

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

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# Employer Health Benefits

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1999  
ANNUAL SURVEY



-AND-

HEALTH RESEARCH AND  
EDUCATIONAL TRUST

Formerly produced by KPMG Peat Marwick

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## INTRODUCTION AND HIGHLIGHTS

More than 152 million American workers and their dependents receive their health insurance coverage through their employer. From 1991 to 1998, KPMG Peat Marwick LLP, an international consulting and accounting firm, surveyed a random sample of large U.S. employers to track changes in health insurance coverage. In 1998, KPMG divested itself of its Compensation and Benefits Practice and donated the annual survey of health benefits to the Health Research and Educational Trust (HRET), a non-profit research organization. Beginning this year, the survey will be conducted under a partnership between the Kaiser Family Foundation, a health care philanthropy and policy research organization, and HRET. The new survey will continue a core of questions from prior KPMG surveys, but has been expanded to include small employers and a variety of policy-oriented questions.

*The Kaiser Family Foundation/Health Research and Educational Trust 1999 Annual Employer Health Benefits Survey* reports findings from a survey of 2,694 randomly selected public and private employers (including 1,939 who responded to the full survey and 755 who responded to one question regarding the offering of health coverage). National Research LLC, a Washington-based survey firm, conducted interviews with employee benefit managers from February through June of 1999. Firms range in size from “mom and pop” enterprises with 3 workers to “jumbo” corporations with as many as several hundred thousand employees.

## COST INCREASES

- ▶ Premiums increased 4.8% from Spring 1998 to Spring 1999. Smaller firms (defined as firms with 3-199 workers) experienced substantially higher premium increases of 6.9% compared to all large firms (4.1%). The smallest of firms (those with 3-9 employees) saw the highest increases (9.2%). Costs rose for self-insured health plans by only 3.7%, while increases for fully insured plans (where an insurer bears the financial risk) averaged 5.8%. *Overall, premiums increased faster than at any time since 1994, both nominally and after adjusting for general inflation.*
- ▶ As Congress debates the future of the Medicare health program for the elderly, firms with more than 200 workers took a number of actions to control the cost of retiree health insurance coverage. During the past 2 years, 35% of those large firms that offered retiree coverage capped their maximum contribution, and 7% dropped conventional coverage in favor of managed care plans. *41% of all large firms offer retiree coverage in 1999, a figure unchanged since 1996.*

- ▶ Average worker contributions for health insurance changed little from 1998. The average worker contributed \$35 per month for single coverage and \$145 for family coverage. *During the past few years, there has been a substantial increase among small employers that offer single coverage with no required contribution from employees.*

## COVERAGE, BENEFITS, AND PLAN ENROLLMENTS

- ▶ There was no statistically significant change in the extent of employer-based insurance coverage. Key coverage measures include: the percentage of small firms offering coverage, the percentage of workers who are covered by their employer's health plan, and the percentage of eligible workers who elect coverage. *Although various key economic measures have improved since 1996 (the U.S. economy has added 9 million new jobs, inflation adjusted wages have increased 6%, and the unemployment rate has fallen to the lowest level in 30 years), there has been no statistically significant change in health insurance coverage.*

- ▶ During the past year, 84% of employees did not experience a change in the level of covered benefits, while 6% experienced a decline. However, mental health benefits have declined over the last several years. *Today, only 21% of employees in all large firms (200 or more employees) have mental health benefits with unlimited outpatient visits, compared to 36% in 1991.*

- ▶ 37% of Americans with employer-based insurance are covered for abortion services. Firms report that employees in all large firms are 3 to 4 times as likely to be covered for abortion services as employees in small firms. *At the same time, most employees have coverage for oral contraceptives, though fewer are covered for all forms of reversible contraception. Employees in Health Maintenance Organizations (HMOs) and Point-of-Service (POS) plans are more likely to have contraception coverage than those in conventional (also known as indemnity or fee-for-service) plans or Preferred Provider Organization (PPO) plans.*

- ▶ During the Spring of 1999, about 4.7 million former employees relied on COBRA – which permits former workers to continue coverage at full cost to the employee — for their coverage. *For every 100 active workers with job-based coverage, there are three former workers paying for COBRA coverage.*
- ▶ During the past year, conventional coverage declined to 9% of enrollment, down from 14% in 1998 and 73% in 1988. Preferred Provider Organizations' (PPOs) market share increased 3 percentage points to 38%, making it the most common type of health plan among people with employer-sponsored coverage. *The percentage of workers who have the option of selecting a conventional plan has declined from 52% in 1996 to 26% in 1999.*

