firms participated in either the 2004 and 2005 surveys.⁴ The overall response rate is 48%.

The vast majority of questions are asked only of firms that offer health benefits. A total of 1,923 responding firms indicated that they offered health benefits. The overall response rate of firms that offer health benefits is 50%.

From previous years’ experience, we have learned that firms that decline to participate in the study are less likely to offer health benefits. 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 3,159 firms responded to this question (including 2,122 who responded to the full survey and 1,037 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health benefits.⁵ The response rate for this question is 72%.

FIRM SIZE AND INDUSTRY DEFINITIONS, ROUNDING, AND IMPUTATION

Throughout the report, exhibits categorize data by size of firm, region, and industry. Firm size definitions are as follows: All Small, 3 to 199 workers; and All Large, 200 or more workers. Occasionally, firm size categories will be broken into smaller groups. The All Small group may be categorized by: 3 to 24 workers and 25 to 199 workers; or 3 to 9 workers, 10 to 24 workers, 25 to 49 workers, and 50 to 199 workers. The All Large group may be categorized by: 200 to 999 workers, 1,000 to 4,999 workers, and 5,000 or more workers. Exhibit M.1 shows detailed characteristics of the survey sample.

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

The industry categories used to report some of the results from the survey are based on Standard Industrial Classifications (SIC). Several of the SIC categories are grouped together to present the data. These categories are based on historical precedence

NOTE:

³ HDHP/SO premium estimates do not include contributions made by the employer to Health Savings Accounts or Health Reimbursement Arrangements.

⁴ In total, 201 firms participated in 2004 and 2006, 331 firms participated in 2005 and 2006, and 894 firms participated in 2004, 2005, and 2006.

⁵ Estimates for Exhibits 2.1 and 2.2 are based on the sample of 3,159 firms.

and have been the same for several years. This year Kaiser/HRET made a slight change to one of the industry groups: we removed Wholesale from the group that also included Agriculture, Mining and Construction. The nine industry categories now reported are: Agriculture/Mining/Construction, Manufacturing, Transportation/Communications/Utilities, Wholesale, Retail, Finance, Service, State/Local Government, and Health Care.

The Kaiser/HRET survey compares premium increases to changes in workers' hourly wages and overall inflation, both obtained from the Bureau of Labor Statistics (BLS). Workers' hourly wage change is calculated from the Current Employment Statistics survey (CES)⁶ using seasonally adjusted data for private workers. Overall inflation is calculated using the Consumer Price Index for all urban consumers (CPI-U).⁷ We report annual increases in these data from April of the prior year to April of the current year because this is typically the field time of the survey. We note, however, that both fluctuate depending on the months used. Therefore, these estimates would have been slightly higher or lower than the amounts reported (3.5% for overall inflation, 3.8% for workers' earnings) if different months had been used. For example, the May to May estimates are 4.2% for overall inflation and 3.7% for workers' earnings.

Some exhibits in the report do not sum up to totals due to rounding effects. In a few cases, numbers from distribution exhibits referenced in the text may not add 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 instances where the sample size is less than 30, exhibits include the notation NSD (Not Sufficient Data).

To control for item nonresponse bias, Kaiser/HRET imputes values that are missing for most variables in the survey. On average, less than five percent of these observations are imputed for any given variable. The imputed values are determined based on the distribution of the reported values within stratum defined by firm size and region. There are a few variables that Kaiser/HRET has decided should not

be imputed; these are typically variables where "don't know" is considered a valid response option (for example, firms' opinions about effectiveness of various strategies to control health insurance costs).

WEIGHTING AND STATISTICAL SIGNIFICANCE

Because Kaiser/HRET selects firms randomly, it is possible through the use of statistical weights to extrapolate the results to national (as well as firm size, regional, and industry) 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. In general, findings in dollar amounts (such as premiums, worker contributions, and cost sharing) are weighted by covered workers. Other estimates, such as the offer rate, are weighted by firms. Specific weights were created to analyze the HDHP/SO plans that are offered with an HRA or that are HSA qualified. These weights represent the proportion of employees enrolled in each of these arrangements.

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

Next, we trimmed the weights in order to reduce the influence of weight outliers. We simplified our method for trimming this year. First, we identified common groups of observations. Within each group, we identified the median and the interquartile range of the weights and calculated the trimming cut point as the median plus six times the interquartile range ($M + [6 * IQR]$). Weight values larger than this cut point are trimmed to the cut point. In all instances, less than one percent of the weight values were trimmed.

Finally, we applied a post-stratification adjustment. We used the U.S. Census Bureau's 2003 Statistics of U.S. Businesses as the basis for the stratification and the post-

NOTE:

⁶ U.S. Department of Labor, Bureau of Labor Statistics (2006). Current Employment Statistics. <http://www.bls.gov/ces/home.htm>.

⁷ U.S. Department of Labor, Bureau of Labor Statistics (2006). Consumer Price Indexes. <http://www.bls.gov/cpi/home.htm>.

stratification adjustment for firms in the private sector, and we used the 2002 Census of Governments as the basis for post-stratification for public sector firms.

The data are analyzed with SUDAAN,⁸ which computes appropriate standard error estimates by controlling for the complex design of the survey. All statistical tests are performed at the .05 level unless otherwise noted. For figures with multiple years, statistical tests are conducted for each year against the previous year shown, unless otherwise noted. No statistical tests are conducted for years prior to 1999.

This year we have made an important change to the way we test the subgroups of data WITHIN a year. Statistical tests for a given subgroup (firms with 25-49 workers, for instance) are tested against all other firm sizes not included in that subgroup (all firm sizes NOT including firms with 25-49 workers in this example). Tests are done similarly for region and industry: Northeast is compared to all firms NOT in the Northeast (an aggregate of firms in the Midwest, South, and West). Statistical tests for estimates compared across plan types (for example, average premiums in PPOs) are tested against the "All Plans" estimate. In some cases, we also test plan specific estimates against similar estimates for other plan types (for example, single and family premiums for HDHP/SOs against single and family premiums in HMO, PPO, and POS plans). Those are noted specifically in the text. This year, we also changed the type of Chi-square test from the Chi-square test for goodness-of-fit

to the Pearson Chi-square test. Therefore, in 2006, the two types of statistical tests performed are the t-test and the Pearson Chi-square test.

HISTORICAL DATA

Data in this report focus primarily on findings from surveys jointly authored by the Kaiser Family Foundation and the Health Research and Educational Trust, which have been conducted since 1999. Prior to 1999, the survey was conducted by the Health Insurance Association of America (HIAA) and KPMG using a similar survey instrument, but data is not available for all the intervening years. Following the survey's introduction in 1988, the HIAA conducted the survey through 1990, but some data are not available for analysis. KPMG conducted the survey from 1991-1998. However, in 1991, 1992, 1994, and 1997, only larger firms were sampled. In 1993, 1995, 1996, and 1998, KPMG interviewed both large and small firms.

This report uses data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits and the 1999-2006 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use the 1988 survey of the nation's employers conducted by the HIAA, on which the KPMG and Kaiser/HRET surveys are based. Many questions in the HIAA, the KPMG, and Kaiser/HRET surveys are identical. The survey designs among the three surveys are also similar.

NOTE:

⁸ Research Triangle Institute (2005). SUDAAN Software for the Statistical Analysis of Correlated Data, Release 9.0.1, Research Triangle Park, NC: Research Triangle Institute.

EXHIBIT M.1

Selected Characteristics of Firms in the Survey Sample, 2006

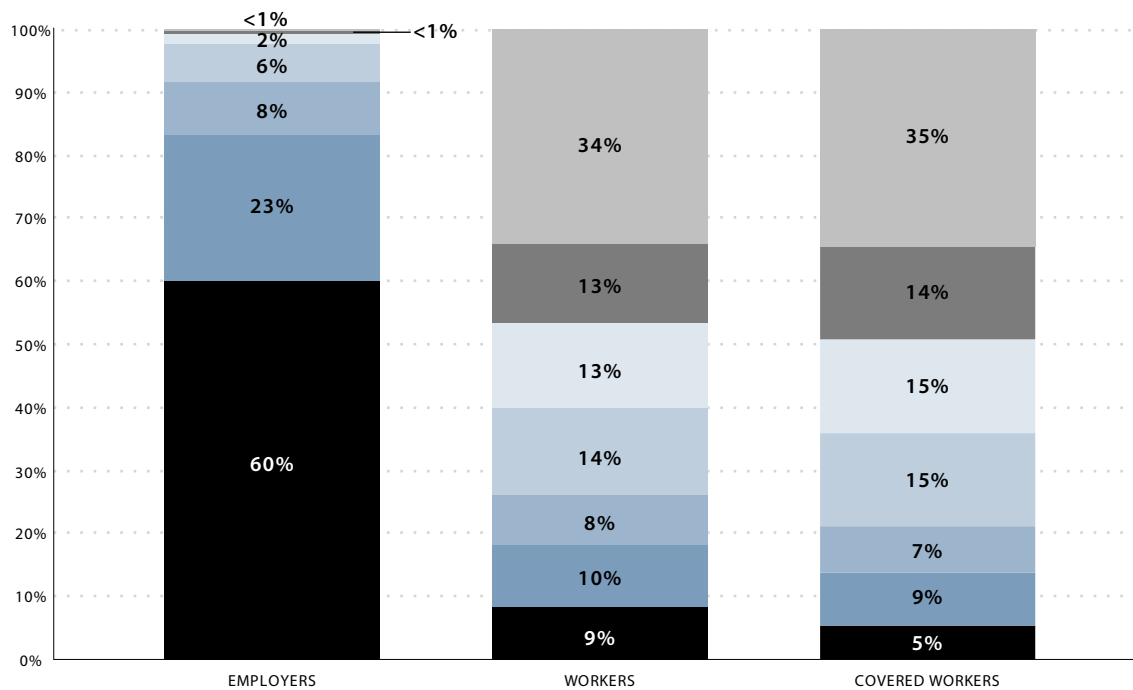
	Sample Size	Sample Distribution After Weighting	Percentage of Total for Weighted Sample
FIRM SIZE			
3–9 Workers	188	1,981,677	59.9%
10–24 Workers	256	767,163	23.2
25–49 Workers	172	273,959	8.3
50–199 Workers	275	203,707	6.2
200–999 Workers	467	58,358	1.8
1,000–4,999 Workers	440	16,652	0.5
5,000 or More Workers	324	8,211	0.2
ALL FIRM SIZES	2,122	3,309,727	100.0%
REGION			
Northeast	413	659,327	19.9%
Midwest	610	782,088	23.6
South	708	1,117,379	33.8
West	391	750,933	22.7
ALL REGIONS	2,122	3,309,727	100.0%
INDUSTRY			
Agriculture/Mining/Construction	108	393,372	11.9%
Manufacturing	223	217,356	6.6
Transportation/Communications/Utilities	101	127,721	3.9
Wholesale	137	202,156	6.1
Retail	158	440,251	13.3
Finance	145	225,694	6.8
Service	798	1,433,946	43.3
State/Local Government	227	48,495	1.5
Health Care	225	220,737	6.7
ALL INDUSTRIES	2,122	3,309,727	100.0%

SOURCE:

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

EXHIBIT M.2

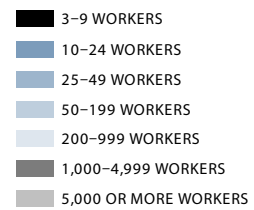
Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: Data are based on a special data request to the U.S. Census Bureau for their most recent (2003) Statistics of U.S. Businesses for data on private sector firms. State and local government data are from the Census Bureau's 2002 Census of Governments.



EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Cost of
Health
Insurance

SECTION

1

COST OF HEALTH INSURANCE

PREMIUMS FOR FAMILY COVERAGE INCREASED 7.7% IN 2006. WHILE PREMIUMS CONTINUE TO RISE, THIS IS THE THIRD CONSECUTIVE YEAR THAT PREMIUM INCREASES WERE LESS THAN THEY WERE IN THE PREVIOUS YEAR.¹

WHILE LOWER THAN IN RECENT YEARS, THE 7.7% INCREASE IN THE COST OF COVERAGE EXCEEDS THE OVERALL RATE OF INFLATION BY ABOUT 4 PERCENTAGE POINTS AND THE INCREASE IN WORKERS' EARNINGS BY ALMOST 4 PERCENTAGE POINTS. SINCE 2000, THE COST OF HEALTH INSURANCE HAS INCREASED BY 87%.

THE AVERAGE COST OF FAMILY COVERAGE IS \$11,480 A YEAR.

PREMIUM INCREASES

- ▶ The cost of health insurance rose 7.7% in 2006, which is lower than the 9.2% increase for 2005 but still much higher than the overall rate of inflation (3.5%) or the increase in workers' earnings (3.8%) (Exhibit 1.1).
- ▶ Small firms (3–199 workers) reported a higher rate of increase (8.8% vs. 7.0%) than large firms (200 or more workers) (Exhibit 1.3).
- ▶ The average premium increase in the Northeast was higher than in the rest of the country (8.8% vs. 7.4%).
- ▶ There is variation in premium increases across workers and firms: 13% of covered workers work in firms that experienced premium increases of greater than 15%, while 42% of covered workers work in firms that experienced premium increases less than or equal to 5% (Exhibit 1.4).
- ▶ Across plan types, premiums for HDHP/SOs increased by 4.8%, which is significantly lower than the premium increases for HMOs (8.6%) and POS plans (8.4%) (Exhibit 1.5). The average premium increase for HDHP/SOs is not statistically different from the average increase for PPOs (7.3%), the most common plan type (Exhibit 1.2).
- ▶ Premium equivalents in self-funded firms rose at a lower rate than premiums in fully insured plans (6.8% vs. 8.7%) (Exhibit 1.6).

PREMIUM COSTS FOR SINGLE AND FAMILY COVERAGE

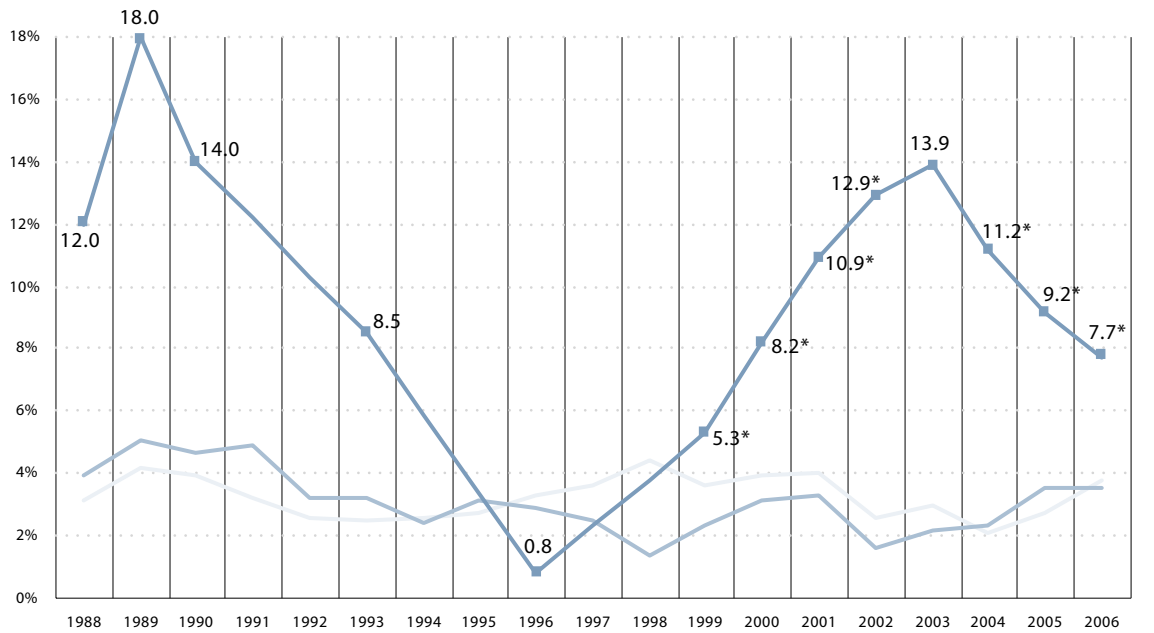
- ▶ The average cost of premiums for single coverage in 2006 is \$354 per month or \$4,242 per year. This figure includes both the worker and employer contribution. The average cost of premiums for family coverage is \$957 per month or \$11,480 per year (Exhibit 1.10).
- ▶ Covered workers in PPO plans, the plan type with the highest enrollment, have higher average premiums for both single and family coverage than covered workers in HMOs, POS plans, and HDHP/SOs. Covered workers in HDHP/SOs have lower average premiums for both single and family coverage than workers in each of the other plan types (Exhibit 1.9).
- ▶ As with premium increases, there is also a great deal of variation in premiums across workers and firms: 10% of covered workers work in firms that have single premiums of \$250 or less per month, while 22% have single premiums greater than \$400 per month (Exhibit 1.13).

NOTE:

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

EXHIBIT 1.1

Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 1988–2006



1988	1989	1990	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006
12.0	18.0	14.0	8.5	0.8	5.3*	8.2*	10.9*	12.9*	13.9	11.2*	9.2*	7.7*
3.9	5.1	4.7	3.2	2.9	2.3	3.1	3.3	1.6	2.2	2.3	3.5	3.5
3.1	4.2	3.9	2.5	3.3	3.6	3.9	4.0	2.6	3.0	2.1	2.7	3.8

HEALTH
INSURANCE
PREMIUMS

OVERALL
INFLATION

WORKERS'
EARNINGS*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988–2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988–2006.

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

† Data on percentage increase in workers' earnings are seasonally adjusted data from the Current Employment Statistics survey (April to April). For additional information about this data, see the Survey Design and Methods section.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For additional information about the increase in workers' earnings estimate, see the Survey Design and Methods section.

EXHIBIT 1.2

Percentage Increase in Health Insurance Premiums, by Plan Type, 1988–2006

	1988	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006
Conventional	12.4%	9.1%	1.9%	6.0%	9.5%*	11.3%	13.8%*	14.3%	11.1%	5.0%*	8.4%
HMO	8.4	7.7	-0.2	5.6	7.6*	10.4	13.5*	15.2	12.0*	9.4*	8.6
PPO	20.3	7.2	1.0	5.4	8.5*	11.6	12.7*	13.7	10.9*	9.4*	7.3*
POS	^	5.2	1.1	4.6	7.8*	9.9	12.2*	13.2	11.3	9.1	8.4
HDHP/SO	^	^	^	^	^	^	^	^	^	^	4.8
ALL PLANS	12.0%	8.5%	0.8%	5.3%*	8.2%*	10.9%*	12.9%*	13.9%	11.2%*	9.2%*	7.7%*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

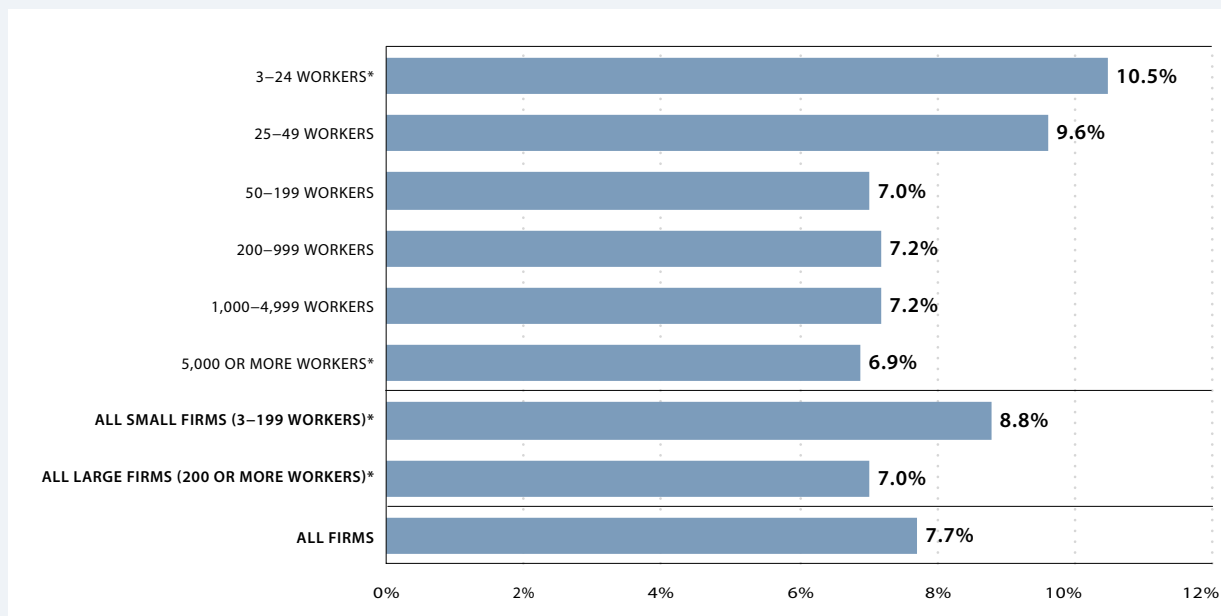
* Estimate is statistically different by plan type from estimate for the previous year shown at $p < .05$. No statistical tests are conducted for years prior to 1999.

^ Information was not obtained for POS plans in 1988, or for HDHP/SO plans prior to 2006.

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

EXHIBIT 1.3

Percentage Increase in Health Insurance Premiums, by Firm Size, 2006



SOURCE:

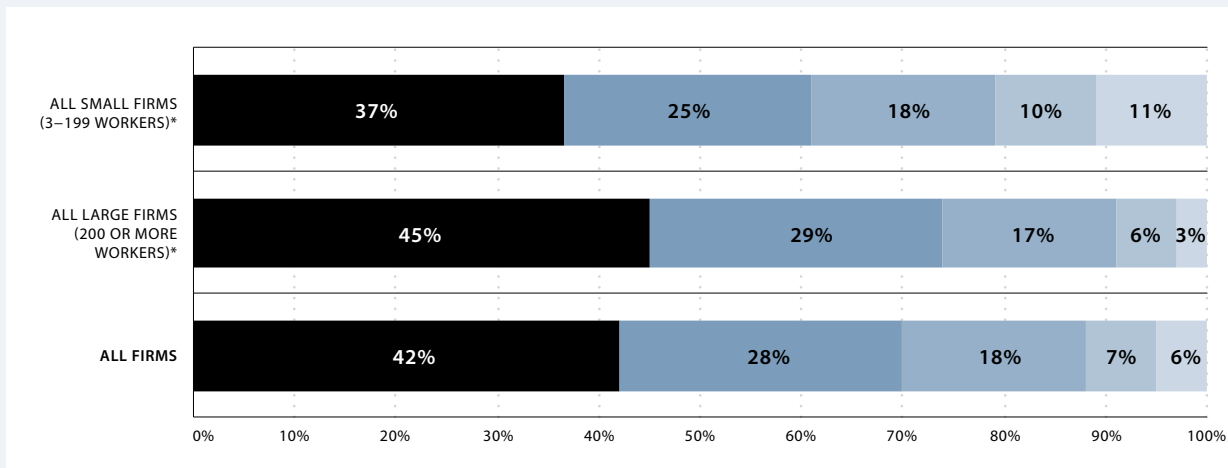
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all firms not in the indicated size category at $p < .05$.

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

EXHIBIT 1.4

Distribution of Percentage Increase in Health Insurance Premiums, by Firm Size, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distributions for All Small Firms and All Large firms are statistically different at $p < .05$.

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

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

EXHIBIT 1.5

Percentage Increase in Health Insurance Premiums, by Firm Size and Plan Type, 2006

	Conventional	HMO	PPO	POS	HDHP/SO	All Plans
FIRM SIZE						
All Small Firms (3-199 Workers)	8.0%	8.6%	8.6%*	9.9%*	7.7%	8.8%*
All Large Firms (200 or More Workers)	8.6	8.6	6.7*	6.8*	2.5	7.0*
ALL FIRM SIZES	8.4%	8.6%	7.3%	8.4%	4.8%	7.7%

SOURCE:

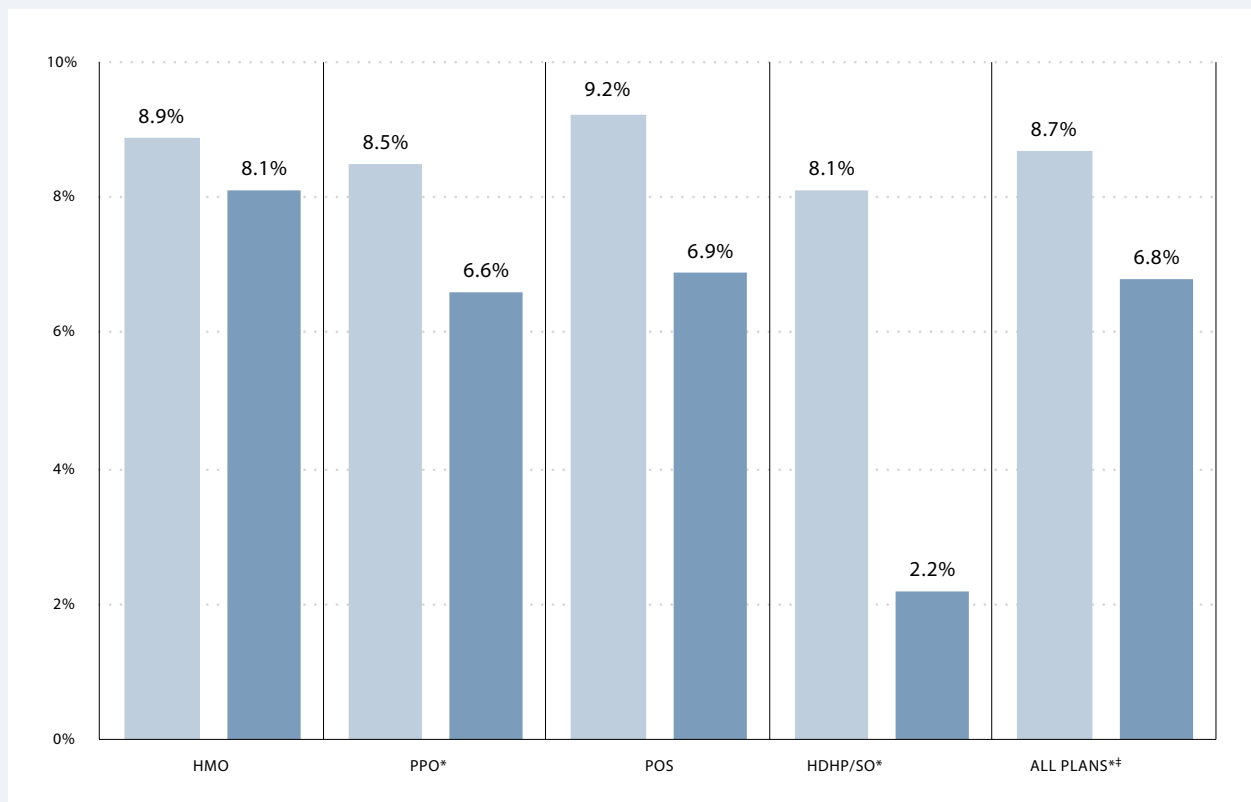
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

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

EXHIBIT 1.6

Percentage Increase in Health Insurance Premiums, by Plan Type and Funding Arrangement, 2006



SOURCE:

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

■ FULLY INSURED
■ SELF-FUNDED

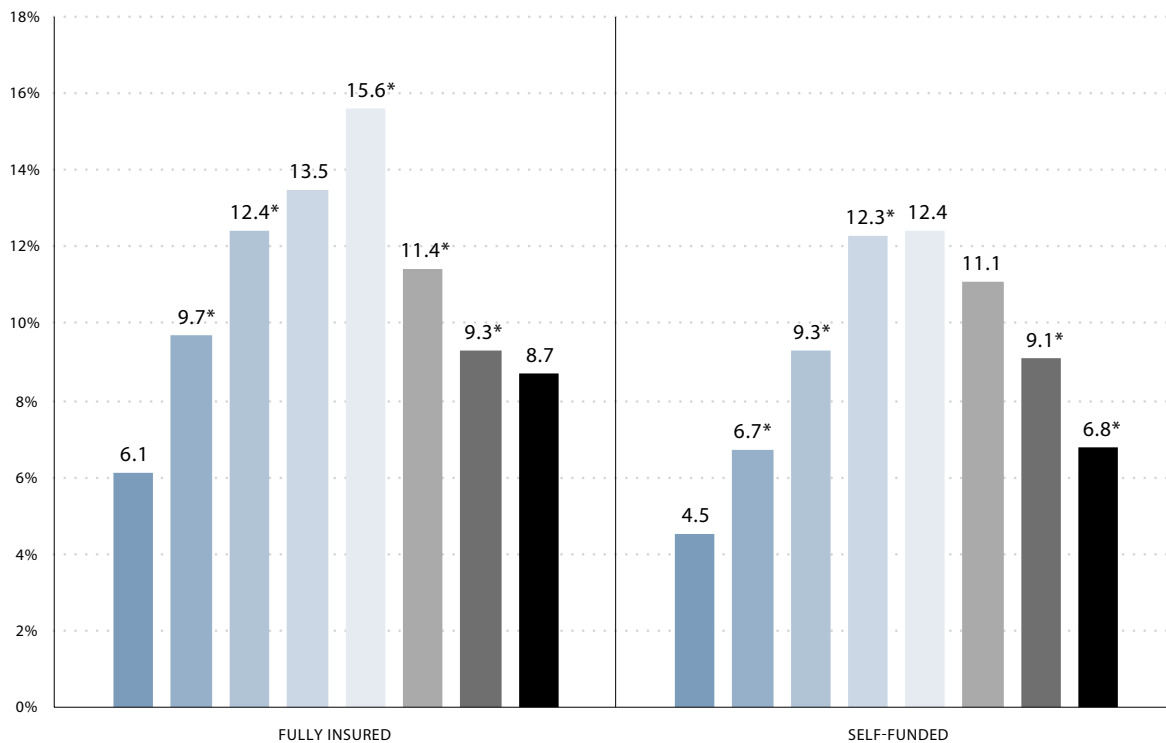
* Estimates are statistically different within plan type between Fully Insured and Self-Funded plans at $p < .05$.