#### THE TRADEOFF BETWEEN QUALITY AND COSTS

- ▶ Most employers are at least somewhat worried about future trends in health care costs and the implications of those cost increases, though fewer express concern about quality of care issues. *72% of all firms say they are worried that*

*health care costs will increase faster than they can afford, 70% say they are worried they will have to cut back the scope of benefits they offer or the amount they contribute towards health insurance for their workers, and 65% say they are worried they will have to switch health plans because of costs. At the same time, 26% of firms say they are worried they will have to switch health plans because of concerns about quality of care.*

- ▶ The “quality movement” in purchasing of health plans is not picking up steam. When employers select plans, accreditation and standardized plan data on quality of care continue to play a relatively minor role. Among employers offering an HMO or POS plan, just 12% of workers work for firms which require plan accreditation by the National Committee for Quality Assurance (NCQA). When choosing a health plan, employers rate the cost of the plan and the number and type of physicians in the plan more highly than a plan’s NCQA accreditation status or how the plan is rated using HEDIS data. *Surprisingly, employers report decreased familiarity with NCQA accreditation from last year.*

#### THE PATIENTS’ RIGHTS DEBATE

- ▶ During this year of legislative debate on patient protection proposals, a majority of employers support key features of this legislation: making it easier to get emergency room bills paid, giving patients the right to an independent appeal, and expanding the right to sue health plans. Support increased from last year – especially for the right to sue – and is higher among smaller employers than larger firms. *The percentage of HMO members who could designate their OB/GYN as their primary care physician increased from 49% to 67%, likely due to state legislation and voluntary efforts by health plans. About one-quarter of HMO members (who have chronic conditions) are enrolled in a plan where they can designate a specialist as their primary care physician.*





EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

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Survey Methods

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SECTION

1

## SURVEY METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KAISER/HRET) ARE SPONSORING THE SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS SUPPORTED FOR MANY YEARS BY KPMG PEAT MARWICK LLP, AN INTERNATIONAL CONSULTING AND ACCOUNTING FIRM. IN 1998, KPMG DIVESTED ITSELF OF ITS COMPENSATION AND BENEFITS PRACTICE, AND DONATED THE ANNUAL SURVEY OF HEALTH BENEFITS TO HRET, A NON-PROFIT RESEARCH ORGANIZATION AFFILIATED WITH THE AMERICAN HOSPITAL ASSOCIATION. BEGINNING THIS YEAR, THE SURVEY WILL BE CONDUCTED UNDER A PARTNERSHIP BETWEEN HRET AND THE KAISER FAMILY FOUNDATION, A HEALTH CARE PHILANTHROPY AND POLICY RESEARCH ORGANIZATION THAT IS NOT AFFILIATED WITH KAISER PERMANENTE OR KAISER INDUSTRIES. THE NEW SURVEY WILL CONTINUE A CORE OF QUESTIONS FROM PRIOR KPMG SURVEYS, BUT HAS BEEN EXPANDED TO INCLUDE SMALL EMPLOYERS AND A VARIETY OF POLICY-ORIENTED QUESTIONS.

Kaiser/HRET asked each participating company as many as 400 questions about its largest conventional (or, indemnity) plan, Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), and Point-of-Service (POS) health plan. This year's survey included questions about coverage, eligibility, health plan choice, enrollment patterns, premiums, employee cost sharing, covered benefits, retiree health benefits, NCQA accreditation, employers' concerns, consumer protection, and flexible benefits/spending accounts.

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 during the Spring of 1999.

Kaiser/HRET drew its sample from a Dun & Bradstreet list of the nation's private and public employers with three or more workers. To increase precision, Kaiser/HRET stratified the sample by industry and the number of workers in the firm. Kaiser/HRET attempted to repeat interviews with many of the 2,759 firms interviewed in 1998 and replaced non-responding firms with another firm from the same industry and firm size. As a result, 1,377 firms in this year's total sample of 1,939 firms participated in

both the 1998 and 1999 surveys. The overall response rate was 60 percent.