† The survey did not ask detailed questions about conventional plans other than premium increase. Conventional plan premium increase data is included in the All Plans estimate of premium increase by funding arrangement unless the firm reported having only a conventional plan. In cases where the firm's only plan is a conventional plan, the premium increase data is omitted from the All Plans estimate. For additional information, see the Survey Design and Methods section.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.

EXHIBIT 1.7

Percentage Increase in Health Insurance Premiums, by Funding Arrangement, 1999–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.



EXHIBIT 1.8

Percentage Increase in Health Insurance Premiums, by Firm Size, Region, and Industry, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
FIRM SIZE								
3–199 Workers	6.1%	10.0%*	12.8%*	13.5%	15.5%	11.5%*	9.8%	8.8%
200–999 Workers	5.0	8.1*	10.3*	12.4*	12.4	10.3	8.8	7.2
1,000–4,999 Workers	4.7	6.9*	9.1*	12.5*	14.1	10.7*	9.1	7.2*
5,000 or More Workers	5.0	7.1*	10.0*	12.7*	13.2	11.6	8.9*	6.9*
REGION								
Northeast	5.1%	8.8%*	10.9%*	12.8%*	13.7%	11.3%*	9.3%*	8.8%
Midwest	5.1	9.2*	11.8*	13.5	13.8	12.5	9.1*	7.1*
South	5.1	7.6*	10.5*	12.4*	12.9	9.9*	10.1	7.7*
West	6.4	7.3	10.4*	13.1*	16.3*	12.1*	7.9*	7.2
INDUSTRY								
Agriculture/Mining/Construction	2.9%	10.8%*	11.6%	11.8%	15.1%	14.1%	9.5%*	8.1%
Manufacturing	5.2	8.7*	10.6	12.0	14.9*	12.2*	12.4	6.9*
Transportation/Communications/Utilities	5.0	7.3	9.3	12.4	13.7	12.0	8.7*	6.7
Wholesale	5.0	7.6	11.0	12.5	17.0	7.9*	10.3	8.5
Retail	6.6	8.8	10.3	13.5	13.0	12.4	8.7	6.4
Finance	7.8	7.9	11.0*	11.9	12.9	11.5	9.0	9.2
Service	6.0	7.7*	11.9*	14.0*	13.7	10.7*	8.5*	8.4
State/Local Government	4.2	7.9*	9.6	13.2*	12.8	10.9	8.7*	7.6
Health Care	6.1	9.2*	11.1	11.6	14.3	10.6*	7.1*	6.2

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

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

EXHIBIT 1.9

Average Monthly Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2006

	HMO	PPO	POS	HDHP/SO	ALL PLANS
Single Coverage	\$337*	\$365*	\$347	\$284*	\$354
Family Coverage	\$940	\$980	\$926	\$790*	\$957

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

EXHIBIT 1.10

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Firm Size, 2006*

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
All Small Firms (3–199 Workers)	\$325	\$928	\$3,899	\$11,137
All Large Firms (200 or More Workers)	343	945	4,114	11,339
ALL FIRM SIZES	\$337	\$940	\$4,049	\$11,278
PPO				
All Small Firms (3–199 Workers)	\$375	\$983	\$4,505	\$11,793
All Large Firms (200 or More Workers)	361	979	4,326	11,752
ALL FIRM SIZES	\$365	\$980	\$4,385	\$11,765
POS				
All Small Firms (3–199 Workers)	\$342	\$892	\$4,109	\$10,706
All Large Firms (200 or More Workers)	353	964	4,238	11,573
ALL FIRM SIZES	\$347	\$926	\$4,168	\$11,107
HDHP/SO				
All Small Firms (3–199 Workers)	\$267	\$741	\$3,206	\$8,896
All Large Firms (200 or More Workers)	299	834	3,589	10,013
ALL FIRM SIZES	\$284	\$790	\$3,405	\$9,484
ALL PLANS				
All Small Firms (3–199 Workers)	\$354	\$942	\$4,248	\$11,306
All Large Firms (200 or More Workers)	353	965	4,239	11,575
ALL FIRM SIZES	\$354	\$957	\$4,242	\$11,480

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Tests found no statistical difference within plan type between estimates for All Small Firms and All Large Firms at $p < .05$.

EXHIBIT 1.11

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Region, 2006

	Monthly		Annual	
	<i>Single Coverage</i>	<i>Family Coverage</i>	<i>Single Coverage</i>	<i>Family Coverage</i>
HMO				
Northeast	\$349	\$960	\$4,190	\$11,522
Midwest	355	947	4,258	11,366
South	341	948	4,091	11,372
West	315*	913	3,777*	10,958
ALL REGIONS	\$337	\$940	\$4,049	\$11,278
PPO				
Northeast	\$379	\$1,039*	\$4,552	\$12,471*
Midwest	359	988	4,306	11,855
South	355	924*	4,260	11,094*
West	379	1,006	4,543	12,073
ALL REGIONS	\$365	\$980	\$4,385	\$11,765
POS				
Northeast	\$375*	\$971	\$4,497*	\$11,656
Midwest	324*	913	3,888*	10,951
South	338	860*	4,056	10,318*
West	354	992	4,249	11,903
ALL REGIONS	\$347	\$926	\$4,168	\$11,107
HDHP/SO				
Northeast	\$295	\$824	\$3,535	\$9,886
Midwest	291	814	3,492	9,763
South	266	731*	3,198	8,775*
West	NSD	NSD	NSD	NSD
ALL REGIONS	\$284	\$790	\$3,405	\$9,484
ALL PLANS				
Northeast	\$369*	\$1,005*	\$4,430*	\$12,062*
Midwest	351	963	4,206	11,561
South	346	911*	4,149	10,936*
West	354	972	4,242	11,659
ALL REGIONS	\$354	\$957	\$4,242	\$11,480

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all firms not in the indicated region at $p < .05$.

NSD: Not Sufficient Data.

EXHIBIT 1.12

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$336	\$922	\$4,027	\$11,066
Transportation/Communications/ Utilities	357	950	4,287	11,402
Wholesale	303	846	3,638	10,150
Retail	327	1,055	3,924	12,663
Finance	314	886	3,767	10,633
Service	333	936	3,990	11,231
State/Local Government	361*	958	4,329*	11,491
Health Care	345	937	4,140	11,247
ALL INDUSTRIES	\$337	\$940	\$4,049	\$11,278
PPO				
Agriculture/Mining/Construction	\$339*	\$946	\$4,065*	\$11,354
Manufacturing	339*	949	4,072*	11,390
Transportation/Communications/ Utilities	376	1,010	4,508	12,116
Wholesale	361	1,012	4,334	12,144
Retail	325*	899*	3,904*	10,785*
Finance	369	1,032	4,430	12,385
Service	365	954	4,375	11,443
State/Local Government	407*	994	4,879*	11,933
Health Care	419*	1,099*	5,032*	13,188*
ALL INDUSTRIES	\$365	\$980	\$4,385	\$11,765
POS				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$341	\$920	\$4,096	\$11,045
Transportation/Communications/ Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	348	957	4,181	11,489
State/Local Government	396*	994	4,750*	11,931
Health Care	350	888	4,198	10,659
ALL INDUSTRIES	\$347	\$926	\$4,168	\$11,107

Continued on page 28

EXHIBIT 1.12 Continued from page 27

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HDHP/SO				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$277	\$777	\$3,328	\$9,322
Transportation/Communications/ Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	265	782	3,175	9,389
State/Local Government	NSD	NSD	NSD	NSD
Health Care	NSD	NSD	NSD	NSD
ALL INDUSTRIES	\$284	\$790	\$3,405	\$9,484
ALL PLANS				
Agriculture/Mining/Construction	\$322*	\$891*	\$3,859*	\$10,691*
Manufacturing	333*	927*	3,995*	11,122*
Transportation/Communications/ Utilities	367	982	4,407	11,784
Wholesale	342	945	4,101	11,345
Retail	327*	930	3,929*	11,156
Finance	355	989	4,258	11,871
Service	352	946	4,227	11,347
State/Local Government	382*	977	4,582*	11,721
Health Care	393*	1,031*	4,714*	12,373*
ALL INDUSTRIES	\$354	\$957	\$4,242	\$11,480

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all firms not in the indicated industry at $p < .05$.

NSD: Not Sufficient Data.

EXHIBIT 1.13

Distribution of Single and Family Monthly Premiums for Covered Workers, 2001–2006

	2001	2002*	2003*	2004*	2005*	2006*
Single Premiums (\$)						
\$0 to \$200	36%	19%	10%	6%	5%	3%
201 to 250	41	36	22	16	8	7
251 to 300	14	27	38	29	21	18
301 to 350	4	11	19	29	30	28
351 to 400	2	3	7	12	21	22
More than \$400	2	5	5	8	15	22
Family Premiums (\$)						
\$0 to \$550	38%	19%	10%	5%	5%	3%
551 to 650	38	29	13	9	4	4
651 to 750	15	27	25	17	10	8
751 to 850	4	14	29	25	21	15
851 to 950	2	6	13	24	22	20
More than \$950	2	4	10	20	38	50

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2006.

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

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Health
Benefits
Offer Rates

SECTION

2

HEALTH BENEFITS OFFER RATES

ALTHOUGH NEARLY ALL LARGE FIRMS (200 OR MORE WORKERS) OFFER HEALTH BENEFITS, SMALL FIRMS (3–199 WORKERS) ARE SIGNIFICANTLY LESS LIKELY TO DO SO. THE PERCENTAGE OF LARGE FIRMS AND SMALL FIRMS OFFERING HEALTH BENEFITS IN 2006 IS NOT SIGNIFICANTLY DIFFERENT FROM THE PERCENTAGES IN 2005.

SINCE 2000, THE PERCENTAGE OF FIRMS OFFERING HEALTH BENEFITS HAS DROPPED BY EIGHT PERCENTAGE POINTS. WHILE THE YEAR-TO-YEAR CHANGES HAVE NOT BEEN STATISTICALLY SIGNIFICANT, THE CUMULATIVE EFFECT HAS BEEN A LARGE AND STATISTICALLY SIGNIFICANT CHANGE OVER THIS SIX-YEAR PERIOD. THIS CHANGE IS DRIVEN LARGELY BY A DECREASE IN THE PERCENTAGE OF SMALL FIRMS (3–199 WORKERS) OFFERING COVERAGE.

ABOUT HALF OF FIRMS OFFERING HEALTH BENEFITS OFFER OR CONTRIBUTE TO A SEPARATE DENTAL HEALTH BENEFIT; 21% OF FIRMS OFFERING HEALTH BENEFITS OFFER OR CONTRIBUTE TO A SEPARATE VISION BENEFIT.

- ▶ Ninety-eight percent of large firms (200 or more workers) offer health benefits in 2006, unchanged from 2005. In contrast, only 60% of small firms (3–199 workers) offer health benefits in 2006. This is similar to the offer rate among all small firms in 2005, but represents a drop in the offer rate for small firms from 68% in 2000 (Exhibit 2.2). Driven largely by this decline among small firms, the offer rate among all firms has dropped from 69% to 61% over the same time period (Exhibit 2.1).
- ▶ The likelihood that a firm offers health benefits to its workers varies considerably with the firm's characteristics, such as firm size, whether the firm is higher wage, the proportion of part-time workers in the firm, and whether workers are unionized.
 - The smallest firms are least likely to offer health insurance. Only 48% of firms with 3 to 9 workers offer coverage compared to 73% of firms with 10 to 24 workers and 87% of firms with 25 to 49 workers. Over 90% of firms with 50 or more employees offer health insurance coverage (Exhibit 2.2).
 - Higher wage firms—where less than 35% of workers earn \$20,000 or less annually—are more likely to offer health insurance than lower wage firms—where 35% or more of workers earn \$20,000 or less annually. Sixty-five percent of higher wage firms offer health benefits, compared to 42% of lower wage firms (Exhibit 2.3).
 - Firms with fewer part-time workers—where less than 35% of employees work part-time—are also more likely to offer coverage to their workers than firms with many part-time workers. Among firms with fewer part-time workers, 67% offer health insurance, compared to 44% of firms with a higher percentage of part-time workers (Exhibit 2.3).
 - Firms that employ at least some union workers are much more likely than firms without union workers to offer health benefits to their employees. Eighty-seven percent of firms with union workers offer health benefits, whereas 60% of firms that do not have union employees offer health coverage (Exhibit 2.3).
- ▶ Among firms offering health benefits, relatively few offer benefits to their part-time and temporary workers.
 - In 2006, 31% of all firms that offer health benefits offer them to part-time workers. Firms with 200 or more workers are more likely to offer health benefits to part-time employees than small firms (3–199 workers) (Exhibit 2.4).
 - A very small percentage of firms (3%) offering health benefits offer them to temporary workers (Exhibit 2.5).

DENTAL AND VISION BENEFITS

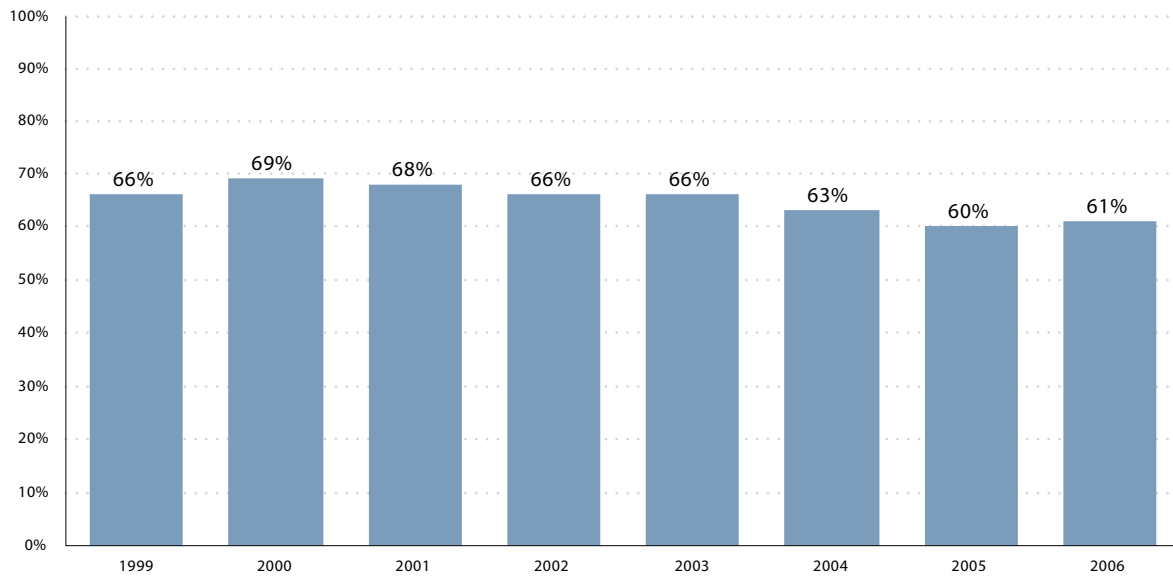
- ▶ About 50% of firms offering health benefits offer or contribute to a dental insurance benefit for their employees, separate from any dental coverage the health plans might include. This is a significant increase from 39% in 2003, which is the last time the survey asked about dental benefits. Large firms (200 or more workers) are far more likely than small firms (3–199 workers) to offer a dental health benefit, at 80% versus 49% (Exhibit 2.6).
- ▶ Just 21% of firms offer or contribute to a vision benefit for their employees, separate from any vision coverage the health plan might include. Large firms (200 or more workers) are more likely than small firms (3–199 workers) to be offered a vision care benefit, at 44% versus 20% (Exhibit 2.6).

FIRMS NOT OFFERING HEALTH BENEFITS

- ▶ Despite a slowing of health insurance cost growth in recent years, the cost of health insurance remains the main reason cited by firms for not offering health benefits.
- Among firms not offering health benefits, 74% cite high premiums as a “very important” reason for not doing so. Other factors frequently cited by firms as “very important” reasons for not offering coverage include: firm is too small (57%) and employees are covered elsewhere (34%) (Exhibit 2.7).

EXHIBIT 2.1

Percentage of Firms Offering Health Benefits, 1999–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for previous year shown at $p < .05$.

Note: As outlined in the Survey Design and Methods section, estimates presented in this exhibit are based on the sample of 3,159 firms, which includes both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

EXHIBIT 2.2

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%
10–24 Workers	74	80	77	70*	76	74	72	73
25–49 Workers	86	91	90	86	84	87	87	87
50–199 Workers	97	97	96	95	95	92	93	92
All Small Firms (3–199 Workers)	65%	68%	68%	66%	65%	63%	59%	60%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	98%	99%	98%	98%
ALL FIRMS	66%	69%	68%	66%	66%	63%	60%	61%

SOURCE:

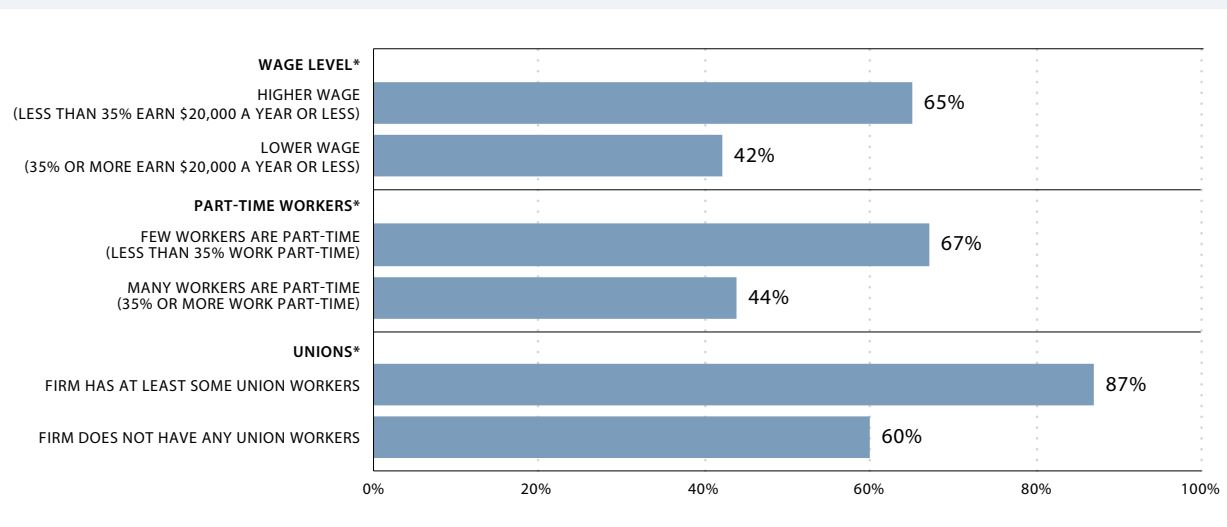
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Note: As noted in the Survey Design and Methods section, estimates presented in this exhibit are based on the sample of 3,159 firms, which includes both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

EXHIBIT 2.3

Percentage of Firms Offering Health Benefits, by Firm Characteristics, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

EXHIBIT 2.4

Among Firms Offering Health Benefits, Percentage That Offer Them to Part-Time Workers, by Firm Size, 1999–2006*

	1999	2000	2001	2002	2003	2004	2005	2006
3–24 Workers	19%	21%	17%	21%	24%	20%	27%	30%
25–199 Workers	26	25	31	29	29	29	29	28
200–999 Workers	36	33	42	43	38	41	33	40
1,000–4,999 Workers	53	48	55	60	57	50	46	55
5,000 or More Workers	61	52	60	58	57	59	61	63
ALL FIRMS	21%	23%	21%	24%	26%	23%	28%	31%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

EXHIBIT 2.5

Among Firms Offering Health Benefits, Percentage That Offer Them to Temporary Workers, by Firm Size, 1999–2006*

	1999	2000	2001	2002	2003	2004	2005	2006
3–24 Workers	5%	2%	4%	3%	1%	4%	2%	3%
25–199 Workers	3	7	3	4	3	3	5	4
200–999 Workers	3	8	6	5	9	8	5	5
1,000–4,999 Workers	6	8	9	8	7	6	5	9
5,000 or More Workers	8	9	7	7	10	7	9	11
ALL FIRMS	4%	4%	4%	3%	2%	4%	3%	3%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

EXHIBIT 2.6

Percentage of Firms Offering Health Benefits That Offer or Contribute to a Separate Benefit Plan Providing Dental or Vision Benefits, 2006

	Dental Benefits	Vision Benefits
FIRM SIZE		
200–999 Workers	77%*	40%*
1,000–4,999 Workers	86*	48*
5,000 or More Workers	90*	60*
All Small Firms (3–199 Workers)	49%*	20%*
All Large Firms (200 or More Workers)	80%*	44%*
REGION		
Northeast	58%	31%
Midwest	45	13*
South	47	17
West	53	23
ALL FIRMS	50%	21%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all firms not in the indicated size or region category at $p < .05$.

Note: The survey asks firms that offer health benefits if they offer or contribute to a dental or vision insurance program that is separate from any dental or vision coverage the health plans might include.

EXHIBIT 2.7

Among Firms Not Offering Health Benefits, Reasons for Not Offering, 2006

	Very Important	Somewhat Important	Not Too Important	Not At All Important	Don't Know
High Premiums	74%	12%	3%	11%	0%
Employees Covered Elsewhere	34	26	12	25	3
High Turnover	22	21	16	41	0
Obtain Good Employees Without Offering A Health Plan	20	32	10	35	2
Administrative Hassle	16	27	13	44	<1
Firm Too Newly Established	8	9	5	77	<1
Firm Is Too Small	57	22	6	15	0
Firm Has Seriously Ill Employee	6	3	4	88	0

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Employee
Coverage,
Eligibility, and
Participation

SECTION

3

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRINCIPAL SOURCE OF HEALTH INSURANCE IN THE UNITED STATES, PROVIDING HEALTH BENEFITS FOR OVER 155 MILLION NONELDERLY PEOPLE IN AMERICA.¹ IN FIRMS THAT BOTH OFFER AND DO NOT OFFER HEALTH BENEFITS, 59% OF WORKERS ARE COVERED BY HEALTH BENEFITS OFFERED BY THE FIRM THAT THEY WORK FOR. MOST WORKERS ARE OFFERED HEALTH COVERAGE AT WORK, AND THE VAST MAJORITY OF WORKERS WHO ARE OFFERED COVERAGE TAKE IT. WORKERS MAY NOT BE COVERED BY THEIR OWN EMPLOYER FOR SEVERAL REASONS: THEIR EMPLOYER MAY NOT OFFER COVERAGE, THEY MAY BE INELIGIBLE FOR BENEFITS OFFERED BY THEIR FIRM, THEY MAY CHOOSE TO ELECT COVERAGE THROUGH THEIR SPOUSE'S EMPLOYER, OR THEY MAY REFUSE AN OFFER OF COVERAGE FROM THEIR FIRM.

- ▶ Fifty-nine percent of workers in firms both offering and not offering health benefits are covered by health benefits offered by their own employer (Exhibit 3.1). Looking at workers in firms that offer health benefits, 65% percent are covered by health benefits offered by their own employer (Exhibit 3.2). Since 2000, the percentage of workers covered by their employer's health plan has fallen three percentage points (Exhibit 3.5). The rate of coverage varies by certain characteristics of the firm, such as firm size, industry, and the percentage of part-time and low-wage employees.
 - Among firms offering health benefits, firms with 3 to 24 workers and firms with 1,000 to 4,999 workers cover a significantly higher percentage of their employees (69% and 68% respectively) than firms of other sizes. The average coverage rate in firms with 5,000 or more workers (60%) is significantly lower than the coverage rate in firms of other sizes (Exhibit 3.2).
 - There also is significant variation in the coverage rate across industry groups. Retail firms that offer health benefits on average cover 43% of their workers, compared with 85% of state and local government workers, and 76% of those working in the manufacturing industry (Exhibit 3.2).
 - Among firms offering health benefits, higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—have higher coverage rates than lower wage firms—where 35% or more of workers earn \$20,000 or less annually. Sixty-seven percent of workers in higher wage firms are covered by their own employer, compared to 47% of workers in lower wage firms.
- ▶ Even in firms that offer coverage, not all employees are eligible for their firm's health benefits. Additionally, not all eligible employees with an offer of health coverage take the offer of coverage. The number of workers covered is a product of both the percentage of workers who are actually eligible for the firm's health insurance and the percentage who choose to “take-up” (i.e., elect to participate in) the benefit.
 - Seventy-eight percent of workers in firms offering health benefits are eligible for the coverage offered by their employer in 2006, statistically unchanged from the 80% reported in 2005 (Exhibit 3.3). The average rates of eligibility are significantly higher in firms with 3 to 24 workers (88%) and firms with 1,000 to 4,999 workers (81%) than the eligibility rates in firms of other sizes. The average eligibility rate among workers in firms with 5,000 or more workers (73%) is significantly lower than the eligibility rate in firms of other sizes (Exhibit 3.2).

NOTE:

¹ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America, 2004 Data Update*, November 2005.

- Employees who are offered coverage through their employer generally elect to take the offer. Eighty-two percent of eligible workers take-up coverage when it is offered to them, a similar percentage to last year (83%) (Exhibit 3.4).
- The likelihood of a worker accepting a firm's offer of coverage varies by firm wage level. Eligible employees in higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—are more likely to take-up coverage (83%) than eligible employees in lower wage firms (71%)—where 35% or more of workers earn \$20,000 or less annually.
- Seventy-three percent of covered workers face a waiting period before coverage is available. The average waiting period among covered workers who face a waiting period is 2.2 months (Exhibit 3.6).

EXHIBIT 3.1

Percentage of All Workers Covered by Their Employers' Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999–2006*

	1999	2000	2001	2002	2003	2004	2005	2006
FIRM SIZE								
3–24 Workers	50%	50%	49%	45%	44%	43%	41%	45%
25–49 Workers	56	63	62	57	59	56	55	55
50–199 Workers	61	62	67	64	61	56	59	62
200–999 Workers	69	69	71	69	68	69	65	66
1,000–4,999 Workers	68	68	69	70	69	68	69	68
5,000 or More Workers	64	66	69	68	68	67	66	60
All Small Firms (3–199 Workers)	55%	57%	58%	54%	53%	50%	50%	53%
All Large Firms (200 or More Workers)	66%	67%	69%	69%	68%	68%	66%	63%
ALL FIRMS	62%	63%	65%	63%	62%	61%	60%	59%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

EXHIBIT 3.2

Eligibility, Take-Up Rate, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2006

	Percentage of Workers Eligible For Health Benefits Offered By Their Employer	Percentage of Eligible Workers Who Participate in Their Employers' Plan (Take-Up Rate)	Percentage of Workers Covered by Their Employers' Health Benefits
FIRM SIZE			
3–24 Workers	88%*	79%	69%*
25–49 Workers	79	79	63
50–199 Workers	80	84	67
200–999 Workers	78	84*	67
1,000–4,999 Workers	81*	83	68*
5,000 or More Workers	73*	80	60*
All Small Firms (3–199 Workers)	83%*	81%	67%
All Large Firms (200 or More Workers)	76%*	82%	63%
REGION			
Northeast	80%	83%	67%
Midwest	77	83	64
South	77	79*	63
West	79	83	66
INDUSTRY			
Agriculture/Mining/Construction	73%	82%	58%
Manufacturing	87*	86*	76*
Transportation/Communications/Utilities	84	89*	76*
Wholesale	76	80	62
Retail	59*	75*	43*
Finance	86*	84	73*
Service	76	78*	61*
State/Local Government	92*	92*	85*
Health Care	79	83	66
ALL FIRMS	78%	82%	65%

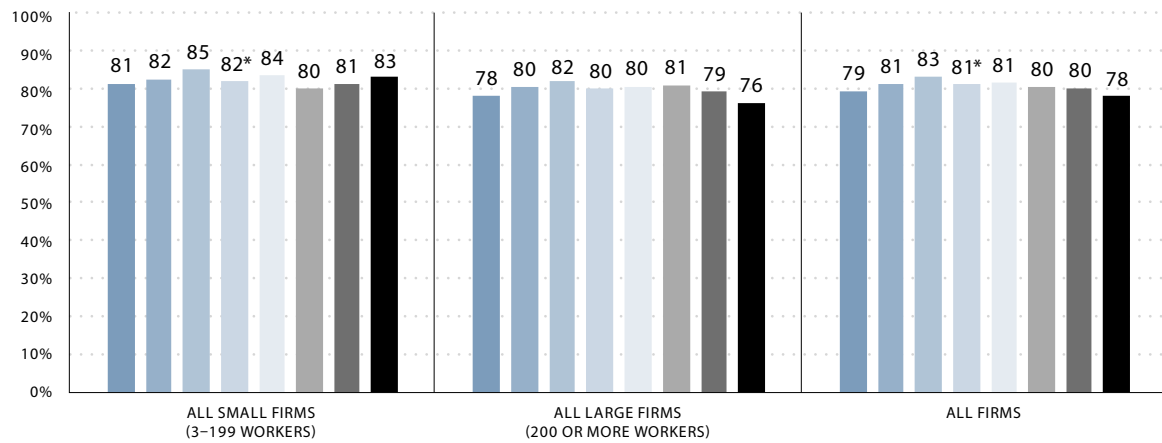
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate for eligibility, take-up rate, or coverage is statistically different from all other firms not in the indicated size, region, or industry category at $p < .05$.

EXHIBIT 3.3

Percentage of Workers Eligible For Health Benefits Offered By Their Employer, by Firm Size, 1999–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

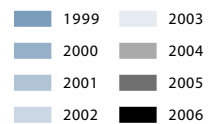
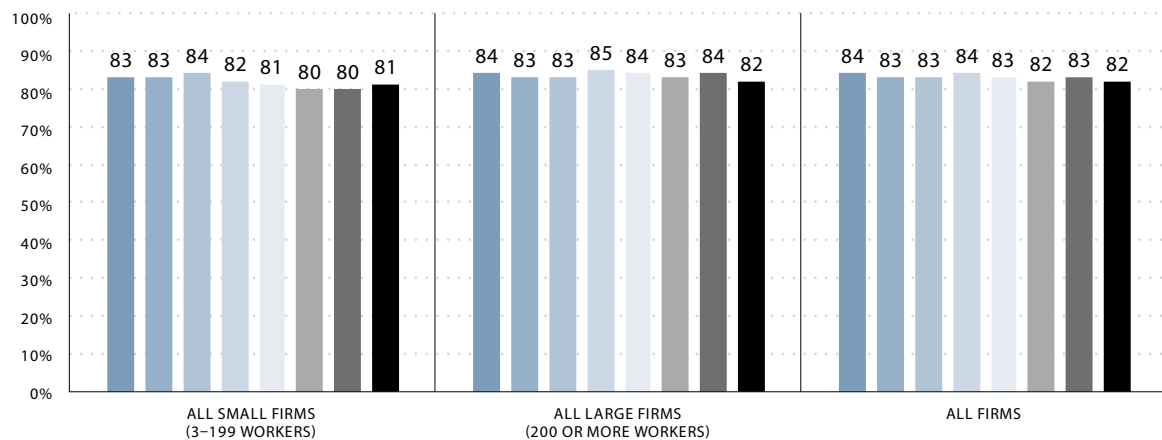
* Estimate is statistically different from estimate for the previous year shown at $p < .05$.

EXHIBIT 3.4

Percentage of Eligible Workers in Firms Offering Health Benefits Who Participate In (Take-up) Their Employers' Health Plan, by Firm Size, 1999–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

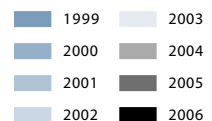
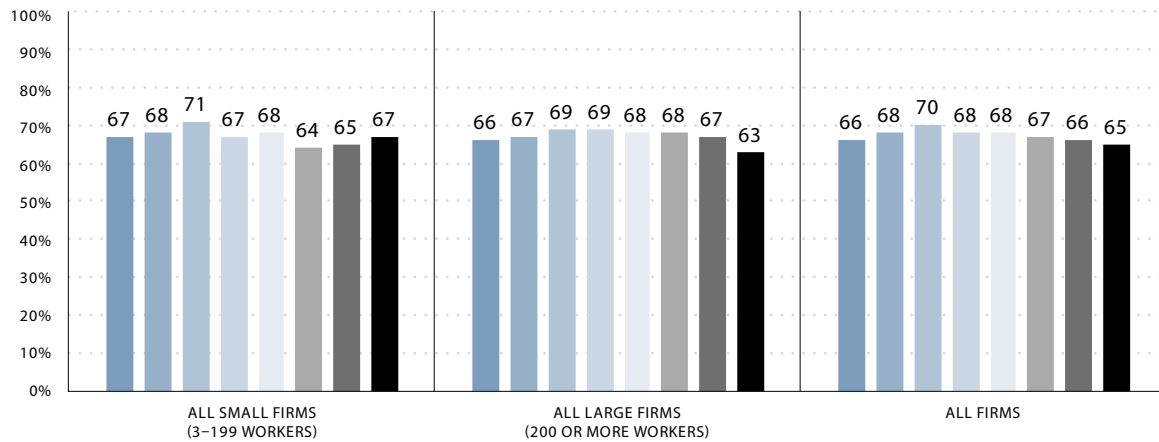
* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

EXHIBIT 3.5

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employers' Health Plan, by Firm Size, 1999–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

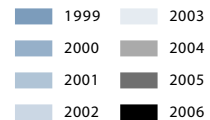


EXHIBIT 3.6

Percentage of Covered Workers in Firms with a Waiting Period for New Employees to Be Covered and Average Waiting Period in Months, by Firm Size, Region, and Industry, 2006

	Percentage of Covered Workers in Firms With Waiting Period	Among Covered Workers with a Waiting Period, Average Waiting Period (Months)
FIRM SIZE		
All Small Firms (3–199 Workers)	81%*	2.5*
All Large Firms (200 or More Workers)	69*	2.0*
REGION		
Northeast	63%*	2.1
Midwest	72	1.8*
South	77	2.3
West	79	2.4*
INDUSTRY		
Agriculture/Mining/Construction	94%*	2.8*
Manufacturing	67	2.1
Transportation/Communications/Utilities	65	2.3
Wholesale	78	2.5
Retail	92*	2.7*
Finance	70	2.0
Service	73	2.1
State/Local Government	64	1.8*
Health Care	75	1.8*
ALL FIRMS	73%	2.2

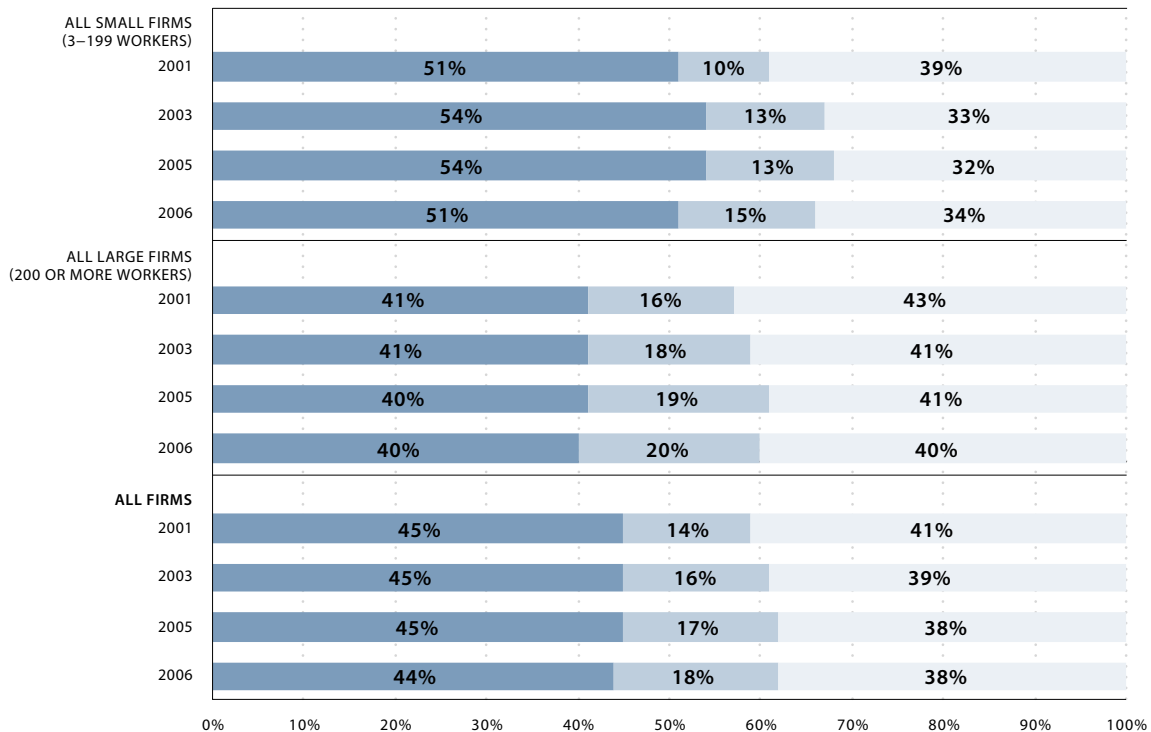
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

EXHIBIT 3.7

Distribution of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2006.

* Tests found no statistical difference within size category from distribution for previous year shown at $p < .05$.

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

■ SINGLE COVERAGE
 ■ SINGLE PLUS ONE COVERAGE
 ■ FAMILY COVERAGE

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Choice
of Health
Plans

SECTION

4

CHOICE OF HEALTH PLANS

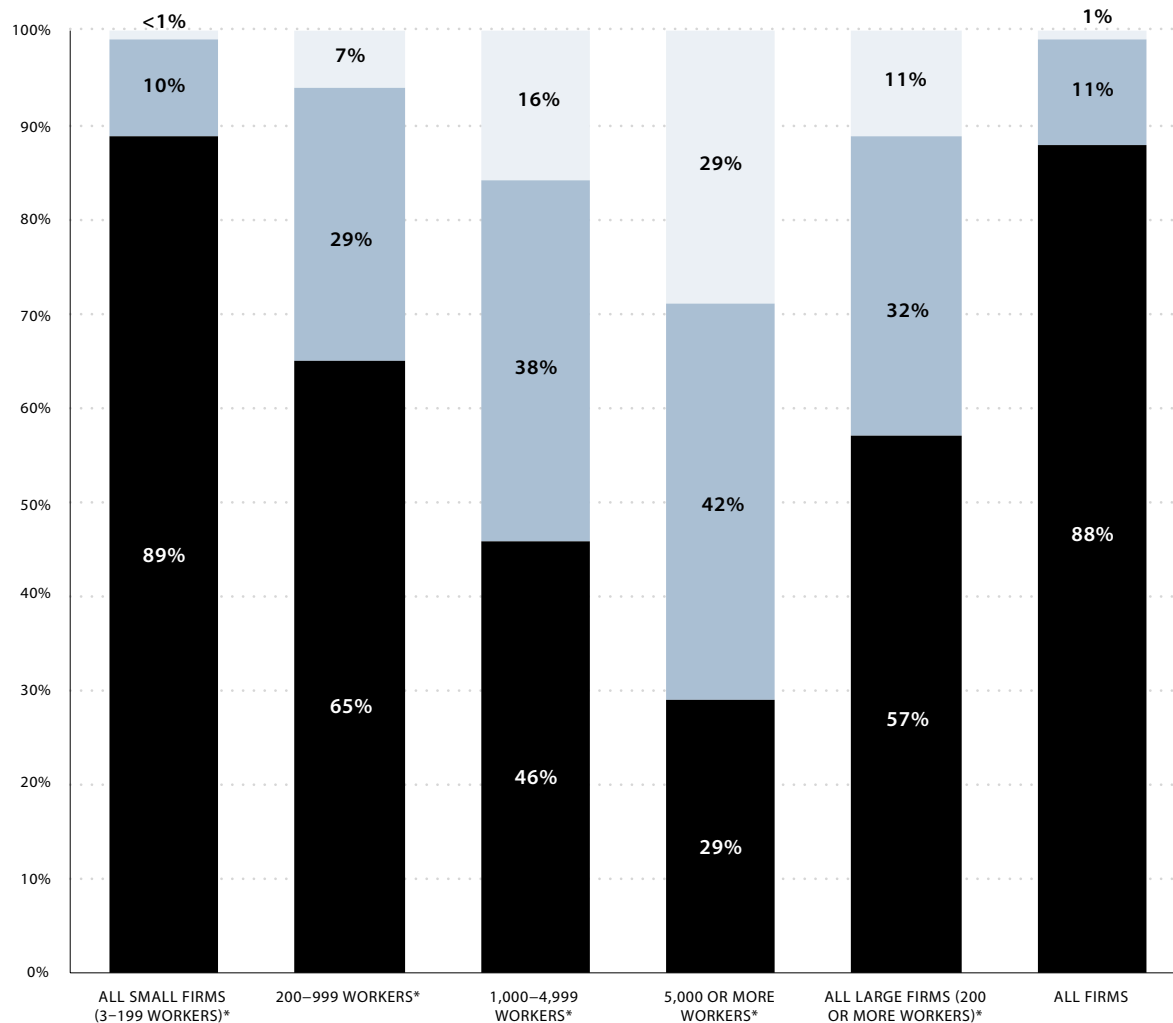
MOST FIRMS THAT OFFER HEALTH BENEFITS OFFER ONLY ONE TYPE OF HEALTH PLAN TO THEIR WORKERS (88%). HOWEVER, LARGER FIRMS THAT COVER MANY WORKERS ARE MORE LIKELY TO OFFER MORE THAN ONE TYPE OF HEALTH PLAN, WITH 71% OF FIRMS WITH 5,000 OR MORE WORKERS OFFERING A CHOICE OF PLAN TYPES, AS COMPARED WITH JUST 11% OF FIRMS WITH 3 TO 199 WORKERS. EMPLOYERS ARE MOST LIKELY TO OFFER THEIR WORKERS A PPO PLAN, AND LEAST LIKELY TO OFFER A CONVENTIONAL PLAN OR AN HDHP/SO.

- ▶ Eighty-eight percent of firms offer only one health plan type. Of the 12% of firms that offer more than one plan type, large firms (200 or more workers) are more likely to offer more than one plan type than small firms (3–199 workers): 43% of large firms compared with 11% of small firms (Exhibit 4.1).
- Almost one-half (49%) of covered workers are employed in a firm that offers more than one health plan type. Sixty-five percent of covered workers in large firms (200 or more workers) are employed by a firm that offers more than one plan type; the comparable percentage for covered workers employed in small firms is 20% (Exhibit 4.2).
- ▶ More than half (54%) of firms offer one or more PPOs, 17% of firms offer one or more HMOs, 28% of firms offer one or more POS plans, 7% of firms offer one or more HDHP/SOs, and 7% of firms offer one or more conventional plans (Exhibit 4.3).

The survey asks firms how many plans of each given type they offer. However, we do not know if each plan type is offered to all covered workers at the firm. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

EXHIBIT 4.1

Among Firms Offering Health Benefits, Percentage That Offer One, Two, or Three or More Plan Types, by Firm Size, 2006[†]



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distribution is statistically different from distribution for all other firms not in the indicated size category at $p < .05$.

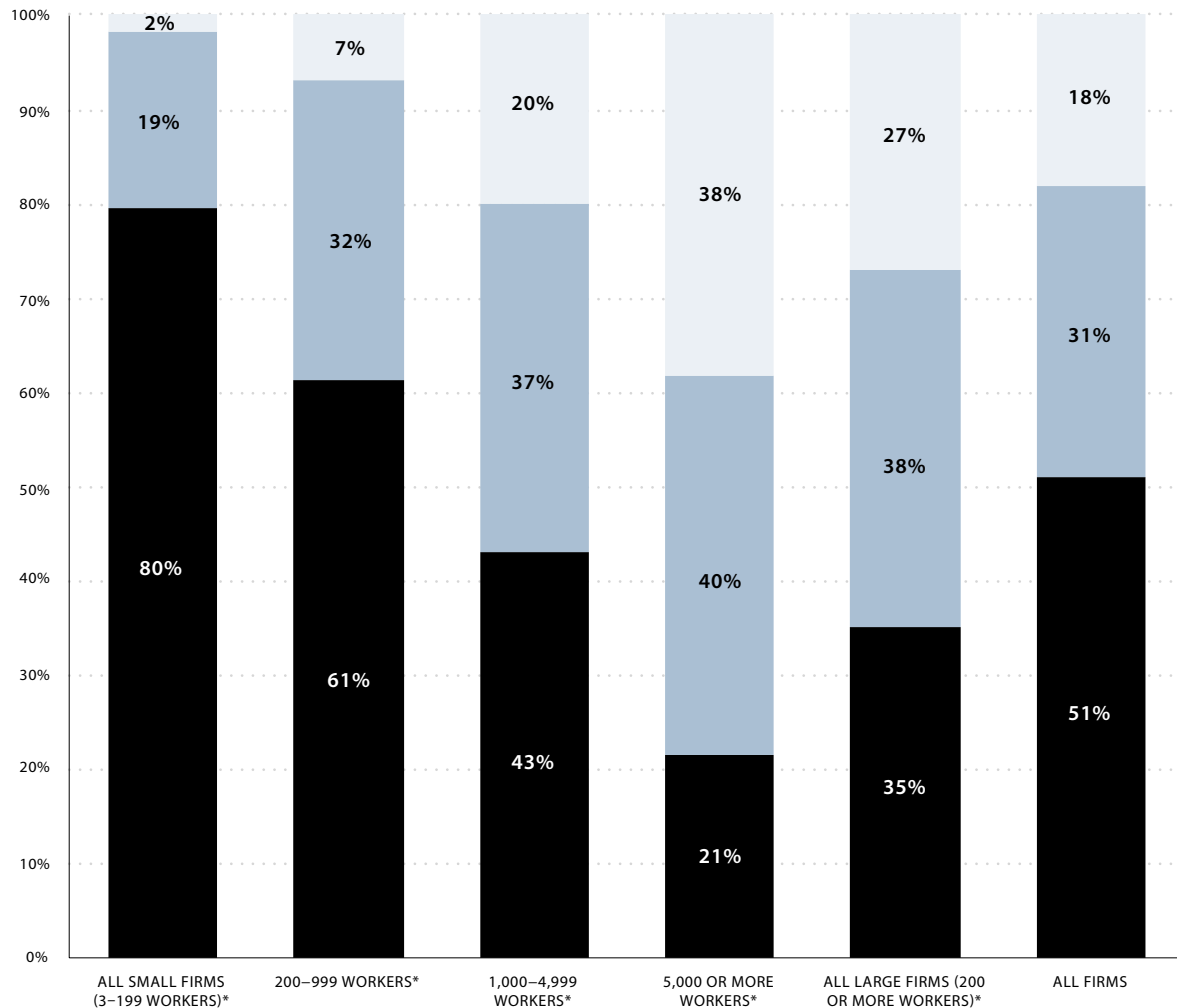
[†] Although firms may offer more than one of each plan type, the survey asks about how many are offered among the following types: Conventional, HMO, PPO, POS, and HDHP/SO.

Note: The survey asks firms how many plans of each given type they offer. However, we do not know if each plan type is offered to all covered workers at the firm. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

THREE OR MORE PLAN TYPES
TWO PLAN TYPES
ONE PLAN TYPE

EXHIBIT 4.2

Among Firms Offering Health Benefits, Percentage of Covered Workers in Firms Offering One, Two, or Three or More Plan Types, by Firm Size, 2006[‡]



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distribution is statistically different from distribution for all other firms not in the indicated size category at $p < .05$.

[‡] Although firms may offer more than one of each plan type, the survey asks about how many are offered among the following types: Conventional, HMO, PPO, POS, and HDHP/SO.

Note: The survey asks firms how many plans of each given type they offer. However, we do not know if each plan type is offered to all covered workers at the firm. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

THREE OR MORE PLAN TYPES
TWO PLAN TYPES
ONE PLAN TYPE

EXHIBIT 4.3

Among Firms Offering Health Benefits, Percentage That Offer the Following Plan Types, by Firm Size, 2006

	Conventional	HMO	PPO	POS	HDHP/SO
200–999 Workers	9%	29%*	77%*	22%	5%
1,000–4,999 Workers	8	41*	89*	21	15*
5,000 or More Workers	14*	58*	90*	21	22*
All Small Firms (3–199 Workers)	7%	16%*	53%*	28%	7%
All Large Firms (200 or More Workers)	10%	34%*	81%*	22%	9%
ALL FIRMS	7%	17%	54%	28%	7%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated size category at $p < .05$.

Note: The survey asks firms how many plans of each given type they offer. However, we do not know if each plan type is offered to all covered workers at the firm. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

EXHIBIT 4.4

Among Firms Offering Health Benefits, Percentage of Covered Workers in Firms Offering the Following Plan Types, by Firm Size, 2006

	Conventional	HMO	PPO	POS	HDHP/SO
200–999 Workers	8%	31%*	83%	20%	6%*
1,000–4,999 Workers	10	47	89*	19	18
5,000 or More Workers	18*	68*	90*	26	23*
All Small Firms (3–199 Workers)	4%*	22%*	64%*	24%	7%*
All Large Firms (200 or More Workers)	14%*	55%*	88%*	23%	18%*
ALL FIRMS	10%	43%	79%	23%	14%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated size category at $p < .05$.

Note: The survey asks firms how many plans of each given type they offer. However, we do not know if each plan type is offered to all covered workers at the firm. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Market
Shares of
Health Plans

SECTION

5

MARKET SHARES OF HEALTH PLANS

PPO PLANS ENROLL THREE-IN-FIVE COVERED WORKERS IN 2006, FOLLOWED BY HMO PLANS, POS PLANS, AND THEN HDHP/SOs AND CONVENTIONAL PLANS.

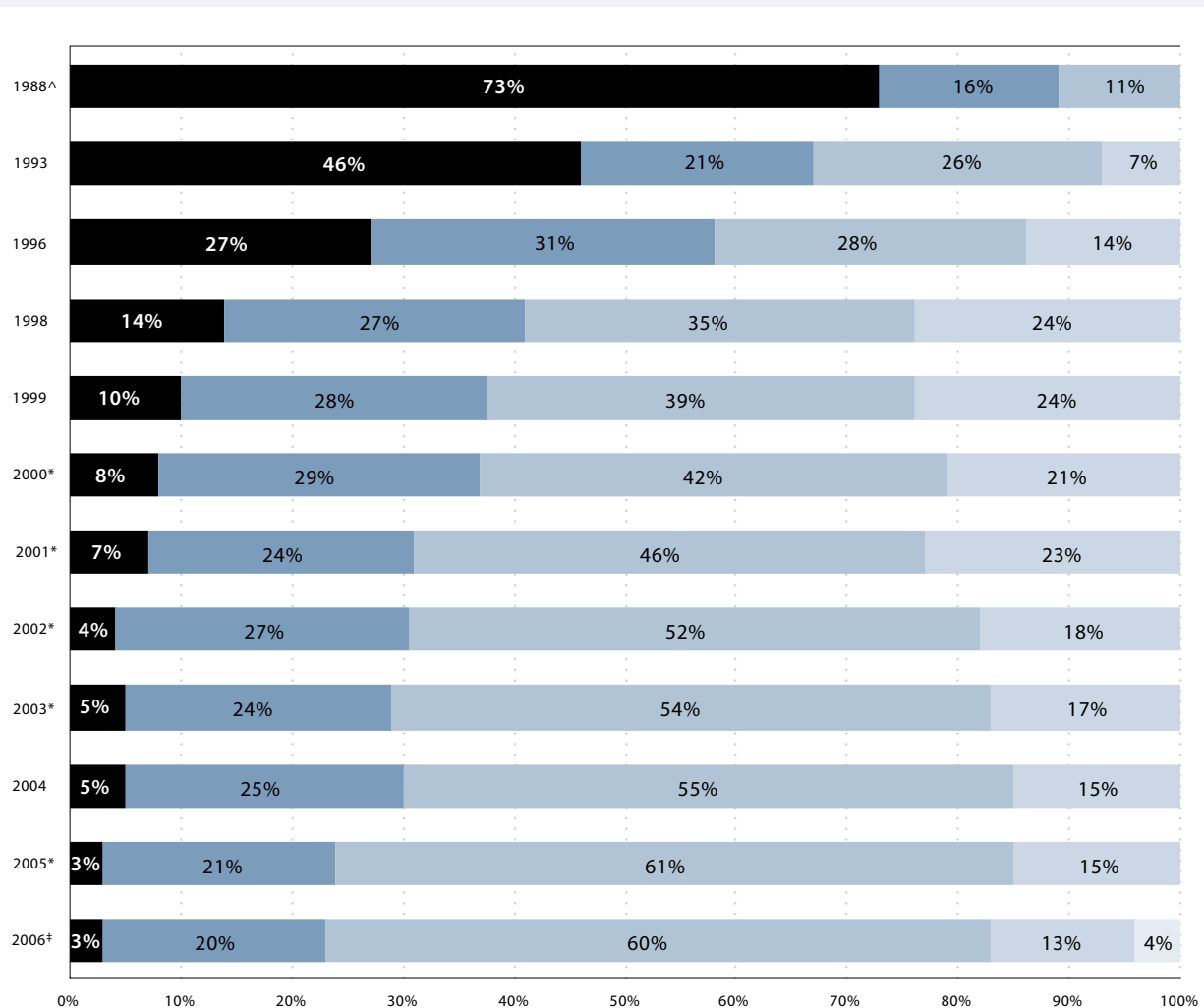
- ▶ With the highest enrollment, PPO plans cover 60% of covered workers. HMO plans cover 20% of covered workers, POS plans cover 13% of covered workers, and HDHP/SOs and conventional plans cover 4% and 3% of covered workers, respectively (Exhibit 5.1).
- ▶ Plan enrollment patterns differ across regions.
 - Lower percentages of covered workers are enrolled in HMO plans in the Midwest and in the South, 16% and 17% respectively. In contrast, HMO enrollment is significantly higher (29%) in the West than in all other regions. A higher percentage of covered workers are enrolled in PPO plans in the Midwest (66%), and fewer are enrolled in the West (51%). For POS plans, enrollment is lowest in the Midwest at 10%. Finally, covered workers are less likely to be enrolled in an HDHP/SO in the Northeast (2%) and more likely to be enrolled in an HDHP/SO in the Midwest (6%) (Exhibit 5.2).

This year we have added high deductible health plans with a savings option, or HDHP/SOs, as a plan type for the survey. HDHP/SOs include (1) health plans with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage offered with a health reimbursement arrangement, or HRA; and (2) high deductible health plans that meet the federal legal requirements (see Section 8) to permit an enrollee to establish and contribute to a health savings account, or HSA. This definition does not include other consumer-directed plan options, such as arrangements that combine an HRA with a lower-deductible health plan or arrangements in which an insurer (rather than the employer as in the case of HRAs or the enrollee as in the case of HSAs) establishes an account for each enrollee. Other arrangements may be included in the survey as the market evolves.

The addition of HDHP/SOs as a plan type means that caution must be taken when comparing enrollment estimates by plan type in 2006 to estimates from previous years. Plans that are now classified as HDHP/SOs would have been classified as PPOs, HMOs, POS plans, or conventional plans in previous years, so any differences from prior years may result in part from this reclassification. Furthermore, the removal of HDHP/SOs from the other plan types may also affect the year-to-year comparisons for the other plan types.

EXHIBIT 5.1

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006;
KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996, 1998;
The Health Insurance Association of America (HIAA), 1988.

* Distribution is statistically different from distribution for the previous year shown at $p < .05$. No statistical tests are conducted for years prior to 1999. No statistical tests are conducted between 2005 and 2006 due to the addition of HDHP/SO as a new plan type.

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

[†] In 2006, the survey began asking about HDHP/SOs as a distinct plan type on the same basis as conventional, HMO, PPO, and POS plans. In prior years, workers enrolled in HDHP/SOs would have been represented within either conventional, HMO, PPO, or POS plans.

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

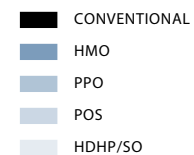


EXHIBIT 5.2

Health Plan Enrollment, by Firm Size, Region, and Industry, 2006

	Conventional	HMO	PPO	POS	HDHP/SO
FIRM SIZE					
3–24 Workers	5%	13%*	52%*	24%*	6%
25–49 Workers	4	22	46*	26*	2
50–199 Workers	2	19	61	12	6
200–999 Workers	3	17	67*	11	2*
1,000–4,999 Workers	2	25*	62	8*	3
5,000 or More Workers	4	23	60	9*	4
All Small Firms (3–199 Workers)	4%	17%*	55%*	19%*	5%
All Large Firms (200 or More Workers)	3%	22%*	62%*	9%*	3%
REGION					
Northeast	3%	23%	59%	13%	2%*
Midwest	3	16*	66*	10*	6*
South	4	17*	61	14	4
West	3	29*	51*	14	3
INDUSTRY					
Agriculture/Mining/Construction	4%	7%*	62%	18%	10%
Manufacturing	4	16*	64	9*	8*
Transportation/Communications/Utilities	2	20	69*	7*	1*
Wholesale	5	17	63	9	6
Retail	2	19	59	18	2
Finance	3	19	65	10	3
Service	3	20	57	17*	3
State/Local Government	8	39*	41*	11	1*
Health Care	2	23	61	10	4
ALL FIRMS	3%	20%	60%	13%	4%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Worker and
Employer
Contributions
for Premiums

SECTION

6

WORKER AND EMPLOYER CONTRIBUTIONS FOR PREMIUMS¹

WORKERS WITH HEALTH INSURANCE PAY ON AVERAGE 16% OF THE PREMIUM FOR SINGLE COVERAGE AND 27% OF PREMIUMS FOR FAMILY COVERAGE. THESE PERCENTAGES ARE SIMILAR TO THOSE REPORTED IN RECENT YEARS. THE AVERAGE MONTHLY WORKER CONTRIBUTIONS ARE \$52 FOR SINGLE COVERAGE AND \$248 FOR FAMILY COVERAGE.

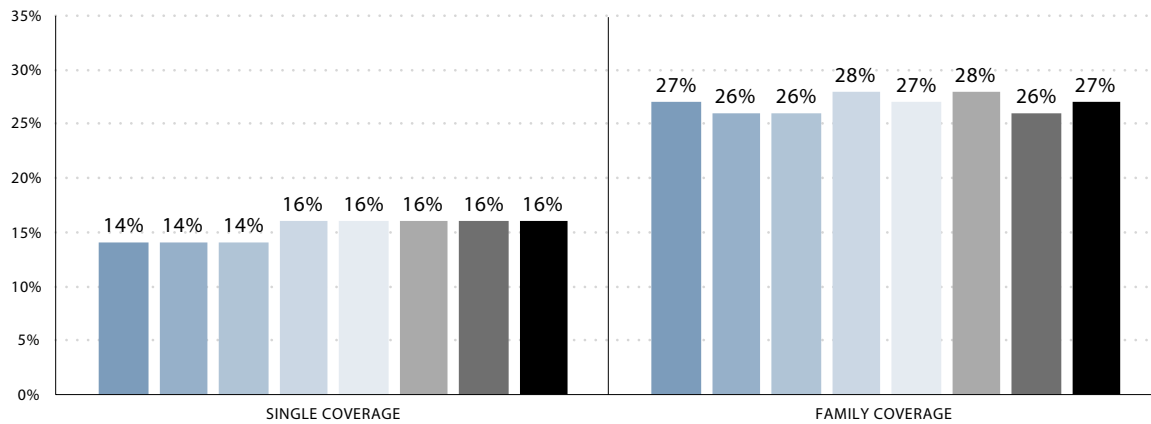
- ▶ Covered workers on average contribute 16% of the premium for single coverage and 27% of the premium for family coverage (Exhibit 6.1).
- ▶ Average monthly worker contributions for covered workers are \$52 for single coverage in 2006, statistically unchanged from the \$51 reported in 2005. Monthly worker contributions for family coverage rose significantly from \$226 in 2005 to \$248 in 2006 (Exhibit 6.2).
- On an annual basis, the average worker contribution is \$627 for single coverage and \$2,973 for family coverage. Workers in small firms (3–199 workers) contribute significantly more on average (\$3,550 annually) towards family coverage than workers in large firms (200 or more workers), who contribute an average of \$2,658 annually (Exhibit 6.6). This difference reflects the relatively low contributions that small firms make towards the premiums for family coverage (\$7,756 on average in small firms compared to \$8,917 in large firms) (Exhibit 6.5).
- Workers covered in HDHP/SOs on average contribute a lower amount for family coverage (\$187 monthly; \$2,247 annually) than workers covered in other plan types. The average worker contribution for single coverage in HDHP/SOs (\$47 monthly; \$569 annually) is similar to the amount contributed by workers in other plan types (Exhibit 6.6).
- ▶ Virtually all covered workers receive a premium contribution of 50% or more from their employer. Eighty percent of covered workers work for an employer that contributes at least 75% toward the premium for single coverage (Exhibit 6.9). Just over one-half (52%) of covered workers work for a firm where the employer contributes at least 75% toward the premium for family coverage (Exhibit 6.10).
- The percentage of covered workers whose employers pay the full cost is 23% for single coverage and 9% for family coverage (Exhibits 6.9, 6.10). These percentages are similar to those reported in 2005.
- Covered workers in small firms (3–199 workers) are more likely to have their employer pay the full cost of coverage than covered workers in large firms (200 or more workers) for both single and family coverage. Forty-three percent of covered workers in small firms have an employer that pays the entire premium for single coverage, compared with 13% of covered workers in large firms (Exhibit 6.9). For family coverage, 17% percent of covered workers in small firms have an employer that pays the entire premium for family coverage, compared to 5% of covered workers in large firms (Exhibit 6.10). However, when workers do not work for a firm that pays 100% of the premium, covered workers in small firms are more likely (24%) to work for a firm that contributes less than 50% of the premium compared to covered workers in large firms (5%) for family coverage.
- ▶ Covered workers in lower wage firms—where 35% or more earn \$20,000 or less per year—pay a higher percentage of the premium for family coverage than covered workers in higher wage firms—where fewer than 35% earn \$20,000 or less per year. On average, covered workers in lower wage firms contribute 35% of the premium for family coverage while covered workers in high wage firms contribute 26% of the family premium. Covered workers in firms that partially or entirely self-fund their health benefits pay a lower share of the premium for family coverage (23%) than covered workers in firms that are fully insured (32%) (Exhibit 6.12).