Previous years' experience has found that firms that decline to participate in the study are more likely not to offer health coverage. Therefore, one question was asked of all firms where phone contact was made but the firm declined to participate. The question was, "Does your company offer or contribute to a health insurance program as a benefit to your employees?" A total of 2,694 firms responded to this question (including 1,939 who responded to the full survey and 755 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health coverage.

Throughout this report, exhibits categorize data by industry, size of firm, and region. Firm size definitions are as follows: 3-9 workers, Small; 10-24 workers, Small; 25-49 workers, Small; 50-199 workers, Small; 200-999 workers, Midsize; 1,000-4,999 workers, Large; and 5,000 or more workers, Jumbo. Occasionally, firm size categories will be aggregated: 3-199 workers, All Small; or 200 or more workers, All Large. EXHIBIT 1.1 shows detailed characteristics of the survey sample.

EXHIBIT 1.2 displays the distribution of the nation's firms, workers, and workers covered by their employer's health insurance. Among the approximately 5.5 million firms with 3 or more workers nationally, more than 75% are firms employing 3-9 workers, though they employ only 10% of workers and cover only 6% of employees with health insurance. In contrast, jumbo firms (defined as firms with 5,000 or more workers) represent only .1% of employers but employ nearly 37% of workers and cover about 40% of employees. Therefore, the smallest firms will dominate any national statistics about what employers in general are doing. In contrast, jumbo employers are the most important employer group in calculating national statistics regarding the typical employee or covered worker, since they employ the largest percentage of the nation's workforce.

Some exhibits in Health Benefits 1999 do not sum up to 100 percent due to rounding effects. Throughout the report, while overall totals as well as totals for size and industry are statistically valid, some breakdowns based on industry may not be available due to limited sample sizes. In these instances, exhibits include the notation NSD (Not Sufficient Data).

To control for item non-response bias, Kaiser/HRET identified a select set of key variables as needing complete information from all surveyed firms. These variables include percentage changes in premium costs for family coverage, premium amounts, and worker contribution amounts. On average, 2% of the 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.

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

tion adjustment, an adjustment to firms with 3-9 workers is applied. The adjustment controls for the fact that firms with 3-9 workers that are in the panel (responded in both 1998 and 1999) are biased in favor of offering a health plan.

The data were analyzed with SUDAAN, a statistical software program that computes appropriate standard error estimates by controlling for the complex design of the survey. All statistical tests were performed at the 0.05 level. Two types of significance tests performed are the t-Test and the Chi-square test.

To further analyze changes in employer-sponsored health plans during the past few years, this report includes data from the 1993, 1996 and 1998 KPMG Surveys of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use the 1988 survey of the nation's employers conducted by the Health Insurance Association of America (HIAA), on which the KPMG and Kaiser/HRET surveys are based. Many of the questions in the HIAA, KPMG, and Kaiser/HRET surveys are identical, as is the sample design. Since Point-of-Service (POS) plans did not exist in 1988, this report includes no statistics for this plan type in that year.

## EXHIBIT 1.1

## Selected Characteristics of the Survey Sample, 1999

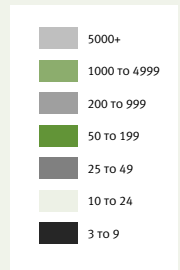
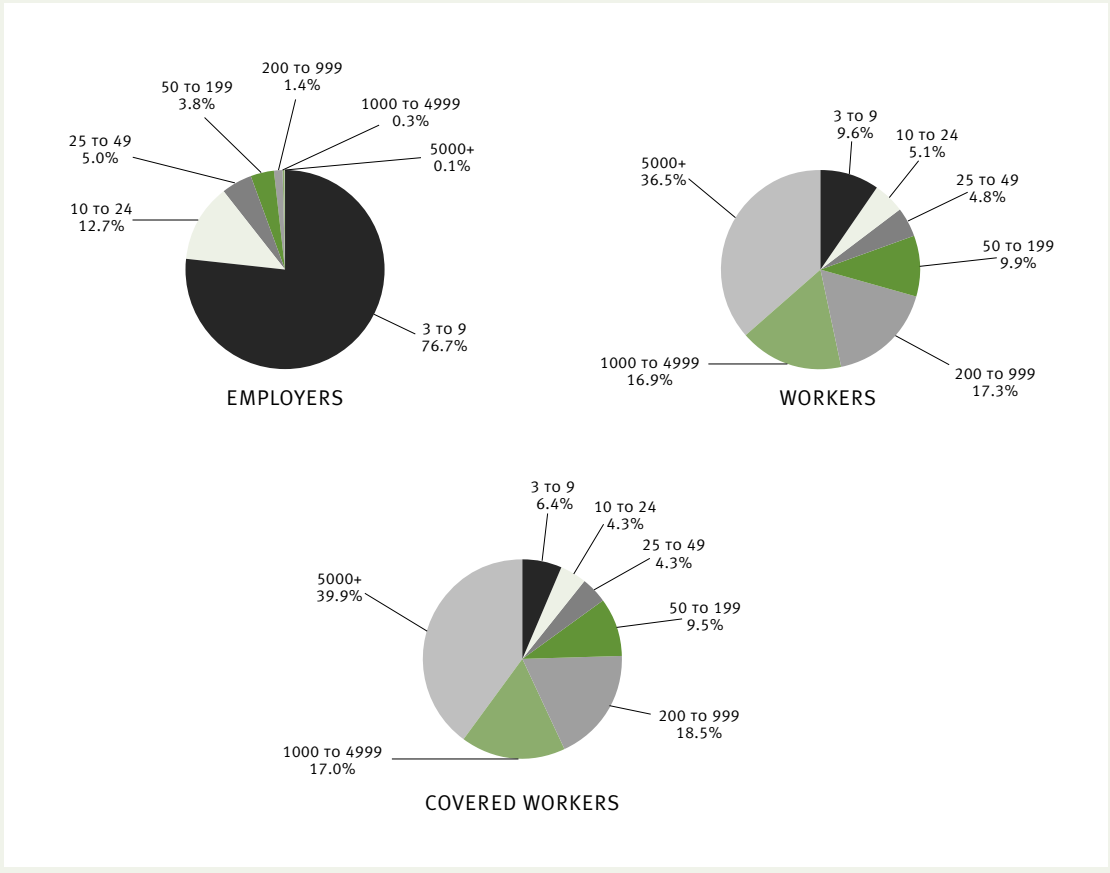
<i>Characteristic</i>	<i>Sample Size</i>	<i>Sample Distribution After Weighting</i>	<i>Percentage of Total for Weighted Sample</i>
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	164	1,103,849	19.9%
Manufacturing	266	392,321	7.1
Transportation/Communication/Utility	112	158,936	2.9
Retail	172	640,623	11.6
Finance	174	432,275	7.8
Service	412	2,145,784	38.7
State/Local Government	205	83,187	1.5
Health Care	246	466,540	8.4
High Tech	188	114,260	2.1
<b>ALL INDUSTRIES</b>	<b>1,939</b>	<b>5,537,777</b>	<b>100%</b>
<b>FIRM SIZE</b>			
Small (3-9 Workers)	172	4,250,312	76.8%
Small (10-24 Workers)	152	703,988	12.7
Small (25-49 Workers)	126	274,173	5.0
Small (50-199 Workers)	308	212,688	3.8
Midsize (200-999 Workers)	549	74,775	1.4
Large (1,000-4,999 Workers)	371	17,829	0.3
Jumbo (5,000+ Workers)	261	4,011	0.1
<b>ALL FIRM SIZES</b>	<b>1,939</b>	<b>5,537,777</b>	<b>100%</b>
<b>REGION</b>			
Northeast	374	1,134,588	20.5%
Midwest	559	1,217,798	22.0
South	669	1,861,144	33.6
West	337	1,324,248	23.0
<b>ALL REGIONS</b>	<b>1,939</b>	<b>5,537,777</b>	<b>100%</b>

## SOURCE :

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

Note: Employers were oversampled for some characteristics and then weighted to reflect proportions of firms nationally.