NOTE:

¹ Estimates for premiums, worker contribution to premiums, and employer contribution to premiums presented in Section 6 do not include contributions made by the employer to Health Savings Accounts or Health Reimbursement Arrangements. See Section 8 for estimates of employer contributions to HSAs and HRAs.

EXHIBIT 6.1

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1999–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

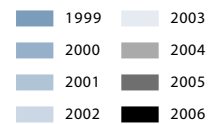
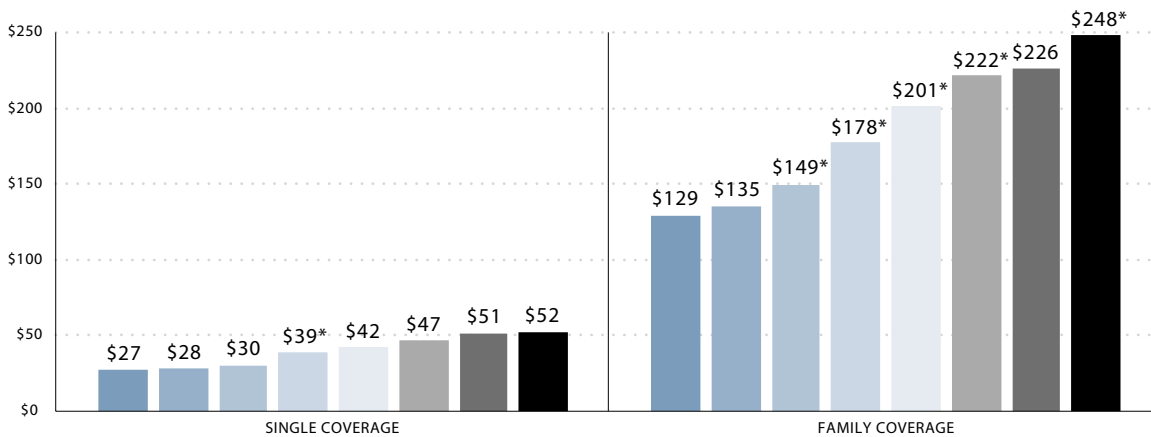
* Tests found no statistical difference from estimate for previous year shown at $p < .05$.

EXHIBIT 6.2

Average Monthly Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, 1999–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

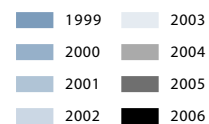
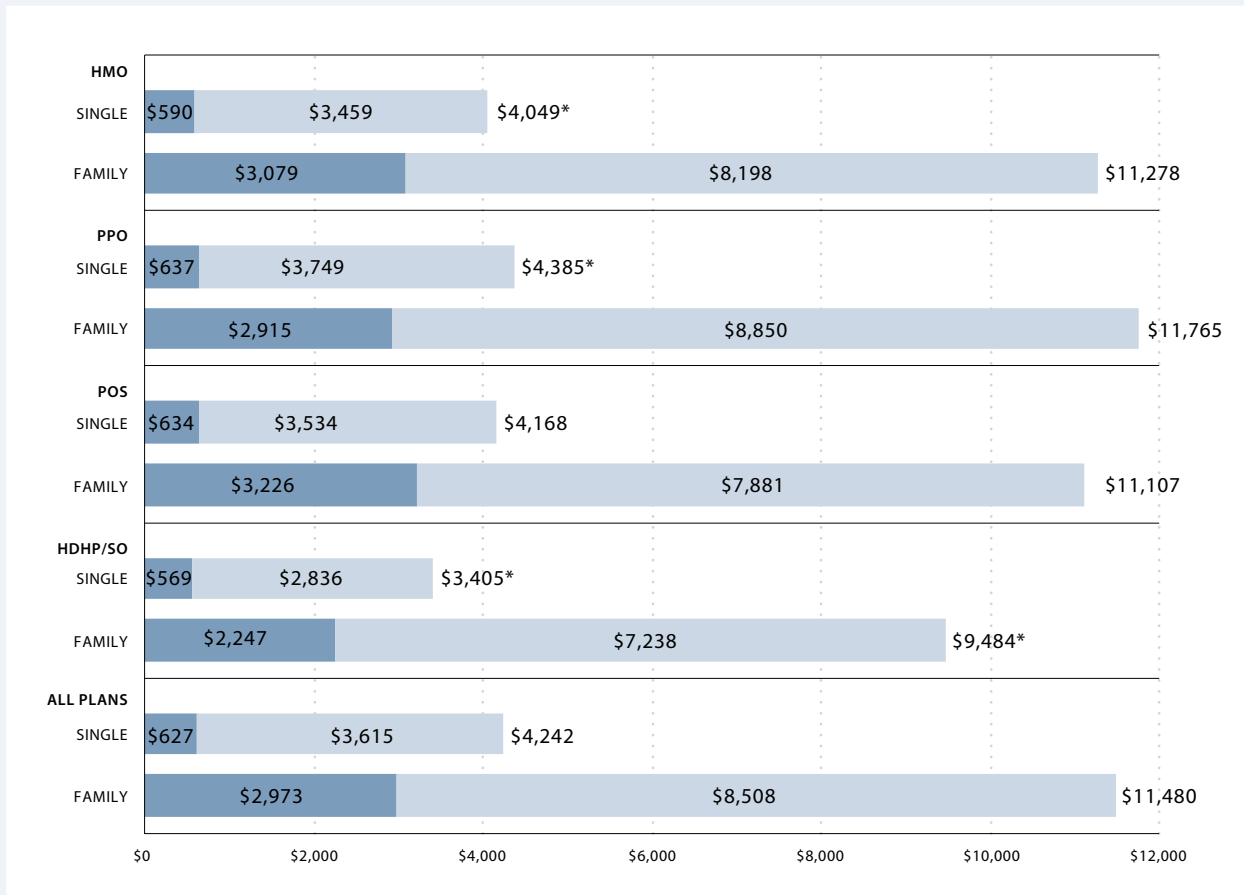
* Estimate is statistically different from estimate for the previous year shown at $p < .05$.

EXHIBIT 6.3

Average Annual Firm and Worker Contribution to Premiums and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

WORKER CONTRIBUTION
FIRM CONTRIBUTION

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

EXHIBIT 6.4

Average Annual Premiums for Covered Workers for Single Coverage, by Plan Type and Firm Size, 2006

	Worker Contribution	Employer Contribution	Total Premium
HMO			
All Small Firms (3–199 Workers)	\$472*	\$3,427	\$3,899
All Large Firms (200 or More Workers)	\$642*	\$3,472	\$4,114
PPO			
All Small Firms (3–199 Workers)	\$491*	\$4,014*	\$4,505
All Large Firms (200 or More Workers)	\$709*	\$3,618*	\$4,326
POS			
All Small Firms (3–199 Workers)	\$631	\$3,478	\$4,109
All Large Firms (200 or More Workers)	\$638	\$3,599	\$4,238
HDHP/SO			
All Small Firms (3–199 Workers)	\$474	\$2,732	\$3,206
All Large Firms (200 or More Workers)	\$656	\$2,932	\$3,589
ALL PLANS			
All Small Firms (3–199 Workers)	\$515*	\$3,733	\$4,248
All Large Firms (200 or More Workers)	\$689*	\$3,550	\$4,239

SOURCE:

Kaiser/HRET Survey of Employer Health Benefits, 2006

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

EXHIBIT 6.5

Average Annual Premiums for Covered Workers for Family Coverage, by Plan Type and Firm Size, 2006

	Worker Contribution	Employer Contribution	Total Premium
HMO			
All Small Firms (3–199 Workers)	\$4,192*	\$6,945*	\$11,137
All Large Firms (200 or More Workers)	\$2,598*	\$8,741*	\$11,339
PPO			
All Small Firms (3–199 Workers)	\$3,497*	\$8,296*	\$11,793
All Large Firms (200 or More Workers)	\$2,628*	\$9,124*	\$11,752
POS			
All Small Firms (3–199 Workers)	\$3,519*	\$7,187*	\$10,706
All Large Firms (200 or More Workers)	\$2,885*	\$8,688*	\$11,573
HDHP/SO			
All Small Firms (3–199 Workers)	\$2,066	\$6,830	\$8,896
All Large Firms (200 or More Workers)	\$2,409	\$7,604	\$10,013
ALL PLANS			
All Small Firms (3–199 Workers)	\$3,550*	\$7,756*	\$11,306
All Large Firms (200 or More Workers)	\$2,658*	\$8,917*	\$11,575

SOURCE:

Kaiser/HRET Survey of Employer Health Benefits, 2006

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

EXHIBIT 6.6

Average Monthly and Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
All Small Firms (3–199 Workers)	\$39*	\$349*	\$472*	\$4,192*
All Large Firms (200 or More Workers)	53*	216*	642*	2,598*
ALL FIRM SIZES	\$49	\$257	\$590	\$3,079
PPO				
All Small Firms (3–199 Workers)	\$41*	\$291*	\$491*	\$3,497*
All Large Firms (200 or More Workers)	59*	219*	709*	2,628*
ALL FIRM SIZES	\$53	\$243	\$637	\$2,915
POS				
All Small Firms (3–199 Workers)	\$53	\$293*	\$631	\$3,519*
All Large Firms (200 or More Workers)	53	240*	638	2,885*
ALL FIRM SIZES	\$53	\$269	\$634	\$3,226
HDHP/SO				
All Small Firms (3–199 Workers)	\$39	\$172	\$474	\$2,066
All Large Firms (200 or More Workers)	55	201	656	2,409
ALL FIRM SIZES	\$47	\$187	\$569	\$2,247
ALL PLANS				
All Small Firms (3–199 Workers)	\$43*	\$296*	\$515*	\$3,550*
All Large Firms (200 or More Workers)	57*	221*	689*	2,658*
ALL FIRM SIZES	\$52	\$248	\$627	\$2,973

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

EXHIBIT 6.7

Average Monthly and Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type and Region, 2006

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Northeast	\$66*	\$227	\$792*	\$2,723
Midwest	51	188*	607	2,257*
South	50	288	595	3,455
West	35*	292	424*	3,508
ALL REGIONS	\$49	\$257	\$590	\$3,079
PPO				
Northeast	\$62	\$228	\$749	\$2,736
Midwest	52	206*	626	2,477*
South	57	292*	682	3,500*
West	37*	223	445*	2,675
ALL REGIONS	\$53	\$243	\$637	\$2,915
POS				
Northeast	\$60	\$253	\$720	\$3,042
Midwest	46	208*	547	2,499*
South	57	291	679	3,498
West	46	293	555	3,514
ALL REGIONS	\$53	\$269	\$634	\$3,226
HDHP/SO				
Northeast	\$39	\$195	\$473	\$2,344
Midwest	52	163	628	1,959
South	57	218	682	2,619
West	NSD	NSD	NSD	NSD
ALL REGIONS	\$47	\$187	\$569	\$2,247
ALL PLANS				
Northeast	\$63*	\$230	\$750*	\$2,765
Midwest	51	201*	615	2,408*
South	56	290*	674	3,476*
West	37*	252	448*	3,029
ALL REGIONS	\$52	\$248	\$627	\$2,973

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated region at $p < .05$.

NSD: Not Sufficient Data.

EXHIBIT 6.8

Average Monthly Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
Single Coverage								
HMO	\$28	\$26	\$32	\$38	\$42	\$46	\$47	\$49
PPO	27	29	29	39*	44	48	50	53
POS	27	28	29	40*	41	45	61*	53
HDHP/SO	^	^	^	^	^	^	^	47
ALL PLAN TYPES	\$27	\$28	\$30	\$39*	\$42	\$47	\$51	\$52
Family Coverage								
HMO	\$124	\$131	\$150	\$164	\$179	\$223*	\$217	\$257*
PPO	128	141	153	188*	210*	224	220	243*
POS	141	136	143	180*	206	218	271*	269
HDHP/SO	^	^	^	^	^	^	^	187
ALL PLAN TYPES	\$129	\$135	\$149*	\$178*	\$201*	\$222*	\$226	\$248*

SOURCE:

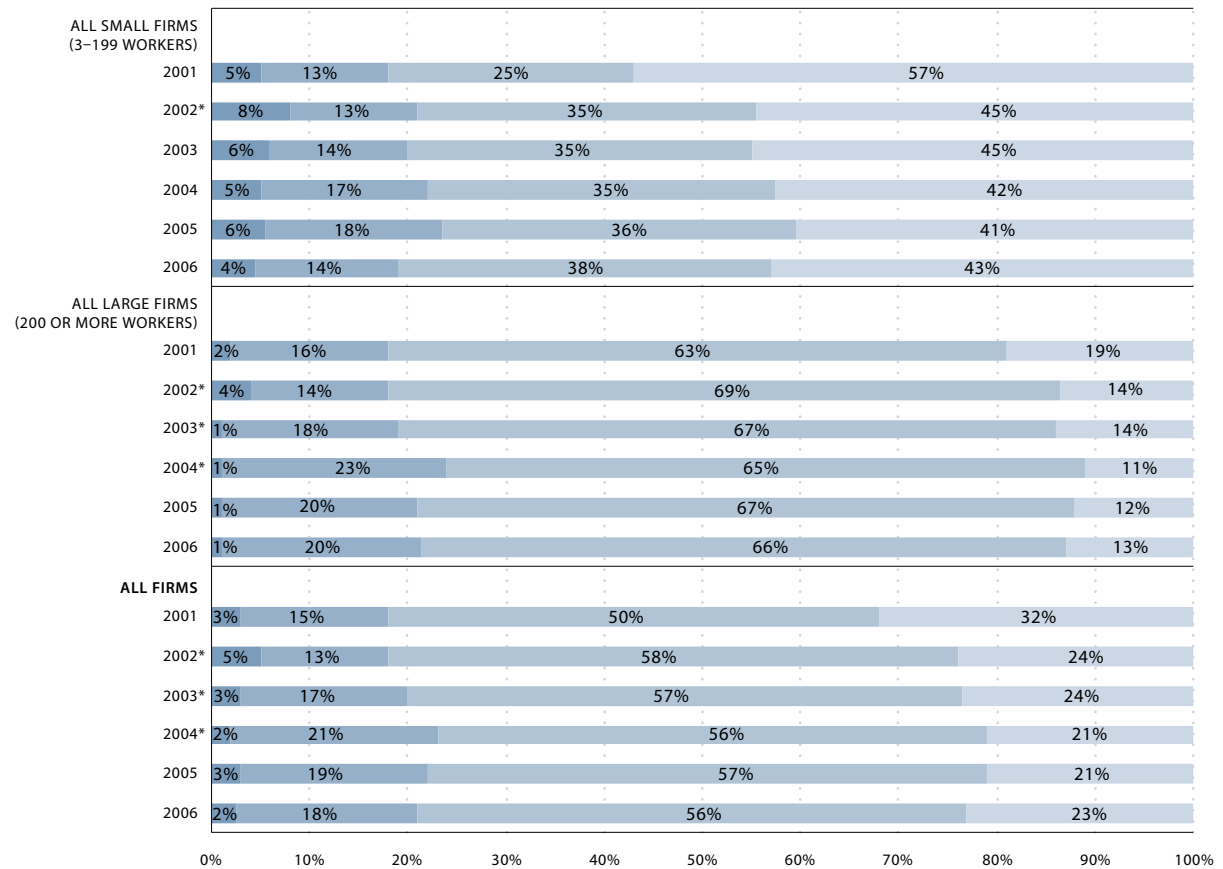
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

^ Information was not obtained for HDHP/SOs prior to 2006.

EXHIBIT 6.9

Distribution of Covered Workers by Percentage of Premium for Single Coverage Contributed by Their Firm, by Firm Size, 2001–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2006.

* Distribution is statistically different within size category from distribution for the previous year shown at $p < .05$.

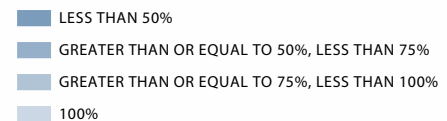
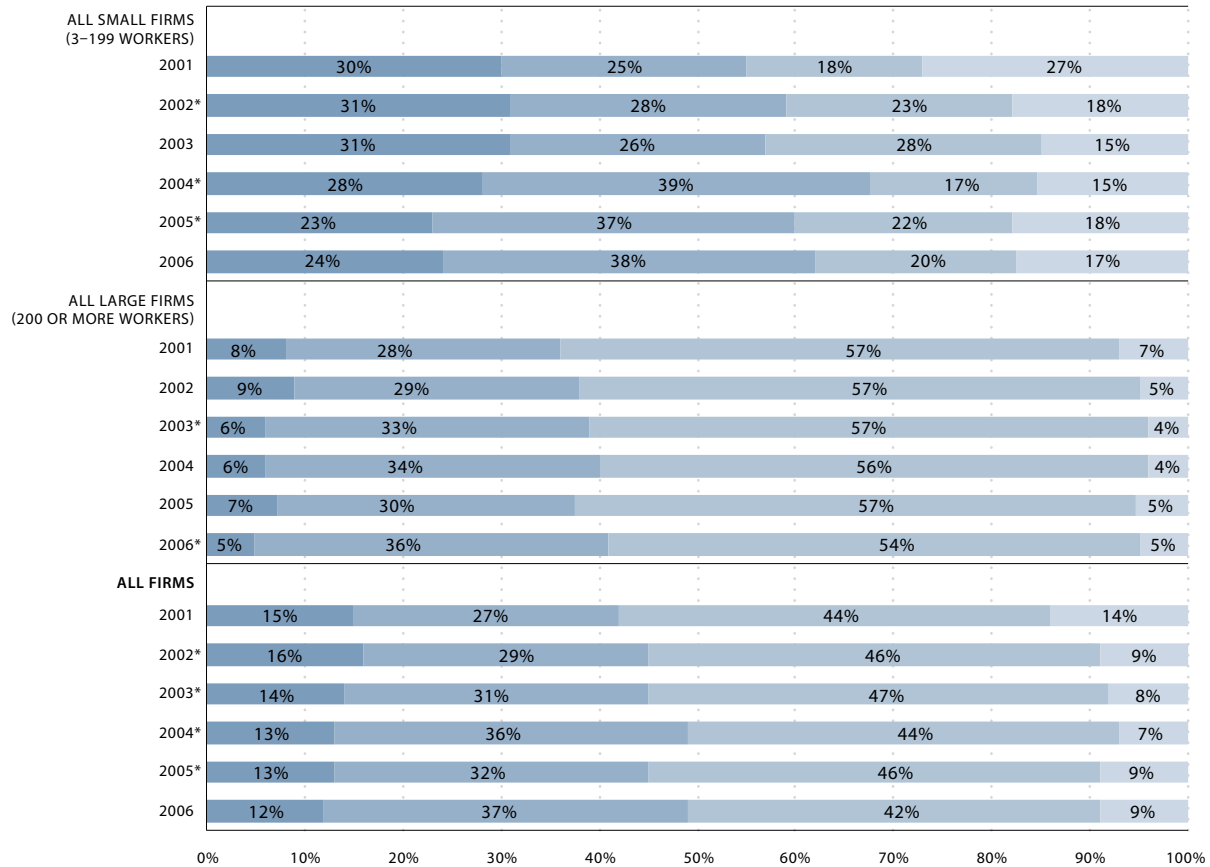


EXHIBIT 6.10

Distribution of Covered Workers by Percentage of Premium for Family Coverage Contributed by Their Firm, by Firm Size, 2001–2006



SOURCE:

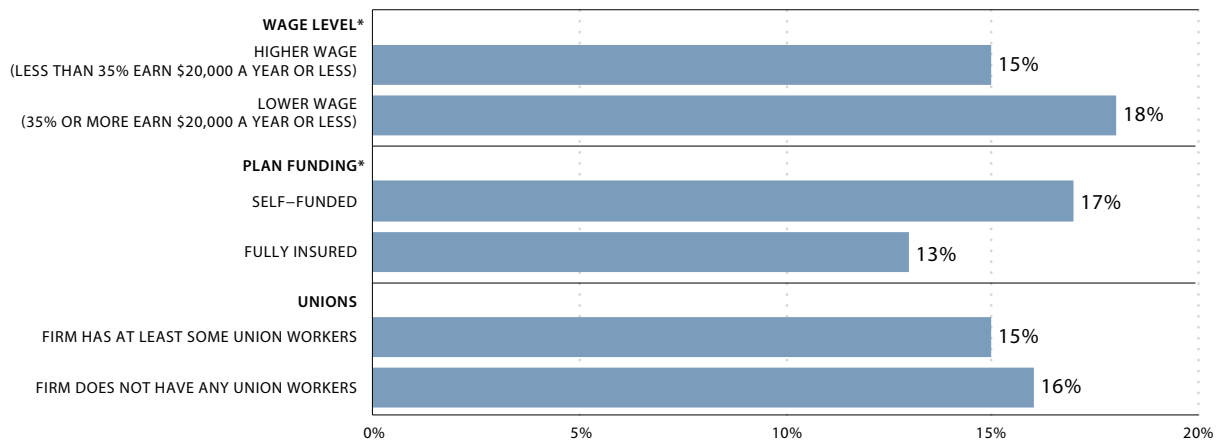
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2006.

* Distribution is statistically different within size category from distribution for the previous year shown at $p < .05$.

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

EXHIBIT 6.11

Average Percentage of Premiums Paid by Covered Workers for Single Coverage, by Firm Characteristics, 2006



SOURCE:

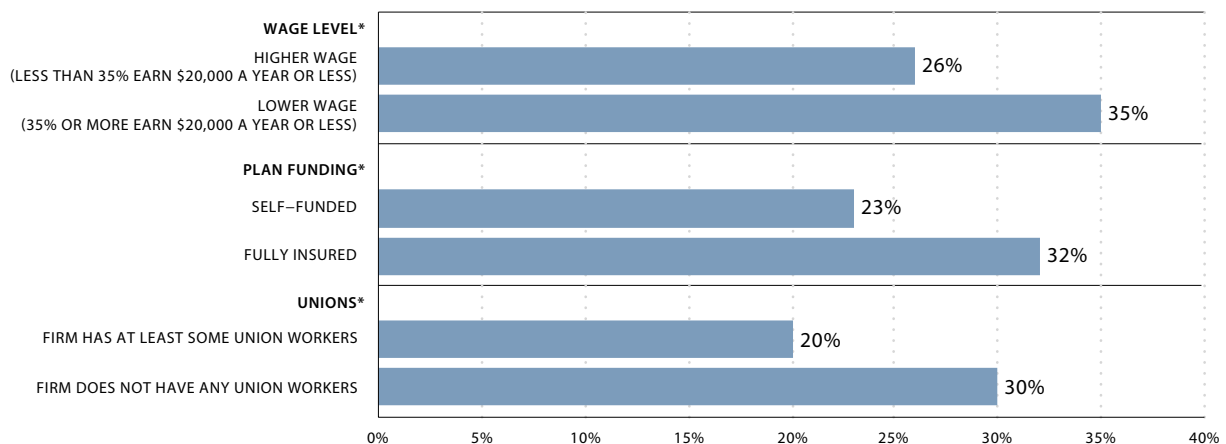
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.

EXHIBIT 6.12

Average Percentage of Premiums Paid by Covered Workers for Family Coverage, by Firm Characteristics, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.

EXHIBIT 6.13

Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Firm Size, 2006

	Single Coverage	Family Coverage
HMO		
All Small Firms (3–199 Workers)	88%	63%*
All Large Firms (200 or More Workers)	84	77*
ALL FIRM SIZES	85%	72%
PPO		
All Small Firms (3–199 Workers)	88%*	68%*
All Large Firms (200 or More Workers)	83*	77*
ALL FIRM SIZES	85%	74%
POS		
All Small Firms (3–199 Workers)	84%	67%*
All Large Firms (200 or More Workers)	84	74*
ALL FIRM SIZES	84%	70%
HDHP/SO		
All Small Firms (3–199 Workers)	84%	75%
All Large Firms (200 or More Workers)	82	76
ALL FIRM SIZES	83%	75%
ALL PLANS		
All Small Firms (3–199 Workers)	87%*	67%*
All Large Firms (200 or More Workers)	83*	77*
ALL FIRM SIZES	84%	73%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

EXHIBIT 6.14

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
Single Coverage								
HMO	16%	14%	18%	16%	17%	16%	16%	15%
PPO	13	14	13	16*	16	16	15	15
POS	15	14	13	16*	16	16	19	16
HDHP/SO	^	^	^	^	^	^	^	18
ALL PLANS	14%	14%	14%	16%	16%	16%	16%	16%
Family Coverage								
HMO	28%	26%	29%	27%	26%	29%	26%	28%
PPO	26	27	26	29*	28	27	25	26
POS	28	26	25	28	28	28	31	30
HDHP/SO	^	^	^	^	^	^	^	25
ALL PLANS	27%	26%	26%	28%	27%	28%	26%	27%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

^ Information was not obtained for HDHP/SOs prior to 2006.

EXHIBIT 6.15

Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Region, 2006

	Single Coverage	Family Coverage
HMO		
Northeast	81%*	77%*
Midwest	85	80*
South	85	69
West	88*	68
ALL REGIONS	85%	72%
PPO		
Northeast	82%	78%*
Midwest	85	78*
South	83	67*
West	90*	77
ALL REGIONS	85%	74%
POS		
Northeast	83%	74%
Midwest	86	77*
South	83	65*
West	86	69
ALL REGIONS	84%	70%
HDHP/SO		
Northeast	88%	77%
Midwest	80	79
South	79	70
West	NSD	NSD
ALL REGIONS	83%	75%
ALL PLANS		
Northeast	82%*	77%*
Midwest	85	78*
South	83*	67*
West	89*	73
ALL REGIONS	84%	73%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated region at $p < .05$.

NSD: Not Sufficient Data.

EXHIBIT 6.16

Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Industry, 2006

	Single Coverage	Family Coverage
HMO		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	81*	76
Transportation/Communications/Utilities	86	73
Wholesale	80*	72
Retail	82	64
Finance	83	69
Service	86	69
State/Local Government	90*	83*
Health Care	84	73
ALL INDUSTRIES	85%	72%
PPO		
Agriculture/Mining/Construction	83%	71%
Manufacturing	82*	79*
Transportation/Communications/Utilities	86	79
Wholesale	83	76
Retail	80*	68*
Finance	86	76
Service	83	69*
State/Local Government	94*	82*
Health Care	88*	78
ALL INDUSTRIES	85%	74%
POS		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	84	76*
Transportation/Communications/Utilities	NSD	NSD
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	NSD	NSD
Service	86	72
State/Local Government	89	73
Health Care	82	67
ALL INDUSTRIES	84%	70%

Continued on page 75

EXHIBIT 6.16 *Continued from page 74***Average Percentage of Premium Paid by Firm for Covered Workers, by Plan Type and Industry, 2006**

	Single Coverage	Family Coverage
HDHP/SO		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	79	77
Transportation/Communications/Utilities	NSD	NSD
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	NSD	NSD
Service	82	81
State/Local Government	NSD	NSD
Health Care	NSD	NSD
ALL INDUSTRIES	83%	75%
ALL PLANS		
Agriculture/Mining/Construction	84%	67%
Manufacturing	82*	78*
Transportation/Communications/Utilities	85	77*
Wholesale	83	74
Retail	79*	66*
Finance	85	74
Service	84	70*
State/Local Government	91*	80*
Health Care	87	76
ALL INDUSTRIES	84%	73%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated industry at $p < .05$.

NSD: Not Sufficient Data.

EMPLOYER HEALTH BENEFITS

2006 ANNUAL SURVEY

Employee Cost Sharing

SECTION

7

EMPLOYEE COST SHARING

WORKERS FACE MANY DIFFERENT FORMS OF COST SHARING. AS REPORTED IN SECTION 6, MORE THAN THREE-IN-FOUR WORKERS (77%) WITH SINGLE COVERAGE AND MORE THAN NINE-IN-TEN WORKERS (91%) WITH FAMILY COVERAGE CONTRIBUTE TO THEIR MONTHLY HEALTH INSURANCE PREMIUM. IN ADDITION, MANY COVERED WORKERS FACE COST SHARING SUCH AS DEDUCTIBLES, COPAYMENTS AND/OR COINSURANCE FOR PHYSICIAN OFFICE VISITS, HOSPITAL CARE, AND PRESCRIPTION DRUGS.