**EXHIBIT 1.2**  
**Distribution of Employers, Workers, and Workers Covered by Health Insurance, by Firm Size, 1999**



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



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Cost of  
Health  
Insurance

SECTION

2

## COST OF HEALTH INSURANCE

FEW HEALTH CARE EXPERTS FORESAW THE UNPRECEDENTED DECLINE IN HEALTH CARE INFLATION THAT OCCURRED IN THE 1990S. IN 1992, THE CONGRESSIONAL BUDGET OFFICE PREDICTED THAT HEALTH CARE SPENDING WOULD CONSTITUTE 18.0% OF GROSS DOMESTIC PRODUCT BY 2000.<sup>1</sup> INSTEAD, 1997 HEALTH CARE SPENDING WAS ONLY 13.5% OF GDP. ANNUAL INCREASES IN THE COST OF EMPLOYER-PROVIDED HEALTH INSURANCE FELL FROM A HIGH OF 18% IN 1989 TO LOW OF 0.8% IN 1996. DECLINING HEALTH CARE INFLATION CONTRIBUTED TO INCREASES IN THE TAKE-HOME PAY OF WORKERS AND THE PROFITS OF AMERICAN BUSINESSES, AND ALSO HELPED TO MODERATE THE DECLINE IN THE PERCENTAGE OF AMERICANS WITH EMPLOYER-BASED HEALTH COVERAGE. HOWEVER, BY EARLY 1997, MANY ANALYSTS DECLARED THE GOOD TIMES OVER AND PREDICTED A RETURN TO NEAR DOUBLE-DIGIT HEALTH CARE INFLATION. THERE WERE COMPELLING REASONS WHY HEALTH CARE INFLATION WAS LIKELY TO RETURN. MANAGED CARE HAD ALREADY CAPTURED THE “LOW-HANGING FRUIT” OF SAVINGS IN THE FEE-FOR-SERVICE SYSTEM, HEALTH PLANS NEEDED TO RECOUP THEIR GROWING FINANCIAL LOSSES, AND EXPLODING TECHNOLOGY (INCLUDING PRESCRIPTION DRUGS) WOULD DRIVE UP UNDERLYING HEALTH CARE COSTS. IN 1999, HEALTH CARE INFLATION CONTINUES TO RISE — THOUGH NOT AS QUICKLY AS SOME HAD EXPECTED — AND HEALTH BENEFITS COST INCREASES ARE HITTING THE SMALLEST BUSINESSES THE HARDEST.

### PREMIUM INCREASES

► For the average covered worker, health insurance premiums increased 4.8% from the Spring of 1998 to the Spring of 1999 (a statistically significant increase), nearly 3 percentage points greater than the increase in the overall rate of inflation (EXHIBIT 2.1). This was the highest nominal and inflation-adjusted increase since 1994, but less than the inflation rate forecast by many

analysts. Premium increases outpaced increases in workers earnings (3.8%) and the medical care component of the consumer price index (3.4%) (EXHIBIT 2.2).

- *The 4.8% premium increase amount is consistent with the U.S. Bureau of Labor Statistics' Employer Cost Index that shows an increase of 4.0% in health benefits costs to the nation's employers during the past year.<sup>2</sup>*

► Covered workers in all small firms (3-199 workers) experienced increases in premiums nearly 3 percentage points higher than those of all large firms (200 or more workers) (EXHIBIT 2.3). Employees in firms with fewer than 200 workers had average increases of 6.9% (significantly different from all firms), compared with 4.1% for firms with 200 or more workers. The smallest firms (3-9 workers) experienced average premium increases of 9.2%.



- Higher rates of premium inflation for small employers reflect their heavy reliance on fully insured plans and their inferior bargaining position with insurers and managed care organizations. In addition, insurers and managed care organizations charge a risk-premium to small firms to compensate for the greater risk associated with insuring a small group of individuals.

► Employers that self-funded their health plans enjoyed substantially lower premium increases (EXHIBIT 2.4) than firms who purchased their health insurance from an insurer (fully-insured plans). The difference was greatest in conventional plans, 9.2% for the former versus 3.7% for the latter, a statistically significant difference.

- The lower premium increases for self-insured plans may reflect the underlying rate of health care inflation, while the driving force behind larger increases in fully-insured plans may be what is known as the “underwriting cycle.” The underwriting cycle is the historic pattern of profitability and pricing, where insurers during times of profitability compete for market share by under-pricing their products. Eventually, most insurers experience financial losses, and then try to restore their profitability by raising premiums. In 1996, premium increases were higher in self-

insured than in fully-insured HMO and POS plans, comparable for PPO and conventional plans, and increases across plan types were close to zero. Premium increases for insured plans in 1999 may be driven in large part by losses experienced by health plans over the last several years — in 1996 and 1997, nearly two-thirds of managed care organizations and insurers suffered financial losses.<sup>3</sup>

► By plan type, HMOs and conventional plans had the highest rate of increase with 5.7% and 5.6% increases respectively (EXHIBIT 2.1), although only the former was significantly different from the previous year. POS plans had the lowest rate of increase at 3.6%. Over the past decade, premium increases from year-to-year for different types of plans have generally moved in tandem (EXHIBIT 2.5).