THIS YEAR WE HAVE REVISED AND EXPANDED REPORTING ON ENROLLEE COST SHARING IN SEVERAL AREAS. THE SURVEY CONTAINS ADDITIONAL INFORMATION ON PLAN DEDUCTIBLES AND PLAN OUT-OF-POCKET MAXIMUM AMOUNTS, AND NEW INFORMATION ABOUT COST SHARING RELATED TO OUTPATIENT SURGERY. THE CHANGES ARE DESCRIBED IN MORE DETAIL BELOW. IN SOME CASES, THE REVISED INFORMATION SHOWN THIS YEAR CANNOT BE COMPARED DIRECTLY TO PUBLISHED INFORMATION FROM PRIOR YEARS; NOTES ARE INCLUDED IN THE TEXT BELOW AND IN THE EXHIBITS IN THIS SECTION TO ALERT READERS OF COMPARABILITY ISSUES.

PLAN DEDUCTIBLES

- ▶ There are quite a few changes this year in the reporting of plan deductibles.¹ For single and family coverage, there are now exhibits that show the percentages of enrollees in plans with no general annual deductible as well as the percentage of enrollees in plans with no general annual deductible that face per-episode cost sharing when they are hospitalized or have outpatient surgery. For single coverage, we have added exhibits that show the average deductible amounts for enrollees in plans with a deductible, and information about whether the deductible applies to certain type of services (such as office visits). For family coverage, we now separately identify amounts for plans that have a general annual deductible that is an aggregate deductible (i.e., all covered expenses from family members count toward meeting an identified deductible amount) and for plans that require each family member to meet a separate deductible amount before the plan covers expenses for that member.² Generally, plans with separate, per-person family deductibles also limit the number of family members that are required to meet their deductible; for example, a plan may not require a third person in the family to meet a deductible before the plan will pay expenses for the person if two people in the family have already satisfied their deductible amounts. The survey reports the distribution of the number of family members subject to the deductible requirement for policies with separate family deductibles. The survey also shows, as we have in previous years, the distribution of enrollees with different deductible amounts.
- ▶ Substantial percentages of covered workers are in health plans with no general annual deductible, including most workers in HMO and POS plans and almost one-third of workers in PPO plans (Exhibit 7.1)
 - Many workers in plans with no general annual plan deductible face copayments or other charges when they are hospitalized or have outpatient surgery. For example, among workers with no general annual deductible who have single coverage, 60% of workers in HMOs, and 55% of workers in PPOs and POS plans face per-episode (or per diem) cost sharing when they are admitted to a hospital (Exhibit 7.2).

NOTE:

¹ Health plan deductibles for PPO, POS, and HDHP/SO plans are for in-network services.

² Less than two percent of firms with a deductible for family coverage do not have values imputed for whether the deductible is an aggregate or a separate per person deductible. Consequently, these firms are not included in the average separate and aggregate family deductible estimates.

- ▶ For covered workers in plans with a general annual plan deductible, the average plan deductible amounts for single coverage are \$352 in HMOs, \$473 in PPOs, \$553 in POS plans, and \$1,715 in HDHP/SOs. Within each plan type, covered workers in plans sponsored by small firms (3–199 workers) generally have higher deductibles for single coverage than covered workers employed in larger firms (Exhibit 7.3).
- Even when workers are subject to general annual plan deductibles, the deductibles may not apply to all covered services. Among covered workers in HMOs and PPOs with general plan deductibles, just over one-half are in plans where the general plan deductible does not apply to prescription drugs, and just under one-half are in plans that do not apply the deductible to preventive procedures (Exhibit 7.11).
- For covered workers in health plans that have an aggregate deductible for family coverage, the average plan deductible amounts are \$751 in HMOs, \$1,034 in PPOs, \$1,227 in POS plans, and \$3,511 in HDHP/SOs (Exhibit 7.8).
- For covered workers in health plans that have separate per-person deductible amounts for family coverage, the average plan deductible amounts are \$710 in PPOs, and \$992 in POS plans (Exhibit 7.8).³ The majority of covered workers in plans with separate deductible amounts for family coverage are in plans that limit the number of family members that must satisfy the deductible amount to three (Exhibit 7.9).

COST SHARING FOR PHYSICIAN OFFICE VISITS

- ▶ The vast majority of covered workers (82%) face a fixed dollar copayment rather than a percentage coinsurance (11%) when they visit a physician (Exhibit 7.14). Covered workers in HDHP/SOs, however, are more likely to be in a plan with coinsurance than a copayment for physician office visits (42% vs. 13%, respectively) (Exhibit 7.14).

- About three quarters of covered workers in plans with copayments for primary care physician office visits are in plans that require copayments between \$15 and \$25 per visit for in-network services (Exhibit 7.15).

HOSPITAL COST SHARING

- ▶ When admitted to a hospital, the majority of covered workers (51%) face cost sharing in various forms, such as a copayment, coinsurance, or a per diem charge (charge per day) (Exhibit 7.12). This separate hospital cost sharing is in addition to any general annual plan deductible, and the 51% estimate includes covered workers in plans that have general deductibles and in plans that do not. Among the types of cost sharing, fixed dollar amounts (deductibles or copayments) and coinsurance are about equally prevalent (Exhibit 7.12). On average across all plans, covered workers with deductibles or copayments for inpatient hospital admissions pay \$231 per hospital admission (Exhibit 7.13). Covered workers in plans with coinsurance for each hospital admission pay an average coinsurance rate of 17% (Exhibit 7.13). Two percent of covered workers face a per diem charge when admitted to a hospital (Exhibit 7.12).
- ▶ Forty-six percent of covered workers are in plans that have cost sharing for outpatient surgery (Exhibit 7.12). This separate cost sharing for outpatient surgery is in addition to any general annual plan deductible, and the estimate includes covered workers in plans that have general deductibles and in plans that do not. Among the types of cost sharing, fixed dollar amounts (deductibles or copayments) and coinsurance are about equally prevalent (Exhibit 7.12). The average fixed dollar amount (deductible or copayment) is \$133 and the average coinsurance rate is 17% (Exhibit 7.13).

NOTE:

³ There is insufficient data to report the average separate deductible amounts for HMOs and HDHP/SOs.

OUT-OF-POCKET MAXIMUM AMOUNTS

- ▶ Most covered workers are in a plan that partially or totally limits the cost sharing that a plan enrollee must pay in a year (Exhibit 7.18). These limits are generally referred to as out-of-pocket maximum amounts.
- ▶ This year the survey contains more information on out-of-pocket maximum plan provisions than it has in previous years.⁴ One addition is information on the types of out-of-pocket expenses that plans count when determining whether an enrollee has met the out-of-pocket maximum. For example, some plans count amounts that enrollees spend meeting the plan deductible, while others do not, effectively increasing the amount of cost sharing that enrollees need to pay before the plan pays all of the costs for covered services. Additionally, some plans do not count cost sharing for certain services, such as prescription drugs, in determining whether an enrollee has met the out-of-pocket maximum. Another change to the survey is the delineation of different types of out-of-pocket maximum provisions for family coverage plans. Similar to deductibles, some plans have an aggregate out-of-pocket maximum amount that applies to cost sharing for all family members, while others apply a per-family member out-of-pocket maximum that limits the amount of cost sharing that the family must pay on behalf of each family member.
- ▶ Twenty-one percent of covered workers with single coverage are enrolled in a plan that does not limit the amount of cost sharing that plan enrollees may have to pay (Exhibit 7.18). Workers in HMOs are more likely than workers in PPOs and HDHP/SOs to be in a plan without an out-of-pocket maximum. It should be noted, however, that many workers covered by HMOs are in plans with no general annual plan deductible and may not face significant cost sharing exposure under their plan.
- Fifty-four percent of covered workers in plans that have an out-of-pocket maximum are enrolled in plans that have an out-of-pocket maximum limit for single coverage of less than \$2,000 (Exhibit 7.20). As noted above, these reported limits may not apply to all required cost sharing under the plan, including plan deductibles.
- Exhibit 7.19 shows the percentage of covered workers in plans with out-of-pocket maximum limits that do not count specified cost sharing in determining whether an enrollee has met the out-of-pocket limit. For example, among covered workers in PPO plans that have an out-of-pocket maximum limit, almost 40% are in a plan that does not count amounts that the enrollee spends in meeting the overall plan deductible and over 80% are a plan that does not count cost sharing for prescription drug expenses when determining whether an enrollee has reached the out-of-pocket maximum.
- Looking at covered workers in plans that have an aggregate out-of-pocket maximum amount for family coverage, 55% are in plans that have an out-of-pocket maximum limit of less than \$4,000 (Exhibit 7.22).
- Looking at covered workers in plans that have a separate, per-person out-of-pocket maximum amount for family coverage, 48% are enrolled in plans that have an out-of-pocket maximum of less than \$3,000 (Exhibit 7.23). Plans with this structure usually have a limit on the number of family members that need to reach their separate out-of-pocket limit, after which the plan will consider the entire family as having met the out-of-pocket maximum under the plan. Exhibit 7.24 shows the percentage of covered workers in such plans based on the maximum number of family members that might have to meet their separate out-of-pocket maximum.

NOTE:

⁴ Out-of-pocket maximum amounts is a topic that the survey addresses periodically. We previously reported on this topic in 2005 and prior to that in 2003.

EXHIBIT 7.1

Percentage of Covered Workers With No General Annual Health Plan Deductible for Single and Family Coverage, by Plan Type and Firm Size, 2006

	Single Coverage	Family Coverage
HMO		
200–999 Workers	88%	87%
1,000–4,999 Workers	87	84
5,000 or More Workers	93*	93*
All Small Firms (3–199 Workers)	83%	86%
All Large Firms (200 or More Workers)	90%	89%
ALL FIRM SIZES	88%	88%
PPO		
200–999 Workers	27%	27%
1,000–4,999 Workers	34	33
5,000 or More Workers	31	31
All Small Firms (3–199 Workers)	31%	29%
All Large Firms (200 or More Workers)	31%	30%
ALL FIRM SIZES	31%	30%
POS		
200–999 Workers	60%	62%
1,000–4,999 Workers	55	60
5,000 or More Workers	85*	83*
All Small Firms (3–199 Workers)	65%	66%
All Large Firms (200 or More Workers)	72%	73%
ALL FIRM SIZES	68%	69%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within plan type from estimate for all other firms not in the indicated size category at $p < .05$.

Note: HDHP/SOs are not shown because all covered workers in these plans face a minimum deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA qualified HDHPs, the legal minimum deductible is \$1,050 for single coverage and \$2,100 for family coverage.

EXHIBIT 7.2

Among Covered Workers with No General Annual Plan Deductible for Single and Family Coverage, Percentage Who Have Hospital Cost Sharing, by Plan Type, 2006[†]

	Single Coverage	Family Coverage
Separate Cost Sharing for Each Hospital Admission		
HMO	60%	59%
PPO	55	55
POS	55	55
Separate Cost Sharing for Each Outpatient Surgery Episode		
HMO	50%	50%
PPO	42	43
POS	48	48

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

[†] Separate cost sharing for each hospital admission includes the following types: deductible or copayment only, coinsurance only, both copayment and coinsurance, either a copayment or coinsurance (whichever is greater), and a charge per day (per diem). Cost sharing for each outpatient surgery episode includes the following types: deductible or copayment only, coinsurance only, both copayment and coinsurance, and either a copayment or coinsurance, whichever is greater.

Note: HDHP/SOs are not shown because all covered workers in these plans face a minimum deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA qualified HDHPs, the legal minimum deductible is \$1,050 for single coverage and \$2,100 for family coverage.

EXHIBIT 7.3

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage,
Average Deductible, by Plan Type and Firm Size, 2006

	Single Coverage
HMO	
All Small Firms (3–199 Workers)	NSD
All Large Firms (200 or More Workers)	268
ALL FIRM SIZES	\$352
PPO	
All Small Firms (3–199 Workers)	\$673*
All Large Firms (200 or More Workers)	375*
ALL FIRM SIZES	\$473
POS	
All Small Firms (3–199 Workers)	\$677*
All Large Firms (200 or More Workers)	372*
ALL FIRM SIZES	\$553
HDHP/SO	
All Small Firms (3–199 Workers)	\$2,014*
All Large Firms (200 or More Workers)	1,441*
ALL FIRM SIZES	\$1,715

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

Note: Average health plan deductibles for PPO, POS, and HDHP/SO plans are for in-network services.

NSD: Not Sufficient Data.

EXHIBIT 7.4

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type and Region, 2006

	Single Coverage
HMO	
Northeast	NSD
Midwest	NSD
South	363
West	NSD
ALL REGIONS	\$352
PPO	
Northeast	\$383
Midwest	412*
South	547*
West	487
ALL REGIONS	\$473
POS	
Northeast	NSD
Midwest	681
South	573
West	NSD
ALL REGIONS	\$553
HDHP/SO	
Northeast	\$1,641
Midwest	1,593
South	1,776
West	NSD
ALL REGIONS	\$1,715

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all other firms not in the indicated region at $p < .05$.

Note: Average health plan deductibles for PPO, POS, and HDHP/SO plans are for in-network services.

NSD: Not Sufficient Data.

EXHIBIT 7.5

Among Covered Workers With a General Annual Health Plan Deductible for Single PPO Coverage, Distribution of Deductibles, 2000–2006

	\$1–\$499	\$500–\$999	\$1,000–\$1,999	\$2,000 or More
2000	86%	13%	1%	<1%
2001*	80	16	4	<1
2002*	77	16	5	2
2003*	69	20	9	2
2004	71	20	6	2
2005*	67	20	10	3
2006*	62	26	8	4

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

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

Note: Deductibles for PPO plans are for in-network services.

EXHIBIT 7.6

Among Covered Workers With a General Annual Deductible for Single POS Coverage, Distribution of Deductibles, 2000–2006

	\$1–\$499	\$500–\$999	\$1,000–\$1,999	\$2,000 or More
2000	74%	20%	7%	0%
2001	77	14	7	2
2002*	79	20	1	0
2003*	73	17	10	0
2004*	54	23	10	13
2005*	58	24	17	1
2006*	38	44	16	1

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

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

Note: Deductibles for POS plans are for in-network services.

EXHIBIT 7.7

Among Covered Workers with a General Annual Health Plan Deductible, Distribution of Type of Deductible for Family Coverage, by Plan Type and Firm Size, 2006**

	Aggregate Amount	Separate Amount per Person
HMO		
All Small Firms (3–199 Workers)	63%	37%
All Large Firms (200 or More Workers)	80%	20%
ALL FIRM SIZES	74%	26%
PPO		
All Small Firms (3–199 Workers)	71%	29%
All Large Firms (200 or More Workers)	72%	28%
ALL FIRM SIZES	71%	29%
POS		
All Small Firms (3–199 Workers)	76%	24%
All Large Firms (200 or More Workers)	75%	25%
ALL FIRM SIZES	76%	24%
HDHP/SO		
All Small Firms (3–199 Workers)	93%	7%
All Large Firms (200 or More Workers)	91%	9%
ALL FIRM SIZES	92%	8%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Tests found no statistical difference within plan type between distributions for All Small Firms and All Large Firms at $p < .05$.

* Less than two percent of firms who report having a deductible for family coverage do not have values imputed for whether the deductible is an aggregate or a separate per person deductible.

Note: For the first time this year, the survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

EXHIBIT 7.8

Among Covered Workers with a General Annual Health Plan Deductible, Average Deductibles for Family Coverage by Deductible Type, Plan Type, and Firm Size, 2006

	Aggregate Amount	Separate Amount per Person
HMO		
All Small Firms (3–199 Workers)	NSD	NSD
All Large Firms (200 or More Workers)	666	NSD
ALL FIRM SIZES	\$751	NSD
PPO		
All Small Firms (3–199 Workers)	\$1,439*	\$912
All Large Firms (200 or More Workers)	838*	610
ALL FIRM SIZES	\$1,034	\$710
POS		
All Small Firms (3–199 Workers)	\$1,499*	NSD
All Large Firms (200 or More Workers)	838*	NSD
ALL FIRM SIZES	\$1,227	\$992
HDHP/SO		
All Small Firms (3–199 Workers)	\$4,104*	NSD
All Large Firms (200 or More Workers)	2,965*	NSD
ALL FIRM SIZES	\$3,511	NSD

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

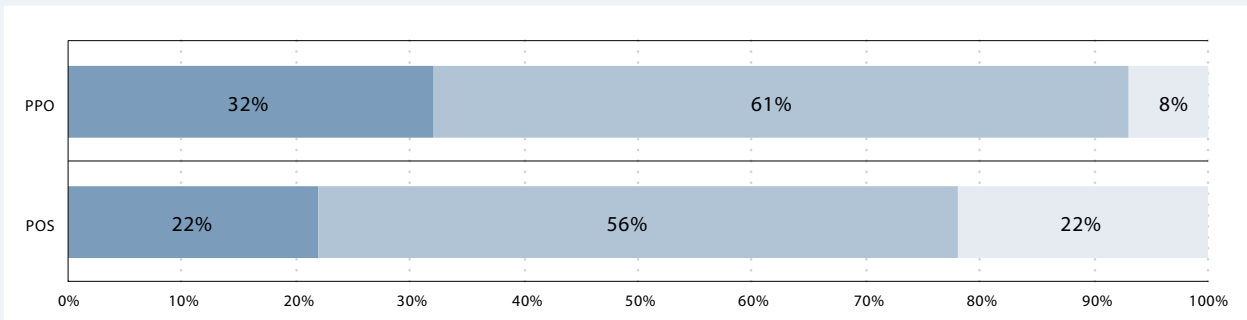
* Estimates are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

Note: Deductibles for PPO, POS, and HDHP/SO plans are for in-network services. For the first time this year, the survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

NSD: Not Sufficient Data.

EXHIBIT 7.9

Among Covered Workers With a Separate per Person General Annual Health Plan Deductible for Family Coverage, Maximum Number of Family Members Required to Meet the Deductible, by Plan Type, 2006



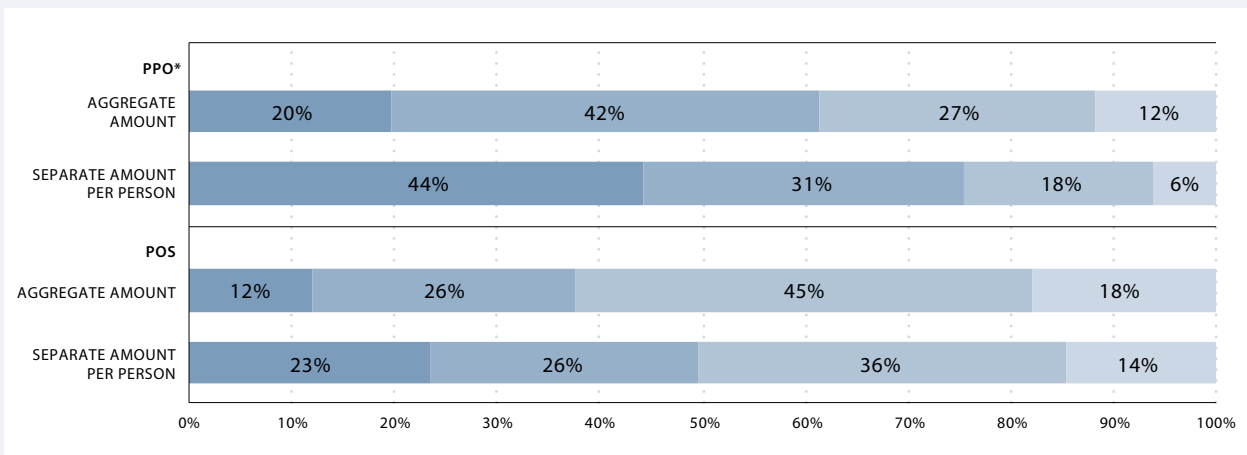
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: Distributions for HMO and HDHP/SO plans are not included because there were not sufficient data available. Deductibles are for in-network services. For the first time this year, the survey distinguished between family deductibles that are an aggregate amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

EXHIBIT 7.10

Among Covered Workers with a General Annual Health Plan Deductible for Family Coverage, Distribution of Deductibles for PPO and POS Plans, by Deductible Type, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distributions are statistically different within plan type at $p < .05$.

Note: Deductibles for PPO and POS plans are for in-network services. For the first time this year, the survey distinguished between plans that have an aggregate deductible amount in which all family members' out of pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

EXHIBIT 7.11

Among Covered Workers with a General Annual Health Plan Deductible, Percentage Whose Deductible Does Not Apply to Various Services, by Plan Type, 2006

	HMO	PPO	POS	HDHP/SO
Hospital Admissions	1%	4%	6%	^
Outpatient Hospital Procedures	5	5	3	^
Primary Care Visits	45	44	36	^
Specialty Care Visits	42	40	31	^
Preventive Procedures	48	47	27	88
Prescription Drugs	53	51	37	43 [§]

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

^ HDHP/SOs were not asked these questions with two exceptions: HDHP/SOs were asked about preventive procedures and HDHP/HRAs were asked about prescription drugs. HDHP qualified HSAs are required by law to apply the plan deductible to nearly all services.

§ Percentage is for covered workers in HDHP/HRAs only.

Note: These questions refer to payments made for specific services that do not count toward a worker's annual deductible. For example, if a worker has a deductible of \$500, an office visit copayment of \$15 would not be included in meeting the deductible. These questions are asked for single coverage only. We make the assumption that they apply to workers enrolled in family coverage as well. For PPO, POS, and HDHP/SO plans, we ask about deductibles for in-network services.

Errata: In Figure 7.11, the percentage of covered workers in HDHP/SOs whose deductible does not apply to preventive benefits is 88% rather than the 22% previously reported; similarly, the percentage of covered workers in HDHP/HRAs whose deductible does not apply to prescription drugs is 43% rather than the 57% previously indicated.

EXHIBIT 7.12

Distribution of Covered Workers With the Following Types of Cost Sharing in Addition to Any General Annual Deductible, by Plan Type, 2006

	Deductible or Copay Only	Coinsurance Only	Both Copay and Coinsurance [‡]	Charge Per Day	None
Separate Cost Sharing for Each Hospital Admission					
HMO*	45%	7%	2%	4%	42%
PPO*	19	26	3	<1	52
POS*	32	17	4	2	45
HDHP/SO*	1	33	2	<1	64
ALL PLANS	25%	22%	3%	2%	49%
Separate Cost Sharing for Each Outpatient Surgery					
HMO*	41%	7%	1%	NA	51%
PPO*	11	30	2	NA	56
POS*	27	16	4	NA	52
HDHP/SO*	4	30	2	NA	65
ALL PLANS	20%	24%	2%	NA	54%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

[‡] This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

NA: Not applicable. The survey did not offer "Charge Per Day" (per Diem) as a response option for questions about separate cost sharing for each outpatient surgery episode.

EXHIBIT 7.13

Among Covered Workers With Separate Cost Sharing for Each Hospital Admission or Each Outpatient Surgery, Average Cost Sharing, by Plan Type, 2006

	Average Deductible/Copay	Average Coinsurance	Charge Per Day
Separate Cost Sharing for Each Hospital Admission			
HMO	\$233	15%	NSD
PPO	238	17	NSD
POS	269	19*	NSD
HDHP/SO	NSD	14	NSD
ALL PLANS	\$231[‡]	17%	\$170[‡]
Separate Cost Sharing for Each Outpatient Surgery			
HMO	\$118	15%	NA
PPO	144	17	NA
POS	191	18	NA
HDHP/SO	NSD	15	NA
ALL PLANS	\$133[‡]	17%	NA

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

[‡] The averages for 'All Plans' were calculated without data from HDHP/SO plans due to insufficient observations in that plan type.

NSD: Not Sufficient Data.

NA: Not applicable. The survey did not offer "Charge Per Day" (per Diem) as a response option for questions about separate cost sharing for each outpatient surgery episode.

EXHIBIT 7.14

Percentage of Covered Workers With the Following Types of Cost Sharing for Physician Office Visits, 2006

	Copay Only	Coinsurance Only	Both Copay and Coinsurance [‡]	Neither
HMO*	95%	1%	0%	4%
PPO*	78	15	1	6
POS*	94	1	1	5
HDHP/SO*	13	42	0	44
ALL PLANS	82%	11%	1%	7%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

[‡] This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

Note: For PPO, POS, and HDHP/SO plans, the survey asked specifically about cost sharing for in-network providers.

EXHIBIT 7.15

Among Covered Workers With Copayments for A Physician Office Visit with Primary Care Physician, Distribution of Copayments, by Plan Type,[†] 2004–2006

	\$5 Per Visit	\$10 Per Visit	\$15 Per Visit	\$20 Per Visit	\$25 Per Visit	\$30 Per Visit	Other
HMO							
2004	3%	28%	40%	22%	3%	3%	1%
2005*	5	23	34	27	6	4	1
2006	3	21	37	25	8	5	2
PPO							
2004	1%	17%	35%	28%	11%	4%	3%
2005*	<1	16	25	34	15	5	4
2006	<1	12	25	35	17	7	3
POS							
2004	3%	17%	34%	36%	8%	<1%	1%
2005*	2	16	35	30	11	6	1
2006*	2	22	26	27	16	6	<1
ALL PLANS							
2004	1%	19%	37%	27%	9%	3%	3%
2005*	2	17	29	32	12	5	3
2006	2	15	28	32	15	6	3

SOURCE

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2004–2006.

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

[†] HDHP/SOs are not shown since information was not obtained for HDHP/SOs prior to 2006. In 2006, there is insufficient data to report the results.

Note: Copayments for PPO, POS, and HDHP/SO plans are for in-network providers. The survey has asked specifically about copayments for primary care physicians since 2005.

EXHIBIT 7.16

Among Covered Workers in HMOs With A Copayment for A Physician Office Visit, Percentage with Various Copayments, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
\$5 Per Visit	23%	22%	15%*	7%*	4%	3%	5%	3%
\$10 Per Visit	60	54	56	52	35*	28	23	21
\$15 Per Visit	12	16	22*	27	37*	40	34	37
\$20 Per Visit	1	3	3	11*	12	22*	27	25
Other	3	6	4	3	12*	7	11	15

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Note: In 2005 and 2006, the survey asked about primary care physicians (if the copayments were different for specialist care). This distinction was not made prior to 2005.

EXHIBIT 7.17

Among Covered Workers With Coinsurance for Physician Office Visits, Distribution of Average Coinsurance Rates, by Plan Type, 2006

	10% or 15%	20% or 25%	30% or 35%	40% or 45%	Other
COINSURANCE RATES					
PPO In-Network Provider	28%	68%	4%	0%	0%
PPO Out-of-Network Provider	2	28	32	27	11
POS Out-of-Network Provider	2	34	29	26	8
HDHP/SO	60	34	6	0	0

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: HMO and in-network POS coinsurance rates are not shown because fewer than 2% of covered workers in the former and 1% of covered workers in the latter face coinsurance for office visits. For PPOs and POS plans, the survey asked about coinsurance rates for both in-network and out-of-network providers. For HDHP/SO plans, the survey asked only about rates for in-network providers. For HMOs, the distinction is not applicable.

EXHIBIT 7.18

Percentage of Covered Workers With "No Limit" for Annual Out-of-Pocket Maximum, 2006

	Single Coverage	Family Coverage
HMO	40%*	42%*
PPO	15*	15*
POS	34*	33*
HDHP/SO	NA	NA
ALL PLANS	21%	22%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

NA: Not Applicable. HSA qualified HDHPs are required to have an annual maximum out-of-pocket liability of no more than \$5,250 for single coverage and \$10,500 for family coverage. HDHP/HRAs have no such requirement and the percentage of covered workers in HDHP/HRAs with "No Limit" for annual out-of-pocket maximum for single and family coverage is 3% and 3%, respectively.

EXHIBIT 7.19

Among Covered Workers with an Annual Out-of-Pocket-Maximum, Percentage Whose Out-of-Pocket Maximum Does Not Include Spending for Various Services, by Plan Type, 2006

	HMO	PPO	POS	HDHP/SO [‡]
Overall Plan Deductible	39%	39%	32%	21%
Any Additional Plan Deductibles	62	58	51	57
Office Visit Copayments	41	73	54	NSD
Office Visit Coinsurance	NSD	9	NSD	4
Prescription Drug Cost Sharing	63	83	73	33

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

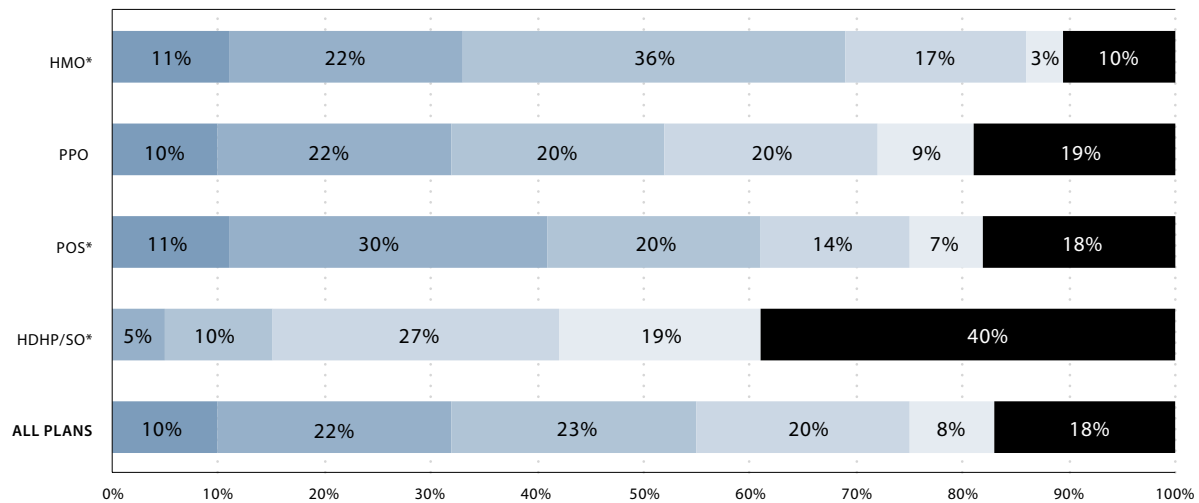
[‡] Among HDHP/SO plans, questions other than "overall plan deductible" were asked only of HDHP/HRAs and not of HSA qualified HDHPs. HSA qualified HDHPs are required to apply most cost sharing to the out-of-pocket maximum. When HDHP/HRAs are considered exclusively, among covered workers with an annual out-of-pocket maximum, the percentage whose out-of-pocket maximum does not include certain services is as follows: any additional plan deductibles is 61%, office visit coinsurance is 5%, and prescription drug cost sharing is 33%.

NSD: Not Sufficient Data.

Note: Does not include covered workers with "no limit" specified under the plan out-of-pocket maximum. These questions are asked about covered workers with single coverage, and we make the assumption that they apply to workers enrolled in family coverage as well.

EXHIBIT 7.20

Distribution of Covered Workers with an Out-of-Pocket Maximum for Single Coverage, by Amount and Plan Type, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts.



EXHIBIT 7.21

Distribution of Type of Out-of-Pocket Maximum for Workers with Family Coverage, by Plan Type and Firm Size, 2006

	No Limit	Aggregate Amount	Separate Amount per Person
HMO			
All Small Firms (3–199 Workers)	33%	57%	10%
All Large Firms (200 Or More Workers)	46	44	11
ALL FIRM SIZES	42%	48%	10%
PPO			
All Small Firms (3–199 Workers)*	22%	66%	13%
All Large Firms (200 Or More Workers)*	12	67	21
ALL FIRM SIZES	15%	67%	18%
POS			
All Small Firms (3–199 Workers)	34%	59%	7%
All Large Firms (200 Or More Workers)	32	49	19
ALL FIRM SIZES	33%	54%	13%
HDHP/SO†			
All Small Firms (3–199 Workers)	3%	88%	9%
All Large Firms (200 Or More Workers)	<1	88	12
ALL FIRM SIZES	2%	88%	10%
ALL FIRMS			
All Small Firms (3–199 Workers)*	25%	64%	11%
All Large Firms (200 Or More Workers)*	20	62	18
ALL FIRM SIZES	22%	63%	16%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

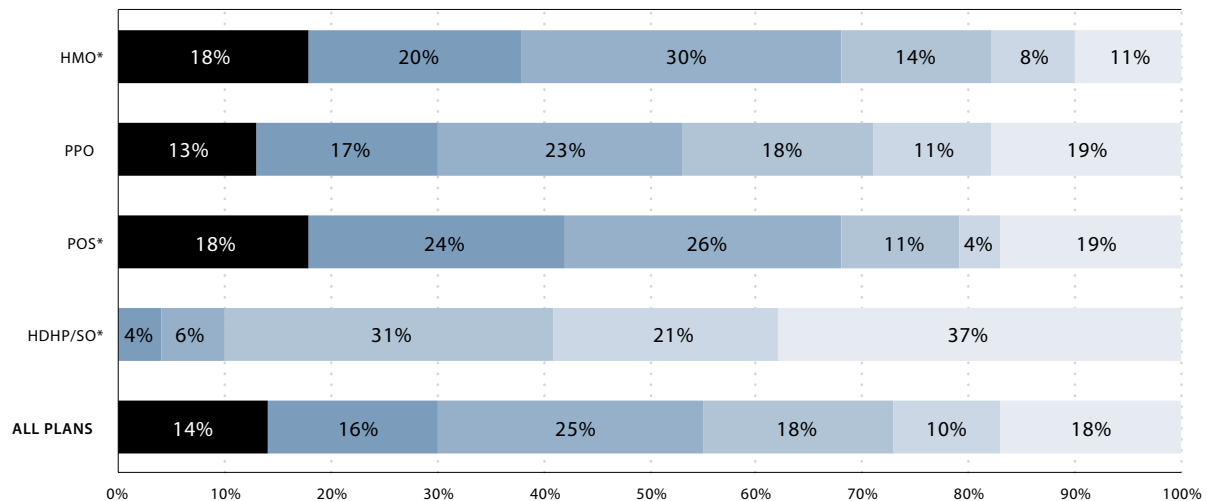
* Distributions are statistically different within plan type between All Small Firms and All Large Firms at $p < .05$.

† HSA qualified HDHPs are required to have an annual maximum out-of-pocket liability of no more than \$5,250 for single coverage and \$10,500 for family coverage. When they are excluded from the calculation, the distribution of type of out-of-pocket maximum for HDHP/HRAs only is as follows: All Small Firms—13% No Limit, 56% Aggregate Amount, and 31% Separate Amount per Person; All Large Firms—<1% No Limit, 85% Aggregate Amount, and 14% Separate Amount per Person; All Firm Sizes—3% No Limit, 78% Aggregate Amount, and 18% Separate Amount per Person.

Note: For the first time this year, the survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members.

EXHIBIT 7.22

Distribution of Covered Workers with an Aggregate Amount for Out-of-Pocket Maximum for Family Coverage, by Amount and Plan Type, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts. For the first time this year, the survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members.

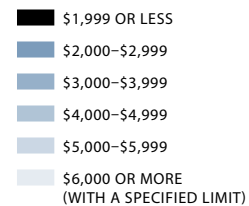
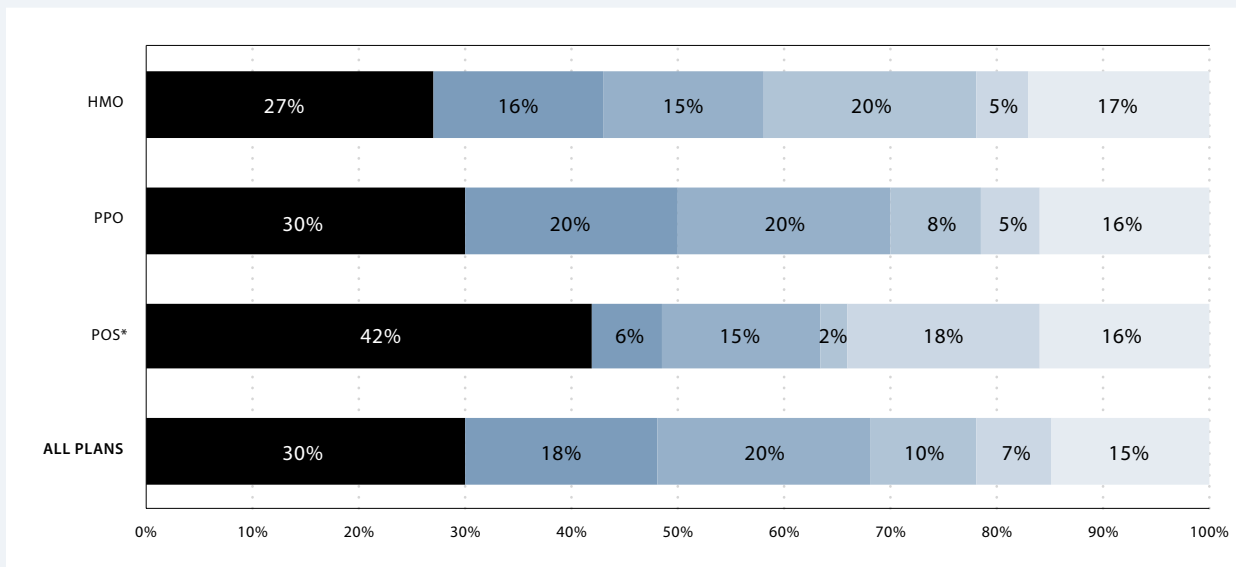


EXHIBIT 7.23

Distribution of Covered Workers with a Separate per Person Amount for Out-of-Pocket Maximum for Family Coverage, by Amount and Plan Type, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts. Distribution for out-of-pocket maximum for HDHP/SO plans is not shown due to an insufficient number of observations.

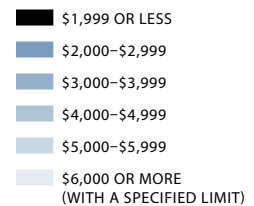
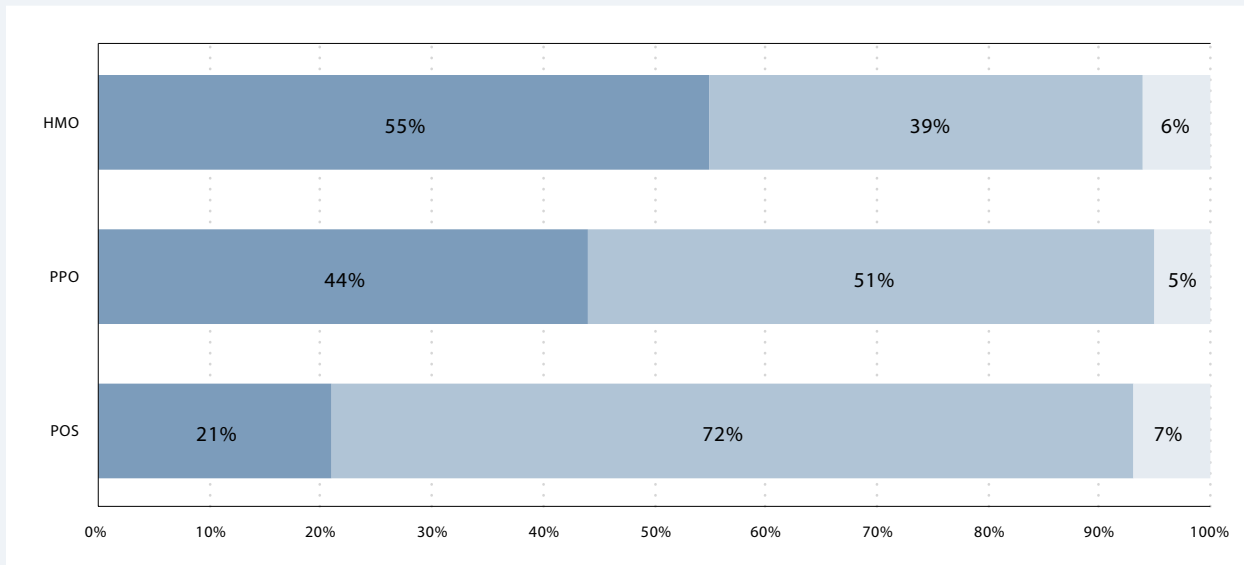


EXHIBIT 7.24

Among Covered Workers with a Separate per Person Out-of-Pocket Maximum for Family Coverage, Maximum Number of Family Members Required to Meet the Maximum, by Plan Type, 2006



SOURCE:

Kaiser/HRET Survey of Employee-Sponsored Health Benefits, 2006.

Note: The distribution for HDHP/SOs is not shown due to an insufficient number of observations. For the first time this year, the survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate out-of-pocket maximum that applies to spending by each family member or a limited number of family members.

■ TWO
■ THREE
■ FOUR OR MORE

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

High Deductible Health Plans with Savings Options

SECTION

8

HIGH DEDUCTIBLE HEALTH PLANS WITH SAVINGS OPTIONS

RECENT CHANGES IN LAW HAVE PERMITTED THE ESTABLISHMENT OF NEW TYPES OF SAVINGS ARRANGEMENTS FOR HEALTH CARE. THE TWO MOST COMMON ARE HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs) AND HEALTH SAVINGS ACCOUNTS (HSAs). HRAs AND HSAs ARE BOTH FINANCIAL ACCOUNTS THAT WORKERS OR OTHER INDIVIDUALS CAN USE TO PAY FOR HEALTH CARE SERVICES.

THIS YEAR WE HAVE ADDED HIGH DEDUCTIBLE HEALTH PLANS WITH A SAVINGS OPTION, OR HDHP/SOs, AS A DISTINCT PLAN TYPE IN THE SURVEY. HDHP/SOs INCLUDE (1) HEALTH PLANS WITH A DEDUCTIBLE OF AT LEAST \$1,000 FOR SINGLE COVERAGE AND \$2,000 FOR FAMILY COVERAGE¹ OFFERED WITH AN HRA (REFERRED TO AS HDHP/HRAs); AND (2) HIGH DEDUCTIBLE HEALTH PLANS THAT MEET THE FEDERAL LEGAL REQUIREMENTS TO PERMIT AN ENROLLEE TO ESTABLISH AND CONTRIBUTE TO AN HSA (REFERRED TO AS HSA QUALIFIED HDHPs).²

SEVEN PERCENT OF FIRMS OFFERING HEALTH BENEFITS OFFER AN HDHP/HRA, AN HSA QUALIFIED HDHP, OR BOTH IN 2006. AMONG FIRMS OFFERING HEALTH BENEFITS, 1% OFFER AN HDHP/HRA AND 6% OFFER AN HSA QUALIFIED HDHP. WE ESTIMATE THAT 2.7 MILLION WORKERS ARE ENROLLED IN HDHP/SOs IN 2006, WITH 1.4 MILLION WORKERS ENROLLED IN HSA QUALIFIED HDHPs AND 1.3 MILLION WORKERS ENROLLED IN HDHP/HRAs.

EACH SECTION OF THE REPORT NOW INCLUDES INFORMATION, WHERE SAMPLE SIZE PERMITS, ABOUT HDHP/SOs AS A DISTINCT PLAN TYPE. IN THIS SECTION, INFORMATION IS PRESENTED SEPARATELY FOR HDHP/HRAs AND HSA QUALIFIED HDHPs, INCLUDING PREMIUMS, WORKER CONTRIBUTIONS TO THE SPENDING ACCOUNTS, FIRM CONTRIBUTIONS TO THE HRAs AND HSAs, AND THE DISTRIBUTION OF COVERED WORKERS WITH VARIOUS DEDUCTIBLES FOR SINGLE AND FAMILY COVERAGE.

PERCENTAGE OF FIRMS OFFERING HDHP/HRAs AND HSA QUALIFIED HDHPs, AND ENROLLMENT

- ▶ Seven percent of firms offering health benefits offer an HDHP/HRA, an HSA qualified HDHP, or both in 2006 (Exhibit 8.1). This is a higher percentage than we reported for 2005 (4%), but the difference is not statistically significant.
- Among firms offering health benefits, 1% offer an HDHP/HRA and 6% offer an HSA qualified HDHP (Exhibit 8.1). Firms with 1,000 or more workers are more likely (12%) than firms with 3 to 999 workers (6%) to offer an HSA qualified HDHP (Exhibit 8.2). The 12% of firms with 1,000 or more workers offering HSA qualified HDHPs is an increase from last year (4%). There are too few observations to look at firms offering HDHP/HRAs by firm size.
- ▶ We estimate that 2.7 million workers are enrolled in HDHP/SOs in 2006, with 1.4 million workers enrolled in HSA qualified HDHPs and 1.3 million workers enrolled in HDHP/HRAs.

NOTE:

¹ There is no legal requirement for the minimum deductible in a plan offered with an HRA. The survey defines a high deductible plan as a plan with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage.

² The definitions of HDHP/SOs do not include other consumer-directed plan options, such as arrangements that combine an HRA with a lower-deductible health plan or arrangements in which an insurer (rather than the employer as in the case of HRAs or the enrollee as in the case of HSAs) establishes an account for each enrollee. Other arrangements may be included in the survey as the market evolves.

HRAs are medical care reimbursement plans established by employers that can be used by employees to pay for health care. HRAs are funded solely by employers. Employers typically commit to make up to a specified amount of money available in the HRA for premiums and medical expenses incurred by employees or their dependents. HRAs are accounting devices, and employers are not required to expend funds until an employee incurs expenses that would be covered by the HRA. Unspent funds in the HRA usually can be carried over to the next year (sometimes with a limit). Employees cannot take their HRA balances with them if they leave their job, although an employer can choose to make the remaining balance available to former employees to pay for health care.

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

HSAs are savings accounts created by individuals to pay for health care. An individual may establish an HSA if he or she is covered by a “qualified health plan” which is a plan with a high deductible

(i.e., a deductible of at least \$1,050 for single coverage and \$2,100 for family coverage in 2006) that also meets other requirements. Employers can encourage their employees to create HSAs by offering an HDHP that meets federal requirements.¹ Employers in some cases also may assist their employees by identifying HSA options, facilitating applications, or negotiating favorable fees from HSA vendors.

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

¹ See IRS Publication 969 (2005) *Health Savings Accounts and Other Tax-Favored Health Plans*.

- The estimate of workers enrolled in an HSA qualified HDHP is higher than the 0.8 million enrollees we reported for 2005.³
- ▶ Forty percent of workers covered by a HDHP/SO are in firms where 100% of covered workers in the firm are enrolled in the HDHP/SO. When firms offer an HDHP/SO and at least one other plan type, an average of 19% of covered workers in those firms are enrolled in the HDHP/SO.

DEDUCTIBLE LEVELS AND OUT-OF-POCKET LIMITS

- ▶ Average general annual deductibles in these arrangements, as expected, are relatively high when

compared to the average annual deductibles for health plans generally.

- The average general annual deductible for single coverage is \$1,442 in HDHP/HRAs and \$2,011 in HSA qualified HDHPs (Exhibit 8.3). However, there is variation around these averages, particularly in the case of HSA qualified HDHPs, where 30% of covered workers are in a plan with a deductible amount between \$1,050 and \$1,499 and 63% of covered workers are in a plan with a deductible of \$2,000 or more (Exhibit 8.5). Seventy-four percent of workers enrolled in HDHP/HRAs and 82% of workers enrolled in HSA qualified HDHPs are in a plan that does not

NOTE:

³ Because we did not distinguish HDHP/SOs as a separate plan type last year, we are unable to calculate a standard error for last year's estimated enrollment to test for statistical significance. As an alternative to the two sample t-test, we used a one sample t-test on 2006 estimates and find that enrollment in HSA qualified HDHPs is higher in 2006 than in 2005 ($p=.0127$). The one sample t-test is slightly less reliable, however, than the two sample t-test we ordinarily use.

require the deductible to be met before the plan pays for covered preventive services.

- This year the survey was modified to collect additional information about family general annual deductible amounts. The survey asks employers whether the family deductible amount is (1) an aggregate amount (i.e., the out-of-pocket expenses of all family members are counted until the deductible is satisfied), or (2) a per person amount that applies to each family member (typically with a limit on the number of family members that would be required to meet the deductible amount). Due to this change, the amounts reported this year for family deductibles are not directly comparable to the amounts reported in 2005.
 - Average aggregate deductibles for family coverage are \$2,985 for HDHP/HRAs and \$4,008 for HSA qualified HDHPs (Exhibit 8.3). As with deductibles for single coverage, there is substantial variation among covered workers for their family coverage deductibles. Twenty-nine percent of covered workers in HSA qualified HDHPs have aggregate family deductibles between \$2,100 and \$2,999 and 38% have family aggregate deductibles of \$5,000 or more (Exhibit 8.7).
 - ▶ HSA qualified HDHPs are legally required to have a maximum out-of-pocket liability of \$5,250 for single coverage and \$10,500 for family coverage, while HDHP/HRAs have no such requirement.
 - The survey collected out-of-pocket maximum liability data differently than in previous years. As with deductibles, the survey asks employers whether the family out-of-pocket maximum liability is (1) an aggregate amount that applies to spending by any covered person in the family, or (2) a separate per person amount that applies to spending by each family member or a limited number of family members. The survey also asks whether the value reported for the out-of-pocket maximum includes the plan deductible. Because of these changes, the amounts reported this year for family out-of-pocket maximums are not directly comparable to the amounts reported in 2005.
 - The average out-of-pocket maximum for covered workers in HDHP/HRAs with single coverage is \$2,693, which is not significantly different from the average of \$3,172 for HSA qualified HDHPs.
- Among those with family coverage who reported their out-of-pocket maximum as an aggregate amount that applies to spending by any covered person in the family, the average amounts are \$5,230 and \$6,017 respectively (Exhibit 8.3).
- Only four percent of covered workers in HSA qualified HDHPs are in firms who report that the general annual deductible is not included in the out-of-pocket maximum, while 38% of covered workers in HDHP/HRAs work in firms who report that the deductible is not included in the out-of-pocket maximum.

PREMIUMS

- ▶ Average annual premiums for HDHP/HRAs are \$3,666 for single coverage and \$10,482 for family coverage (Exhibit 8.3). The HDHP/HRA premium amount for single coverage is lower than the single premium amounts for other health plan types. For family coverage, the HDHP/HRA premium amount is lower than the family premium for PPOs, but the differences between the HDHP/HRA family premium and the family premiums for HMOs and POS plans are not statistically significant.
- ▶ Average annual premiums for HSA qualified HDHPs are \$3,176 for single coverage and \$8,515 for family coverage (Exhibit 8.3). These premium amounts are lower than the single and family premiums for other plan types.

WORKER CONTRIBUTIONS TO PREMIUMS

- ▶ The average annual worker premium contribution for single coverage is \$664 in HDHP/HRAs and \$467 in HSA qualified HDHPs (Exhibit 8.3). Differences between these amounts and the average worker premium contributions for single coverage in other plan types are not statistically significant.
- ▶ The average annual worker premium contribution for family coverage is \$2,420 in HDHP/HRAs and \$2,115 in HSA qualified HDHPs (Exhibit 8.3). Worker contributions for family coverage in HSA qualified HDHPs are lower than worker contributions for other plan types. For HDHP/HRAs, the average worker contribution is lower than the average worker contribution for family coverage in HMO and POS plans; the difference between the worker contribution for family coverage in HDHP/HRAs and the average worker contribution for PPO plans is not statistically significant.

EMPLOYER CONTRIBUTIONS TO PREMIUMS

- ▶ Employers contribute to HDHP/SOs in two ways: through their contributions toward the premium for the health plan and through their contribution (if any in the case of HSAs) to the savings account option (i.e., the HRAs or HSAs themselves).
- Looking just at annual employer contributions to the premiums for HDHP/SOs, covered workers in HDHP/HRAs on average have an employer that contributes \$3,003 towards the premium for single coverage and \$8,062 towards the premium for family coverage (Exhibit 8.4). The average amount contributed by employers for single coverage in HDHP/HRAs is significantly lower than average amount contributed by employers for single coverage in HMOs, PPOs and POS plans; differences in the amounts that employers contribute for family coverage in HDHP/HRAs and other plan types are not statistically significant.
- In the case of employer contributions toward the premiums for HSA qualified HDHPs, covered workers in HSA qualified HDHPs on average have an employer that contributes \$2,709 towards the premium for single coverage and \$6,400 towards the premium for family coverage (Exhibit 8.4). These amounts are significantly lower than the amounts contributed by employers for single or family coverage for HMOs, PPOs and POS plans.
- For single coverage, the difference in the average amounts contributed by employers towards HDHP/HRA and HSA qualified HDHP premiums is not statistically significant. For family coverage, the average amount contributed by employers for HSA qualified HDHPs is significantly lower than the average amount contributed for HDHP/HRAs (Exhibit 8.4).
- ▶ On average, workers enrolled in an HDHP/HRA receive an annual employer contribution to their HRA of \$797 for single coverage and \$1,584 for family coverage. Workers enrolled in HSA qualified HDHPs on average receive an employer contribution to their HSA of \$689 for single coverage and \$1,139 for family coverage. When employer contributions to the savings account options (i.e., the HRAs and HSAs themselves) are added to their health plan premium contributions, the average amounts that employers contribute for covered workers in HDHP/HRAs are \$3,800 for single coverage and \$9,646 for

family coverage, and the average amounts that employers contribute for covered workers in HSA qualified HDHPs are \$3,398 for single coverage and \$7,539 for family coverage (Exhibit 8.4). There are important caveats, however, for interpreting these averages.

- In looking at total employer contributions to HDHP/HRAs, we note that HRAs are structured in such a way that employers may not actually spend the whole amount that they make available to their employees' HRAs.⁴ Funds the employee does not use generally roll over and can be used in future years, but any balance may revert back to the employer if the employee leaves his or her job. Thus, the employer contribution amounts to HRAs that we capture in the survey may exceed the amount that employers will actually spend.
- In looking at total employer contributions to HSA qualified HDHPs, we note that 37% of employers offering HSA qualified HDHPs (covering 30% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish. The averages that we show include the large portion of covered workers whose employer contribution to the HSA is zero. When those firms that do not contribute to the HSA are excluded from the calculation, the average employer contribution for covered workers is \$988 for single coverage and \$1,632 for family coverage. The total employer contribution for HSA qualified HDHP family coverage is significantly lower than the employer contribution for POS family coverage.

FUTURE PLANS

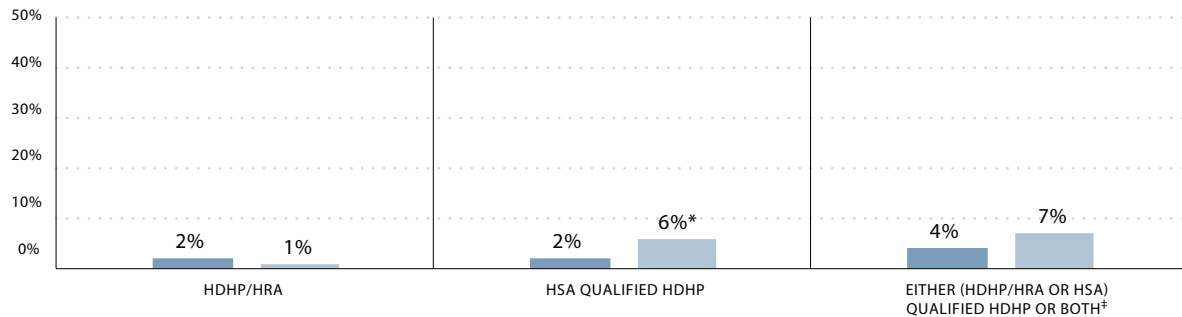
- ▶ There is interest among firms in offering HDHP/HRAs and HSA qualified HDHPs in the next year.
- Six percent of firms not currently offering an HDHP/HRA report that they are "very likely" to offer an HDHP/HRA in the next year, and another 18% of such firms report that they are "somewhat likely" to do so (Exhibit 8.12). Among firms not currently offering a HSA qualified HDHP, 4% say that they are "very likely" to do so next year and another 19% say that they are "somewhat likely" to offer such a plan. Firms with 5,000 or more workers are more likely than other firms to say that they are "very likely" to offer an HSA qualified HDHP next year (Exhibit 8.13).

NOTE:

⁴ In the survey, we ask firms, "Up to what dollar amount does your firm promise to contribute each year to an employee's HRA?" We refer to the amount that the employer commits to make available to an HRA as a contribution for ease of discussion. As discussed, HRAs are notional accounts and employers are not required to actually transfer funds until an employee incurs expenses. Thus, employers may not expend the entire amount that they make available to their employees through an HRA.

EXHIBIT 8.1

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2006.

■ 2005
■ 2006

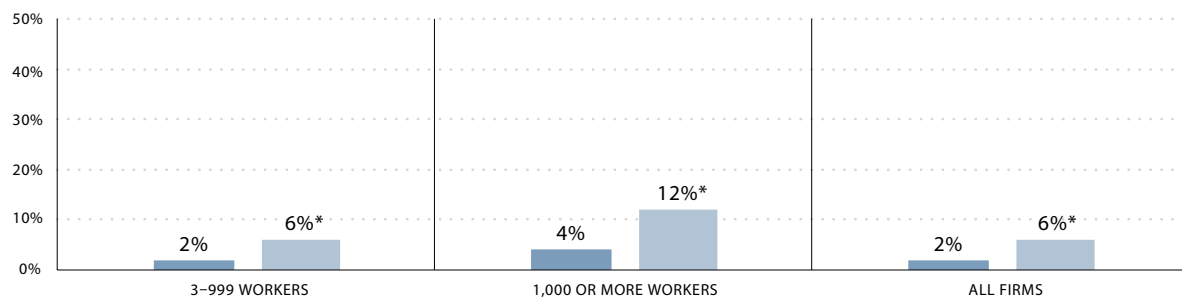
* Estimate is statistically different from estimate for the previous year shown at $p < .05$.

† The 2006 estimate includes 0.4% of all firms offering health benefits that offer both an HDHP/HRA and an HSA qualified HDHP. The comparable percentage for 2005 is 0.3%.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8.

EXHIBIT 8.2

Among Firms Offering Health Benefits, Percentage That Offer an HSA Qualified HDHP, by Firm Size, 2005–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2006.

■ 2005
■ 2006

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

Note: For the definition of HSA qualified HDHPs, see the introduction to Section 8.

EXHIBIT 8.3

HDHP/HRA and HSA Qualified HDHP Features, 2006

Annual Plan Averages for:	HDHP/HRA		HSA Qualified HDHP	
	Single	Family	Single	Family
Premium	\$3,666	\$10,482	\$3,176	\$8,515
Worker Contribution to Premium	\$664	\$2,420	\$467	\$2,115
Deductible [‡]	\$1,442	\$2,985	\$2,011	\$4,008
Out-of-Pocket Maximum Liability [‡]	\$2,693	\$5,230	\$3,172	\$6,017

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

[‡] Three percent of workers enrolled in HDHP/HRAs have employers that reported no out-of-pocket maximum for both single and family coverage. These workers are excluded from the HDHP/HRA out-of-pocket maximum liability calculation. The deductible and out-of-pocket maximum averages shown for both the HDHP/HRA and the HSA qualified HDHP for family coverage are for covered workers whose firms report that they face an aggregate amount. Among covered workers in HDHP/HRAs, 14% are in plans whose family deductible is a separate per person amount and 18% report that the family amount for out-of-pocket maximum is a separate per person amount. Among covered workers in HSA qualified HDHPs, the percentages are 3% for deductibles and 3% for out-of-pocket maximum.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8.

EXHIBIT 8.4

Average Annual Premiums and Contributions to Spending Accounts For Covered Workers, HDHP/HRA and HSA Qualified HDHP, 2006

	HDHP/HRA		HSA Qualified HDHP	
	Single	Family	Single	Family
Total Annual Premium	\$3,666	\$10,482	\$3,176	\$8,515
Worker Contribution to Premium	\$664	\$2,420	\$467	\$2,115
Firm Contribution to Premium	\$3,003	\$8,062	\$2,709	\$6,400
Annual Firm Contribution to the HRA or HSA[‡]	\$797	\$1,584	\$689	\$1,139
Total Annual Firm Contribution (Firm Share of Premium Plus Firm Contribution to HRA or HSA)	\$3,800	\$9,646	\$3,398	\$7,539
Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)	\$4,464	\$12,065	\$3,865	\$9,654

SOURCE:

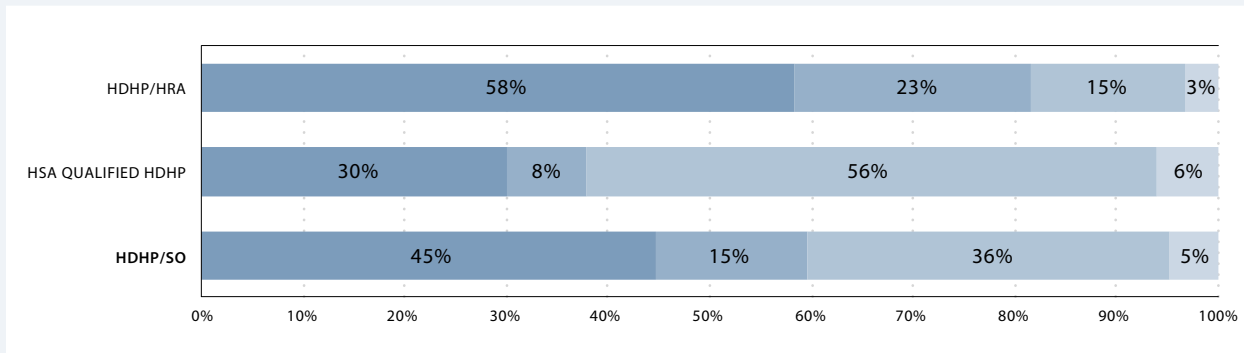
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

[‡] When those firms that do not contribute to the HSA are excluded from the calculation, the average firm contribution to the HSA for covered workers is \$988 for single coverage and \$1,632 for family coverage.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. Values shown in the table may not equal the sum of their component parts. The averages presented in the table are aggregated at the firm level and then averaged, which is methodologically more appropriate than adding the averages. This is relevant for Total Annual Premium, Total Annual Firm Contribution, and Total Annual Spending.

EXHIBIT 8.5

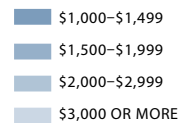
Distribution of Covered Workers with the Following General Annual Deductible Amounts for Single Coverage, HDHP/HRA and HSA Qualified HDHP, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006

Note: For definitions of HDHP/HRA's and HSA qualified HDHPs, see the introduction to Section 8.

**EXHIBIT 8.6**

Among Covered Workers, Distribution of Type of General Annual Deductible for Family Coverage, HDHP/HRA and HSA Qualified HDHP, 2006

	Aggregate Amount	Separate Amount per Person
HDHP/HRA	86%	14%
HSA Qualified HDHP	97	3
HDHP/SO	92%	8%

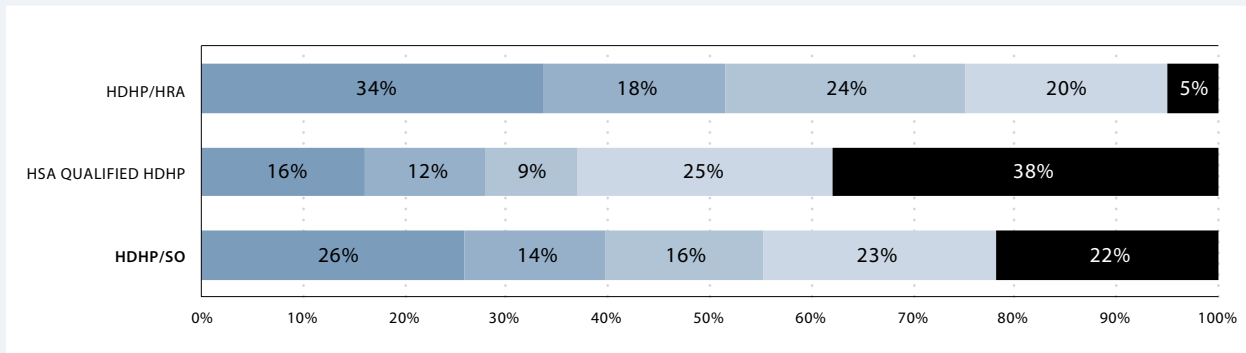
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: For definitions of HDHP/HRA's and HDHP/HSAs, see the introduction to Section 8. For the first time this year, the survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

EXHIBIT 8.7

Distribution of Covered Workers with the Following Aggregate Family Deductible Amounts, HDHP/HRA and HSA Qualified HDHP, 2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. For the first time this year, the survey distinguished between plans that have an aggregate deductible amount in which all family members' out of pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

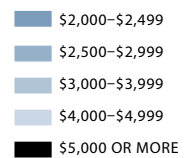
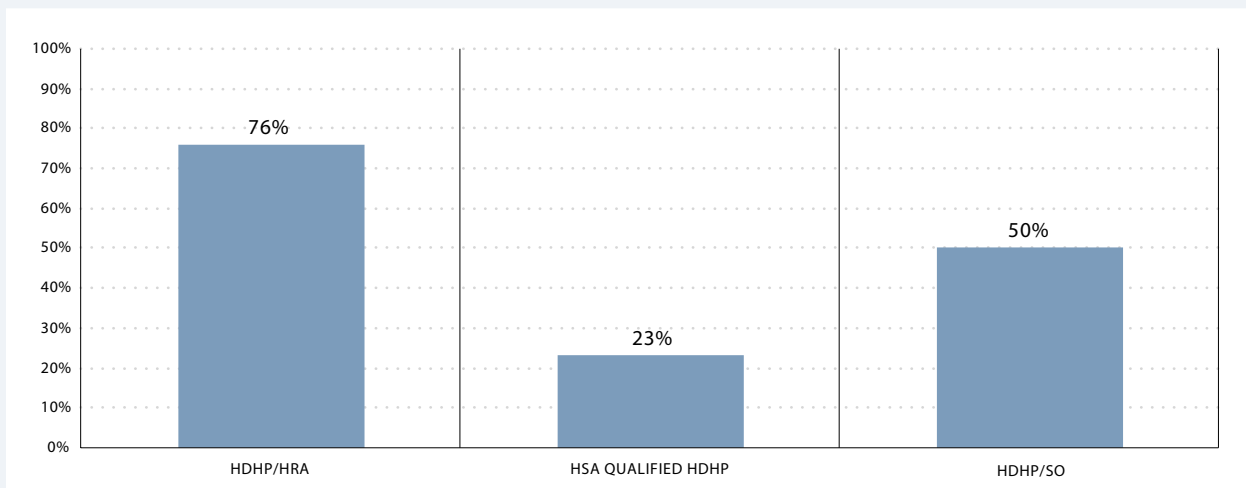


EXHIBIT 8.8

Percentage of Covered Workers in Partially or Completely Self-Funded HDHP/HRAs and HSA Qualified HDHPs, 2006



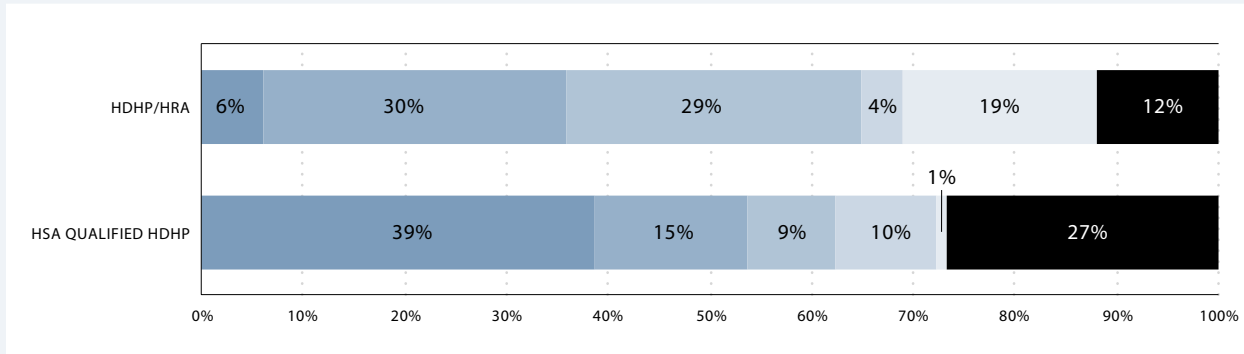
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8.

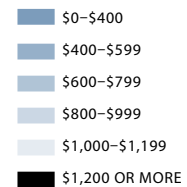
EXHIBIT 8.9

Distribution of Covered Workers with the Following Annual Employer Contributions to their HRA or HSA, for Single Coverage, 2006

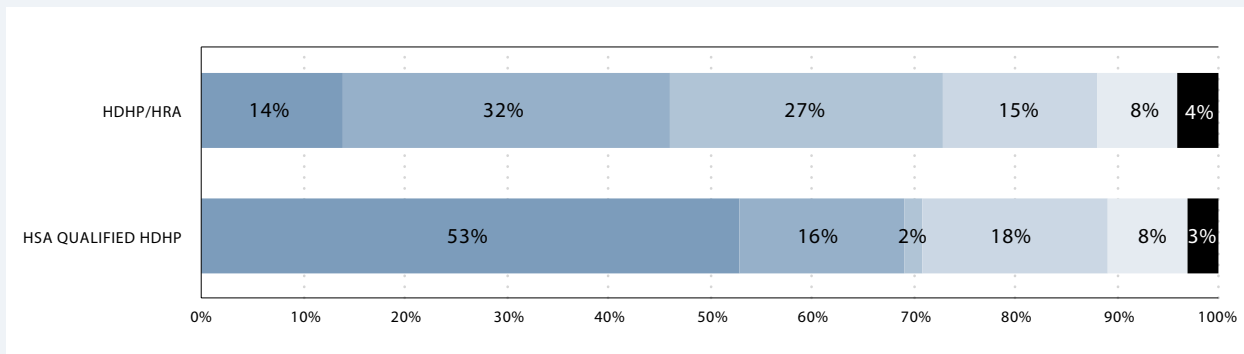
**SOURCE:**

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. Thirty-seven percent of employers offering HSA qualified HDHPs (covering 30% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish.

**EXHIBIT 8.10**

Distribution of Covered Workers with the Following Annual Employer Contributions to their HRA or HSA, for Family Coverage, 2006

**SOURCE:**

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. Thirty-seven percent of employers offering HSA qualified HDHPs (covering 30% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish.

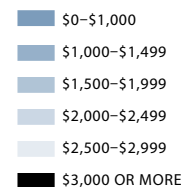


EXHIBIT 8.11

Distribution of Covered Workers in HDHP/HRAs and HSA Qualified HDHPs With the Following Types of Cost Sharing in Addition to Any General Annual Deductible, 2006

	Deductible or Copay Only	Only Coinsurance	Both Copay and Coinsurance [‡]	Charge Per Day	None
Separate Cost Sharing for Each Hospital Admission					
HDHP/HRA	1%	49%	3%	<1%	46%
HSA Qualified HDHP	<1	17	<1	<1	82
HDHP/SO	1	33	2	<1	64
Separate Cost Sharing for Each Outpatient Surgery Episode					
HDHP/HRA	7%	41%	3%	^	48%
HSA Qualified HDHP	<1	17	<1	^	82
HDHP/SO	4	30	2	^	65
Separate Cost Sharing of or Physician Office Visit					
HDHP/HRA	15%	66%	0%	^	19%
HSA Qualified HDHP	11	18	0	^	71
HDHP/SO	13	42	0	^	44

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

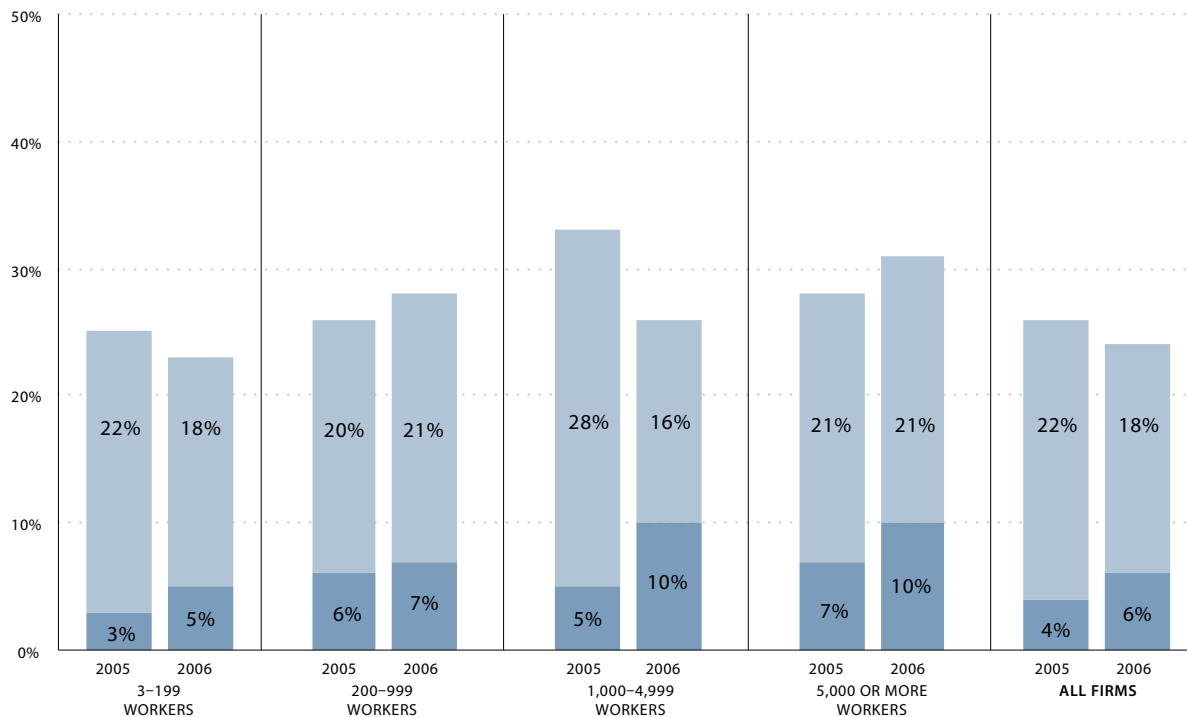
[‡] This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

[^] Respondents did not have a "Charge Per Day" (per diem) response option for questions regarding separate cost sharing for outpatient surgery and separate cost sharing for physician office visit.

Note: For definitions of HDHP/HRAs and HSA Qualified HDHPs, see the introduction to Section 8.

EXHIBIT 8.12

Among Firms Not Currently Offering an HDHP/HRA, Percentage That Say They Are "Very Likely" or "Somewhat Likely" to Offer an HDHP/HRA in the Next Year, 2005–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2006.

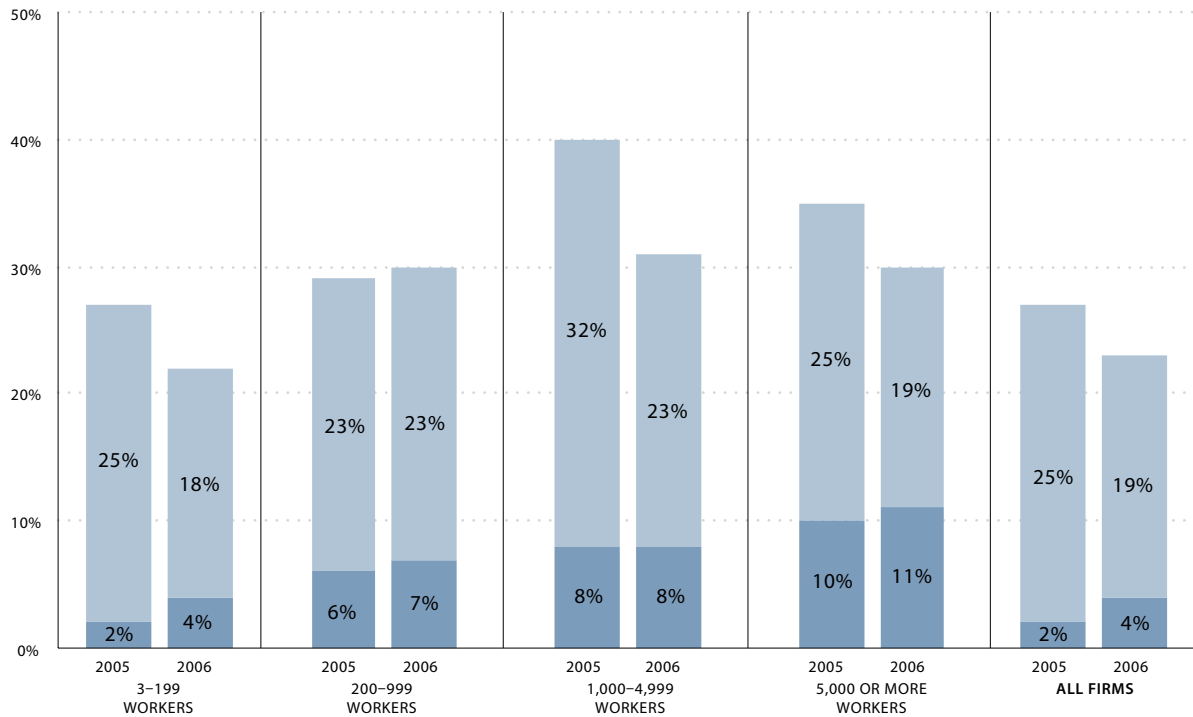
■ SOMEWHAT LIKELY
■ VERY LIKELY

* Tests found no statistical difference from estimates for previous year shown at $p < .05$.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. In 2005, 2.5% of firms not currently offering an HDHP/HRA reported "Don't Know" to whether they would offer one in the next year. In 2006, 1.4% reported "Don't Know."

EXHIBIT 8.13

Among Firms Not Currently Offering an HSA Qualified HDHP, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HSA Qualified HDHP in the Next Year, 2005–2006*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2006.

SOMEWHAT LIKELY
VERY LIKELY

* Tests found no statistical difference from estimates for previous year shown at $p < .05$.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. In 2005, 2.0% of firms not currently offering an HSA qualified HDHP reported “Don’t Know” to whether they would offer one in the next year. In 2006, 2.8% reported “Don’t Know.”

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Prescription
Drug and Mental
Health Benefits

SECTION

9

PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS

VIRTUALLY ALL COVERED WORKERS HAVE PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS. ALMOST THREE IN FOUR COVERED WORKERS ARE IN PLANS WITH A THREE-TIER OR FOUR-TIER COST SHARING ARRANGEMENT FOR PRESCRIPTION DRUGS. THE AVERAGE COPAYMENT AMOUNTS IN THESE PLANS HAVE RISEN STEADILY OVER THE PAST FEW YEARS. RESTRICTIONS ON THE NUMBER OF OUTPATIENT VISITS AND INPATIENT HOSPITAL DAYS FOR MENTAL HEALTH CARE REMAIN A COMMON FEATURE OF HEALTH PLANS IN 2006.

EIGHTY-FOUR PERCENT OF COVERED WORKERS ARE ENROLLED IN PLANS WHERE THEIR EMPLOYER MADE NO CHANGES TO THEIR LEVEL OF HEALTH BENEFITS, EXCEPT IN COST SHARING, IN THE PAST YEAR (EXHIBIT 9.1). EIGHT PERCENT ARE IN PLANS THAT INCLUDED MORE HEALTH BENEFITS THAN LAST YEAR, AND EIGHT PERCENT ARE IN PLANS THAT INCLUDED FEWER HEALTH BENEFITS THAN LAST YEAR.

PRESCRIPTION DRUG BENEFITS

- ▶ As in prior years, nearly all (98%) covered workers in employer-sponsored plans have a prescription drug benefit.
- ▶ A majority of covered workers (90%) in 2006 have some sort of tiered cost-sharing formula for prescription drugs (Exhibit 9.2). Cost-sharing tiers generally are associated with the placement by a health plan of a drug on a formulary or preferred drug list. The formulary or drug list generally classifies drugs as a generic, a preferred brand-name, or a nonpreferred brand-name drug. Recently, a few plans have created a fourth tier of cost sharing, which is used in some cases for lifestyle drugs or expensive biologics. Seventy-four percent of covered workers are enrolled in plans with three or four tiers of cost sharing for prescription drugs (Exhibit 9.2).
 - HDHP/SOs have different cost-sharing patterns for prescription drugs than other plan types. Only 42% of covered workers in HDHP/SOs are in a plan with three or four tiers of cost sharing for prescription drugs. Thirty-seven percent of covered workers in HDHP/SOs are in plans that apply the same cost-sharing structure to all drugs. This latter group includes some cases in which employers reported that covered workers faced no cost sharing for prescription drugs after the plan deductible was met.
- ▶ A large percentage of covered workers with tiered benefits face copayments rather than coinsurance for generic, preferred, and nonpreferred drugs (Exhibit 9.3). The percentages differ slightly across drug types because some plans have copayments for some drug types and coinsurance for other drug types.
 - Average drug copayments increased slightly over the last year. The average drug copayments for generic (\$11), preferred (\$24), and nonpreferred (\$38) drugs increased slightly over their levels in 2005 (Exhibit 9.4).¹
 - For covered workers with coinsurance rather than copayments for prescription drugs, coinsurance levels average 20% for generic drugs, 25% for preferred drugs, and 33% for nonpreferred drugs (Exhibit 9.5).²

NOTE:

¹ The average copayments for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average copayments for those types of drugs among firms with a single copayment amount or a multi-tier cost-sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

² The average coinsurance rates for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average coinsurance for those types of drugs among firms with a single coinsurance amount or a multi-tier cost-sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average coinsurance for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier coinsurance amount.

- Covered workers in HDHP/SOs are more likely to have coinsurance for generic, preferred, and nonpreferred drugs than workers covered by other plan types (Exhibit 9.3).
- Covered workers in small firms (3–199 workers) are more likely to have copayments than coinsurance for generic, preferred, and nonpreferred drugs than are workers in large firms (200 or more workers)—for example, 94% versus 81% for generics.

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

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

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

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

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

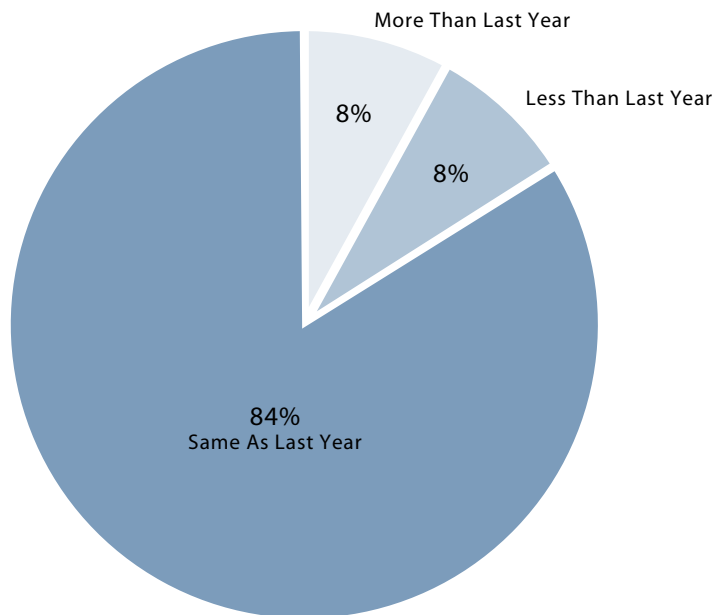
- ▶ Five percent of covered workers are in a plan that has a fourth tier of cost sharing for prescription drugs (Exhibit 9.2). Some plans use these fourth tiers for lifestyle drugs or expensive biologics. For covered workers in plans with four cost-sharing tiers, 46% face a copayment for fourth-tier drugs and 42% face coinsurance (Exhibit 9.3).
- The average copayment for fourth-tier drugs is \$63 (Exhibit 9.4). The average coinsurance amount for fourth-tier drugs is 42% (Exhibit 9.5).

MENTAL HEALTH BENEFITS

- ▶ Nearly all covered workers (97%) have coverage for mental health benefits in 2006. However, limits on the number of visits for outpatient care and the number of days for inpatient care remain common features of all plan types.
- Thirteen percent of covered workers have coverage for an unlimited number of outpatient mental health visits. Sixty-five percent of covered workers are in plans that provide for 30 or fewer outpatient mental health visits in a year (Exhibit 9.6). Workers in small firms (3–199 workers) are far more likely to have limitations on coverage than are workers in large firms (200 or more workers): 57% in small firms are limited to 20 or fewer outpatient visits per year, compared with just 23% of workers in large firms.
- Fifteen percent of covered workers have coverage for an unlimited number of days for inpatient mental health care. Sixty-five percent of covered workers face an inpatient limit of 30 or fewer days (Exhibit 9.7). Again, workers in small firms are far more likely to face substantial restrictions on coverage than are workers in large firms, with 19% in small firms being limited to 10 days or fewer of inpatient mental health coverage per year, compared with 4% in large firms.

EXHIBIT 9.1

Distribution of Covered Workers by a One-Year Change in Level of Health Benefits, Other Than Cost Sharing, 2006

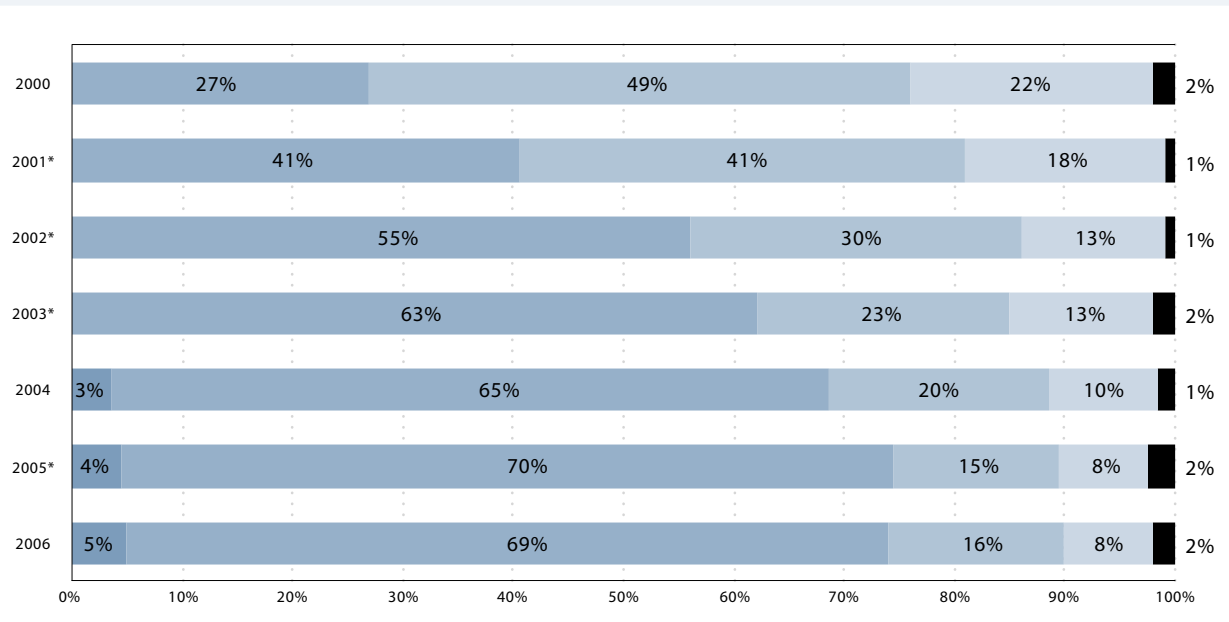


SOURCE:

Kaiser/HRET Survey of Employer Health Benefits, 2006.

EXHIBIT 9.2

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

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

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

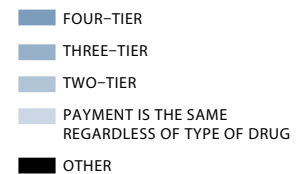


EXHIBIT 9.3

Distribution of Covered Workers With the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2006

	Copay Only	Coinsurance Only	Both Copay and Coinsurance [‡]	Neither
Generic Drugs				
HMO*	93%	4%	1%	2%
PPO*	83	13	3	1
POS*	95	3	1	1
HDHP/SO*	49	34	2	15
ALL PLANS	86%	10%	3%	1%
Preferred Drugs				
HMO*	92%	5%	2%	1%
PPO*	78	16	5	<1
POS*	93	3	3	1
HDHP/SO*	47	35	3	14
ALL PLANS	82%	13%	4%	1%
Nonpreferred Drugs				
HMO*	91%	6%	1%	1%
PPO*	75	19	6	1
POS*	88	6	5	1
HDHP/SO*	40	42	3	14
ALL PLANS	79%	15%	5%	1%
Fourth-Tier Drugs				
HMO	NSD	NSD	NSD	NSD
PPO	38	49	2	11
POS	NSD	NSD	NSD	NSD
HDHP/SO	NSD	NSD	NSD	NSD
ALL PLANS	46%	42%	1%	11%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distribution is statistically different from All Plans distribution within a drug type at $p < .05$.

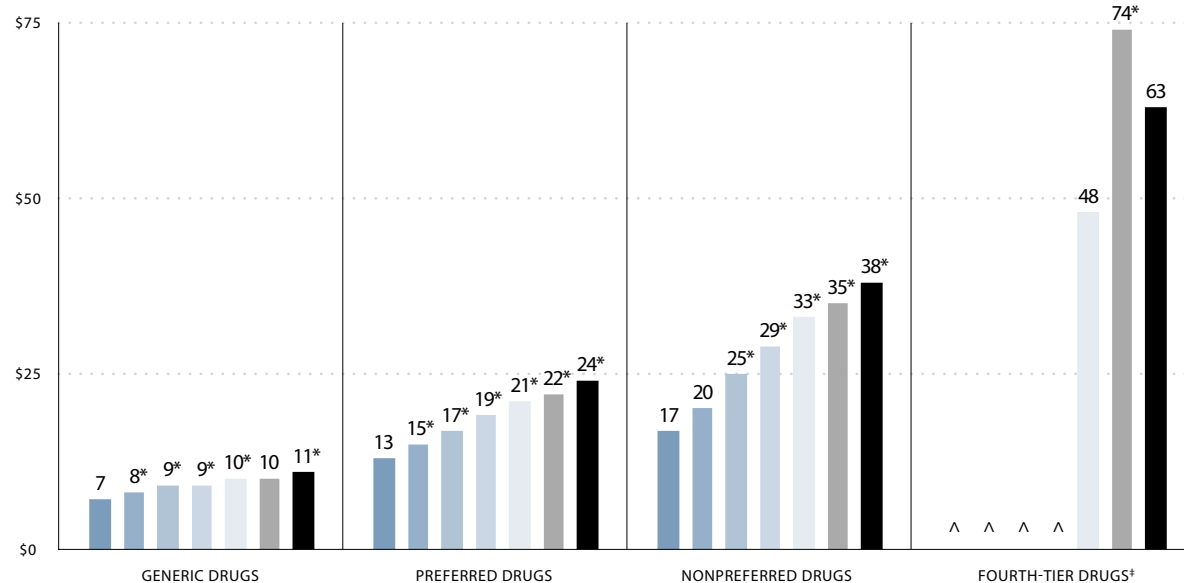
[‡] This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

NSD: Not Sufficient Data.

Note: For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the introduction to Section 9.

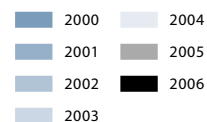
EXHIBIT 9.4

Among Covered Workers Facing Prescription Drug Copayments, Average Copayments, 2000–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

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

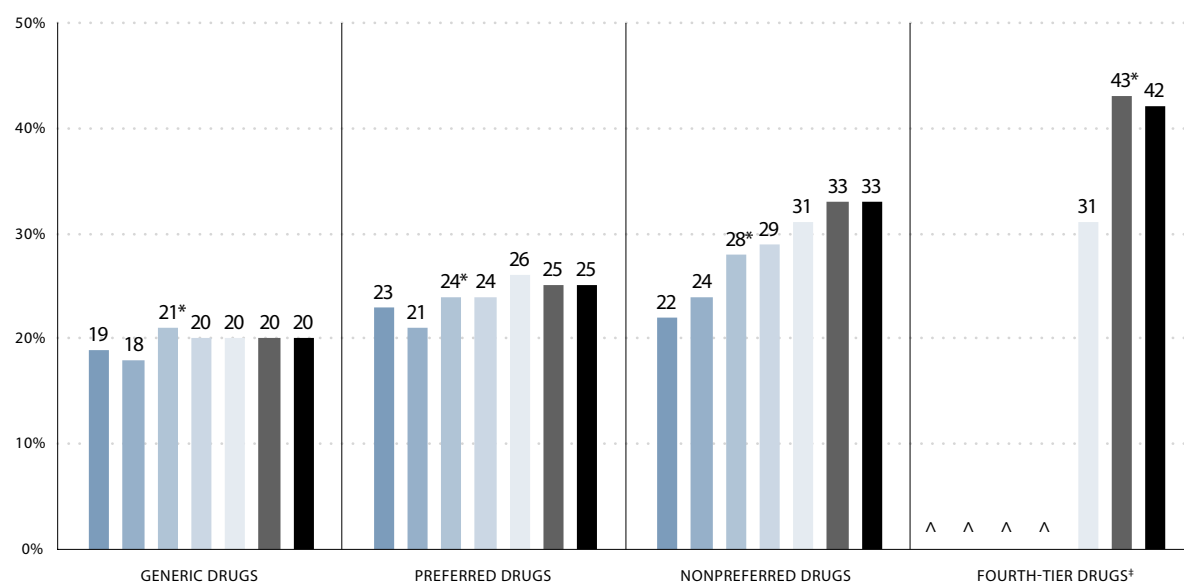
^ Fourth-Tier drug copay information was not obtained prior to 2004.

* The average copayments for preferred and nonpreferred drugs include values for firms where cost sharing is the same regardless of drug type. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

Note: For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier drugs, see the introduction to Section 9. Averages do not include covered workers who do not have a copayment for prescription drugs. In some cases, average copayments round to the same whole dollar amount, though they are statistically significant. For instance, average copayments for generic drugs are \$7.44 in 2000, \$8.09 in 2001, \$8.78 in 2002, \$9.48 in 2003, \$10.47 in 2004, \$10.38 in 2005, and \$11.01 in 2006.

EXHIBIT 9.5

Among Covered Workers Facing Coinsurance for Prescription Drugs, Average Coinsurance, 2000–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

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

^ Fourth-Tier drug coinsurance information was not obtained prior to 2004.

[†] The average coinsurance for preferred and nonpreferred drugs include values for firms where cost sharing is the same regardless of drug type. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average coinsurance for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier coinsurance amount.

Note: For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier drugs, see the introduction to Section 9. Averages do not include covered workers who do not have a coinsurance for prescription drugs.

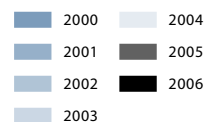


EXHIBIT 9.6

Among Covered Workers with Outpatient Mental Health Coverage, Distribution of Number of Annual Outpatient Visits Covered, by Plan Type, 2006

	20 Visits or Less	21 to 30 Visits	31 to 50 Visits	More Than 50 Visits	No Limit
HMO*	41%	28%	8%	8%	14%
PPO	31	31	16	9	14
POS*	52	25	8	6	9
HDHP/SO*	44	26	10	13	7
ALL PLANS	35%	30%	14%	8%	13%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: Distribution is among covered workers with outpatient mental health coverage. Three percent of covered workers do not have outpatient mental health coverage in 2006.

EXHIBIT 9.7

Among Covered Workers with Inpatient Mental Health Coverage, Distribution of Number of Annual Inpatient Days Covered, by Plan Type, 2006

	10 Days or Less	11 to 20 Days	21 to 30 Days	31 or More Days	No Limit
HMO	8%	12%	48%	17%	14%
PPO	8	12	43	21	16
POS*	20	12	34	17	17
HDHP/SO*	8	19	52	12	8
ALL PLANS	10%	12%	44%	19%	15%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: Distribution is among covered workers with inpatient mental health coverage. Three percent of covered workers do not have inpatient mental health coverage in 2006.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Plan
Funding

SECTION

10

PLAN FUNDING

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

- ▶ Similar to last year, 55% of covered workers in 2006 are in a plan that is completely or partially self funded (Exhibit 10.1). In 2000, only 49% of covered workers were enrolled in a self-funded plan.
- ▶ In general, covered workers in smaller firms are less likely to be in a self-funded plan compared to covered workers in larger firms. On average, 13% of covered workers in small firms (3–199 workers) are in a partially or completely self-funded plan, compared with 53% of covered workers in firms with 200 to 999 workers, 77% in firms with 1,000 to 4,999 workers, and 89% in firms with 5,000 or more workers (Exhibit 10.1).
- ▶ The prevalence of self funding is relatively high in PPO plans (63% of covered workers in PPOs are in a self-funded plan) compared to HMO plans (33%), and POS plans (32%). One-half of covered workers in a HDHP/SO are in a plan that is fully or partially self funded (Exhibit 10.2).

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

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

NOTE:

¹ The survey did not ask detailed questions about conventional plans other than premium increase. Conventional plan data is included in the "All Plans" estimate of premium increase by funding status unless the firm reported having only a conventional plan; in that case the data on premium increase they provided drops out of the "All Plans" estimate. For additional information, see the Survey Design and Methods section.

EXHIBIT 10.1

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999–2006*

	1999	2000	2001	2002	2003	2004	2005	2006
3–199 Workers	13%	15%	17%	13%	10%	10%	13%	13%
200–999 Workers	51	53	52	48	50	50	53	53
1,000–4,999 Workers	62	69	66	67	71	78	78	77
5,000 or More Workers	62	72	70	72	79	80	82	89
ALL FIRMS	44%	49%	49%	49%	52%	54%	54%	55%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.2

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
HMO	16%	23%*	31%*	27%	29%	29%	32%	33%
PPO	60	63	61	61	61	64	65	63
POS	42	45	42	40	44	46	36	32
HDHP/SO	^	^	^	^	^	^	^	50
ALL PLANS	44%	49%	49%	49%	52%	54%	54%	55%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

^ Information was not obtained for HDHP/SO plans prior to 2006.

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.3

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, Region, and Industry, 2006

	Self-Funded (Employer Bears Some or All of Financial Risk)
FIRM SIZE	
200–999 Workers	53%
1,000–4,999 Workers	77*
5,000 or More Workers	89*
All Small Firms (3–199 Workers)	13%*
All Large Firms (200 or More Workers)	78%*
REGION	
Northeast	58%
Midwest	63*
South	57
West	40*
INDUSTRY	
Agriculture/Mining/Construction	41%*
Manufacturing	79*
Transportation/Communications/Utilities	55
Wholesale	57
Retail	55
Finance	46*
Service	42*
State/Local Government	62
Health Care	70*
ALL FIRMS	55%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.4

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type and Firm Size, 2006

	HMO	PPO	POS	HDHP/SO
3–199 Workers	3%*	19%*	6%*	7%*
200–999 Workers	29	61	36	57
1,000–4,999 Workers	54*	85*	62*	81*
5,000 or More Workers	47*	97*	80*	100*
ALL FIRMS	33%	63%	32%	50%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.5

Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
3–199 Workers	5%	4%	14%	10%	5%	4%	10%	3%
200–999 Workers	14	13	23	16	21	18	17	29
1,000–4,999 Workers	22	27	32	31	37	49	50	54
5,000 or More Workers	19	35*	40	38	44	40	44	47
ALL HMO PLANS	16%	23%*	31%*	27%	29%	29%	32%	33%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.6

Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999–2006*

	1999	2000	2001	2002	2003	2004	2005	2006
3–199 Workers	19%	23%	23%	15%	13%	13%	18%	19%
200–999 Workers	69	72	66	63	60	63	67	61
1,000–4,999 Workers	84	89	87	83	85	88	88	85
5,000 or More Workers	87	88	87	93	93	93	95	97
ALL PPO PLANS	60%	63%	61%	61%	61%	64%	65%	63%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

* Tests found no statistical difference from estimate for the previous year shown at $p < .05$.

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.7

Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
3–199 Workers	10%	10%	10%	10%	8%	9%	9%	6%
200–999 Workers	35	39	40	21*	42*	42	31	36
1,000–4,999 Workers	62	71	60	67	73	63	48	62
5,000 or More Workers	75	77	76	67	71	77	74	80
ALL POS PLANS	42%	45%	42%	40%	44%	46%	36%	32%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Note: Due to changes in the survey, conventional plan funding status is not included in this figure for 2006. For a detailed explanation, see the Survey Design and Methods section. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Retiree
Health
Benefits

SECTION

11

RETIREE HEALTH BENEFITS

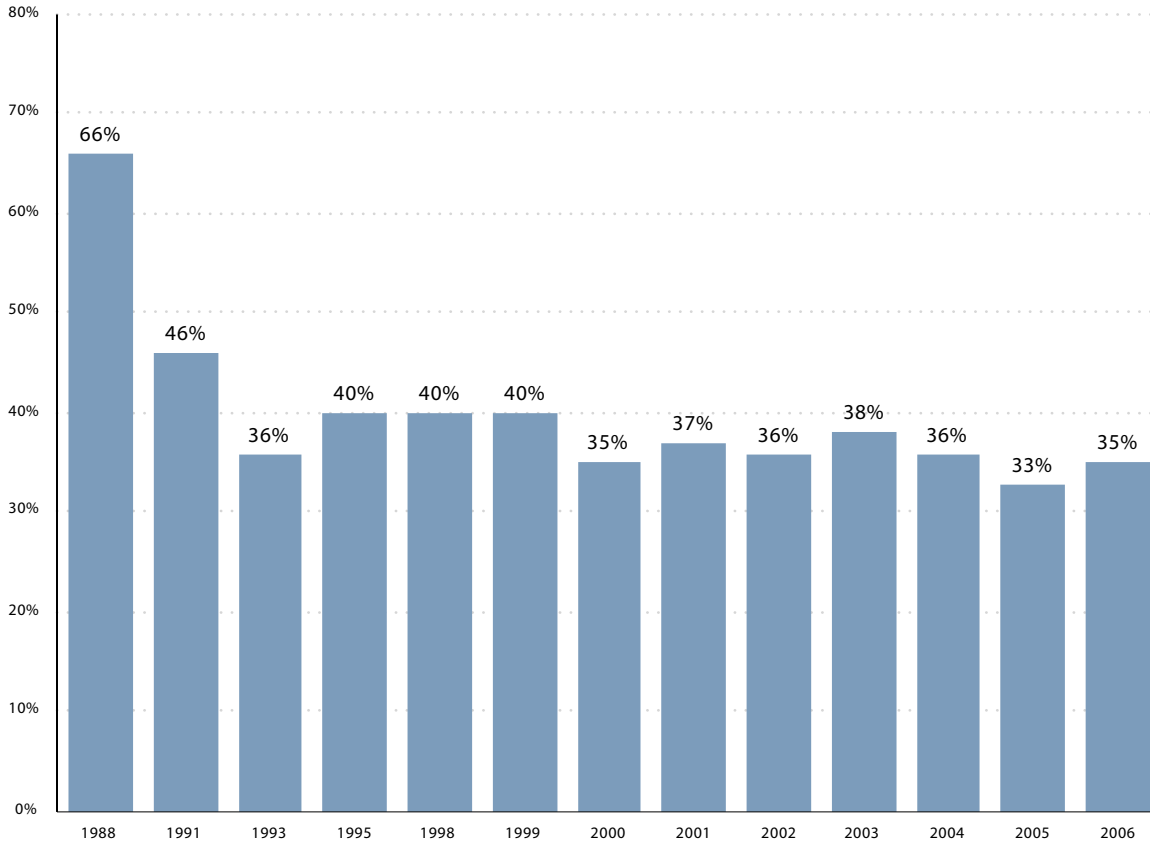
RETIREE HEALTH BENEFITS ARE AN IMPORTANT CONSIDERATION FOR OLDER WORKERS MAKING DECISIONS ABOUT THEIR RETIREMENT. HEALTH BENEFITS FOR RETIREES ALSO PROVIDE AN IMPORTANT SUPPLEMENT TO MEDICARE FOR RETIREES AGE 65 AND OVER. LARGE FIRMS ARE MUCH MORE LIKELY THAN SMALL FIRMS TO OFFER RETIREE HEALTH BENEFITS.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

AVAILABILITY OF RETIREE BENEFITS

- ▶ Thirty-five percent of large firms (200 or more workers) that offer health benefits to their workers offer retiree coverage in 2006, similar to 33% in 2005 but down from 66% in 1988 (Exhibit 11.1).
- ▶ Retiree benefits vary substantially with firm size, industry, and whether workers are unionized.
 - Large firms (200 or more workers) are much more likely to offer retiree benefits than small firms (3–199 workers). Among firms that offer health benefits, 35% of large firms offer retiree benefits, compared to just 9% of small firms (Exhibit 11.2).
 - Among large firms (200 or more workers) that offer health benefits, state and local governments and firms in the transportation/communications/utilities industries are more likely than firms in other industries to offer retiree benefits (Exhibit 11.2).
- Large firms (200 or more workers) with union workers are significantly more likely to offer retiree health benefits than large firms without union workers—50% of all large firms with union employees that offer health benefits offer retiree benefits, compared with 27% for all large firms that do not have union employees (Exhibit 11.3).
- ▶ Virtually all large firms (200 or more workers) that offer retiree benefits offer them to early retirees under the age of 65 (94%). A lower percentage (77%) of large firms offering retiree benefits offer them to Medicare-age retirees (Exhibit 11.4).

EXHIBIT 11.1

Among Firms Offering Health Benefits to Active Workers, Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, 1988–2006*



SOURCE:

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

*Tests found no statistical difference from estimate for the previous year shown at $p < .05$. No statistical tests are conducted for years prior to 1999.

EXHIBIT 11.2

Among Firms that Offer Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, by Firm Size, Region, and Industry, 2006

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)
FIRM SIZE		
3–199 Workers	9%	
200–999 Workers		31%*
1,000–4,999 Workers		42*
5,000 or More Workers		54*
REGION		
Northeast	16%	35%
Midwest	9	34
South	7	40
West	3*	29
INDUSTRY		
Agriculture/Mining/Construction	13%	28%
Manufacturing	6	31
Transportation/Communications/Utilities	11	52*
Wholesale	3*	17*
Retail	0*	11*
Finance	17	47
Service	8	37
State/Local Government	29*	82*
Health Care	5	15*
ALL FIRMS	9%	35%

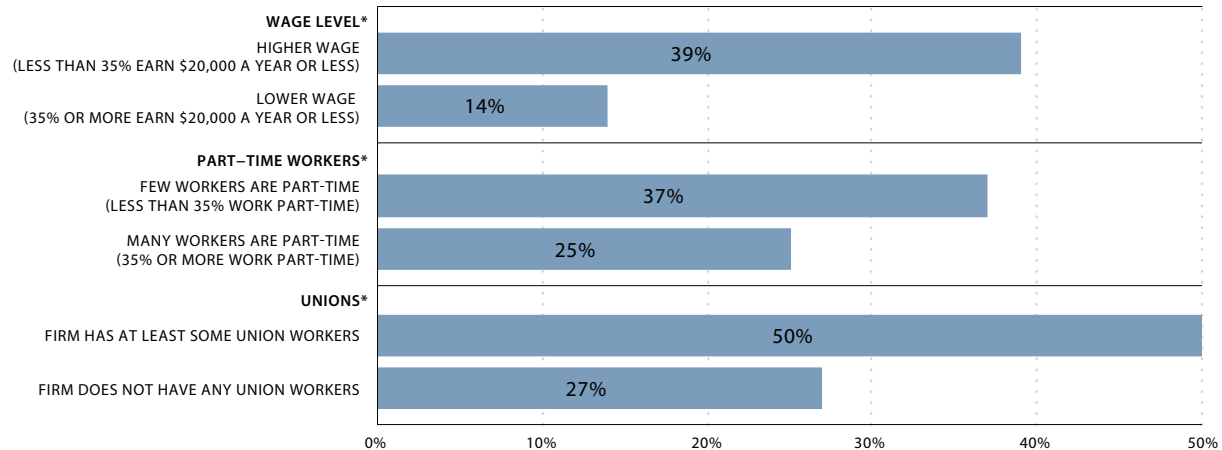
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within Small or Large size category from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

EXHIBIT 11.3

Among Firms that Offer Health Benefits to Active Workers, Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, by Firm Characteristics, 2006



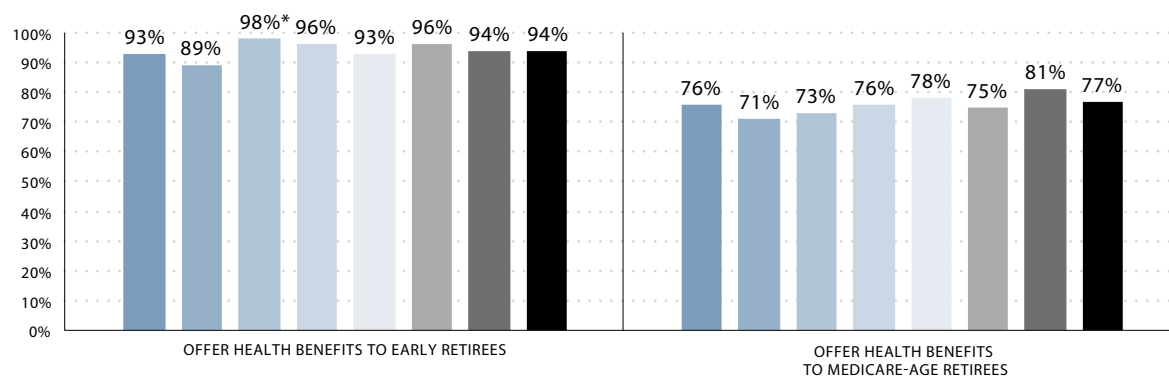
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

EXHIBIT 11.4

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage Offering Health Benefits to Early and Medicare-Age Retirees, 1999–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

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

Early retirees: Workers retiring before age 65.

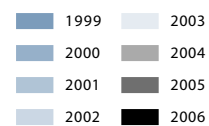


EXHIBIT 11.5

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage Offering Retiree Benefits to Early and Medicare-Age Retirees, by Firm Size, Region, and Industry, 2006

	Percentage of Employers Offering Retiree Health Benefits to Early Retirees	Percentage of Employers Offering Retiree Health Benefits to Medicare-Age Retirees
FIRM SIZE		
200–999 Workers	93%	75%
1,000–4,999 Workers	94	77
5,000 or More Workers	95	87*
REGION		
Northeast	96%	85%*
Midwest	94	75
South	92	77
West	95	72
INDUSTRY		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	93	76
Transportation/Communications/Utilities	92	66
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	98*	72
Service	94	83
State/Local Government	95	76
Health Care	NSD	NSD
ALL LARGE FIRMS	94%	77%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all other large firms not in the indicated size, region, or industry category at $p < .05$.

Early retirees: Workers retiring before age 65.

NSD: Not Sufficient Data.

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Employer
Opinions
and Health
Management
Programs

SECTION

12

EMPLOYER OPINIONS AND HEALTH MANAGEMENT PROGRAMS

EMPLOYERS PLAY A SIGNIFICANT ROLE IN THE HEALTH INSURANCE COVERAGE OF AMERICANS—PROVIDING HEALTH BENEFITS TO MORE THAN 155 MILLION NONELDERLY PEOPLE IN AMERICA¹—SO THEIR ATTITUDES, KNOWLEDGE, AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS.

THIS YEAR'S SURVEY ASKED EMPLOYERS HOW THEY VIEW DIFFERENT APPROACHES TO CONTAINING COST INCREASES AND HOW THEY PLAN TO CHANGE THEIR HEALTH BENEFIT PLANS IN THE NEAR FUTURE. EMPLOYERS ALSO WERE ASKED IF THEY HAVE WELLNESS OR DISEASE MANAGEMENT PROGRAMS.

- ▶ All firms, including both those that offer and do not offer health benefits, were asked to rate how effective several different strategies are in reducing the growth of health insurance costs. In most instances, the percentages rating any of the suggested strategies as “very effective” at controlling costs are relatively low, although over a quarter of large employers (200 or more workers) believe that disease management is “very effective” at controlling costs. Larger percentages (between 35% and 58%) report that each of these approaches is “somewhat effective” at controlling cost growth (Exhibit 12.1).
- ▶ Each year we ask employers whether they expect to change the contributions, cost sharing, or eligibility for health benefits in the next year.
 - Forty percent of large firms (200 or more workers) say that they are “very likely” to increase the amount employees pay for health insurance next year, compared to 20% of small firms (3–199 workers) (Exhibit 12.2).
 - Small percentages of firms say that they are “very likely” to increase employee cost sharing next year, with 12% saying that they are “very likely” to increase deductibles, 8% saying that they are “very likely” to increase copayments and coinsurance, and 10% saying that they are “very likely” to increase the amount that employees pay for prescription drugs. These responses do not vary significantly between small and large firms (Exhibit 12.2).
- As observed in previous years, relatively small percentages of employers report that they are likely to restrict eligibility or drop coverage altogether. Only 2% of firms say that they are “very likely” to restrict eligibility for benefits in the next year. Similarly, about 2% percent of all firms say that they are “very likely” to drop coverage in the next year. Responses to these questions vary little by firm size (Exhibit 12.2).
- ▶ Twenty-six percent of employers offering health benefits include one or more disease management programs in their health plan with the highest enrollment. Large firms (200 or more workers) are more likely than smaller firms to include disease management in their health plan with the largest enrollment (55% vs. 25%) (Exhibit 12.3)
- ▶ Twenty-seven percent of employers offering health benefits offer one or more of the wellness programs listed in Exhibit 12.5. Injury prevention programs are offered by 19% of employers, fitness programs are offered by 10% of employers, smoking cessation is offered by 9% of employers, and weight loss programs are offered by 6% of employers (Exhibit 12.5).
- Large firms (200 or more workers) are more likely to offer one of these wellness programs than smaller firms (62% vs. 26%).

NOTE:

¹ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America, 2004 Data Update*, November 2005.

EXHIBIT 12.1

Among All Firms Both Offering and Not Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, 2006

	Very Effective	Somewhat Effective	Not Too Effective	Not At All Effective	Don't Know
Tighter Managed Care Networks*					
All Small Firms (3–199 Workers)	9%	37%	18%	23%	12%
All Large Firms (200 or More Workers)	4%	42%	34%	17%	3%
Consumer-Driven Health Plans (Ex. High Deductible Plan Combined with a Health Savings Account)*					
All Small Firms (3–199 Workers)	16%	37%	17%	23%	7%
All Large Firms (200 or More Workers)	13%	58%	16%	9%	3%
Higher Employee Cost Sharing*					
All Small Firms (3–199 Workers)	15%	35%	18%	28%	5%
All Large Firms (200 or More Workers)	13%	51%	21%	14%	2%
Disease Management Programs*					
All Small Firms (3–199 Workers)	17%	43%	14%	19%	7%
All Large Firms (200 or More Workers)	28%	54%	11%	5%	2%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

EXHIBIT 12.2

Among Firms Offering Health Benefits, Distribution of Firms Reporting the Likelihood of Making the Following Changes in the Next Year, by Firm Size, 2006

	Very Likely	Somewhat Likely	Not Too Likely	Not At All Likely	Don't Know
Increase the Amount Employees Pay for Health Insurance*					
All Small Firms (3–199 Workers)	20%	28%	21%	28%	2%
All Large Firms (200 or More Workers)	40%	35%	15%	9%	1%
Increase the Amount Employees Pay for Prescription Drugs					
All Small Firms (3–199 Workers)	10%	29%	28%	30%	3%
All Large Firms (200 or More Workers)	11%	33%	33%	22%	1%
Increase the Amount Employees Pay for Deductibles*					
All Small Firms (3–199 Workers)	12%	27%	24%	31%	5%
All Large Firms (200 or More Workers)	11%	30%	38%	19%	1%
Increase the Amount Employees Pay for Office Visit Copays or Coinsurance*					
All Small Firms (3–199 Workers)	8%	31%	25%	33%	4%
All Large Firms (200 or More Workers)	8%	31%	38%	22%	1%
Introduce Tiered Cost Sharing for Doctor Visits or Hospital Stays*					
All Small Firms (3–199 Workers)	1%	16%	31%	44%	8%
All Large Firms (200 or More Workers)	3%	17%	39%	40%	2%
Restrict Employees' Eligibility for Coverage*					
All Small Firms (3–199 Workers)	2%	4%	20%	73%	<1%
All Large Firms (200 or More Workers)	3%	7%	30%	59%	1%
Drop Coverage Entirely					
All Small Firms (3–199 Workers)	2%	4%	7%	86%	1%
All Large Firms (200 or More Workers)	1%	1%	6%	91%	1%
Offer HDHP/HRA†					
All Small Firms (3–199 Workers)	5%	18%	31%	44%	1%
All Large Firms (200 or More Workers)	8%	20%	31%	40%	1%
Offer HSA Qualified HDHP†					
All Small Firms (3–199 Workers)	4%	18%	29%	45%	3%
All Large Firms (200 or More Workers)	8%	22%	30%	39%	1%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

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

† Among firms not currently offering this type of HDHP/SO.

EXHIBIT 12.3

Among Firms Offering Health Benefits, Percentage That Offer a Disease Management Program for Their Plan with the Largest Enrollment, by Firm Size, Region, and Industry, 2006

	Plan Includes A Disease Management Program
FIRM SIZE	
3–24 Workers	23%*
25–199 Workers	32
200–999 Workers	50*
1,000–4,999 Workers	63*
5,000 or More Workers	75*
All Small Firms (3–199 Workers)	25%*
All Large Firms (200 or More Workers)	55%*
REGION	
Northeast	29%
Midwest	14*
South	21
West	44*
INDUSTRY	
Agriculture/Mining/Construction	19%
Manufacturing	34
Transportation/Communications/Utilities	23
Wholesale	20
Retail	21
Finance	33
Service	26
State/Local Government	23
Health Care	41
ALL FIRMS	26%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

Note: The survey asks firms to answer these questions about the health plan with the highest enrollment.

EXHIBIT 12.4

Among Firms Offering Health Benefits That Have a Disease Management Program for Their Plan with the Largest Enrollment, Percentage with Specific Programs, by Firm Size, Region, and Industry, 2006

	Diabetes	Asthma	Hypertension	High Cholesterol
FIRM SIZE				
3–24 Workers	94%	86%	88%	89%
25–199 Workers	98	88	86	88
200–999 Workers	97	87	86	82
1,000–4,999 Workers	98	89	80	72*
5,000 or More Workers	99	87	85	69*
All Small Firms (3–199 Workers)	95%	87%	88%	89%*
All Large Firms (200 or More Workers)	98%	88%	85%	78%*
REGION				
Northeast	99%	67%	92%	89%
Midwest	98	93	84	82
South	82	86	76	81
West	100	99*	93	93
INDUSTRY				
Agriculture/Mining/Construction	100%	87%	91%	81%
Manufacturing	100	98	82	75
Transportation/Communications/Utilities	97	77	78	80
Wholesale	99	90	76	89
Retail	99	91	79	84
Finance	100	100*	70	71
Service	91	81	94*	96*
State/Local Government	100	87	96*	92
Health Care	97	91	95	91
ALL FIRMS	95%	87%	88%	88%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within type of disease management program from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

Note: The survey asks firms to answer these questions about the health plan with the highest enrollment.

EXHIBIT 12.5

Among Firms Offering Health Benefits, Percentage Offering Wellness Programs to Their Employees, by Firm Size, Region, and Industry, 2006

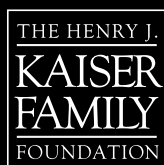
	Percentage of Firms Offering Fitness Programs or On-Site Health Club Facilities	Percentage of Firms Offering Smoking Cessation Programs	Percentage of Firms Offering Injury Prevention Programs	Percentage of Firms Offering Weight Loss Programs
FIRM SIZE				
3–24 Workers	7%*	8%*	15%*	4%*
25–199 Workers	16*	10	31*	9
200–999 Workers	29*	28*	32*	23*
1,000–4,999 Workers	39*	42*	40*	38*
5,000 or More Workers	49*	44*	37*	44*
All Small Firms (3–199 Workers)	9%*	8%*	18%*	5%*
All Large Firms (200 or More Workers)	33%*	33%*	34%*	28%
REGION				
Northeast	13%	10%	11%*	8%
Midwest	8	6	17	5
South	13	9	20	5
West	6*	12	27	8
INDUSTRY				
Agriculture/Mining/Construction	16%	2%*	39%*	2%*
Manufacturing	10	15	17	8
Transportation/Communications/Utilities	14	9	20	9
Wholesale	11	8	18	11
Retail	3*	2*	30	1*
Finance	19	21	5*	4
Service	9	8	15	6
State/Local Government	13	13	30*	10
Health Care	6	15	21	14
ALL FIRMS	10%	9%	19%	6%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Estimate is statistically different within program type from estimate for all other firms not in the indicated size, region, or industry category at $p < .05$.

Note: One percent of firms reported “don’t know” for fitness, smoking cessation, and injury prevention. Less than one percent of firms reported “don’t know” for weight loss programs.



-and-



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