- In general, whether a plan is fully insured or self-funded greatly determines its premium increase. More than 80% of HMO members are enrolled in an insured plan, whereas the majority of enrollees in conventional and PPO plans are enrolled in a self-funded plan. Among insured plans, HMOs had lower premium increases than PPO and conventional plans (Exhibit 2.4).

► Premium increases were highest in the West (5.8%) and

lowest in the South (4.3%) (EXHIBIT 2.7). Areas like California with the most intense price competition in the mid-1990s tended to have suffered the greatest increases in premiums in 1999, as insurers attempted to recover from financial losses brought about by under-pricing their products.

#### MONTHLY PREMIUM COST OF SINGLE AND FAMILY COVERAGE

► The average monthly cost of coverage, including both the employer and employee contribution, is \$189 for single coverage and \$478 for family coverage (Exhibit 2.9).

- HMO plans remain the least expensive plans with average monthly premiums of \$169 for single coverage and \$445 for family coverage. Conventional and POS coverage tends to be most expensive (Exhibit 2.9).

► For single coverage, monthly premium costs are greatest for the smallest firms with 3-9 workers, averaging \$201 (EXHIBIT 2.10). Family coverage is most expensive for firms with 1,000-4,999 workers at \$504. Such comparisons do not control for differences in deductibles, co-payments, coinsurance and covered benefits. As shown in Section 7, employees in the smallest firms sometimes face higher patient cost sharing than employees in larger firms and are provided fewer covered benefits.

#### NOTES:

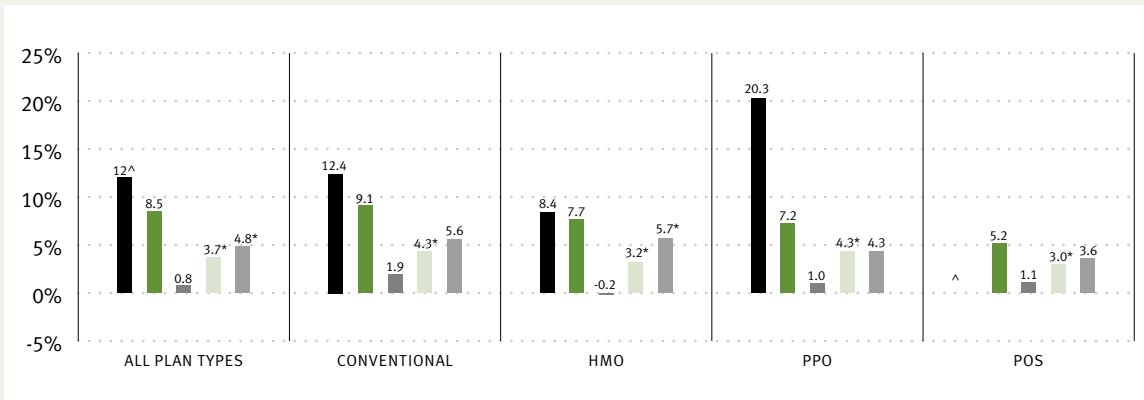
<sup>1</sup> Congressional Budget Office, Projections of National Health Expenditures: October 1992, Congress of the United States, October 1992, Summary Table 2, p4.

<sup>2</sup> U.S. Bureau of Labor Statistics, Office of Compensation Levels and Trends, June 1999, unpublished data (data is for the employer contribution).

<sup>3</sup> InterStudy reported that in 1997, only about one-third of HMOs reported a profit (The InterStudy Competitive Edge, Part II: HMO Industry Report, Vol. 8.2, October 1998). HCIA reported that 44% of HMOs were profitable in 1996 (The Guide to the Managed Care Industry, HCIA, 1997).

EXHIBIT 2.1

Percentage Change in Health Insurance Premiums from Previous Year, by Plan Type, 1988-1999



SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.  
^ Information was not obtained for POS plans in 1988.

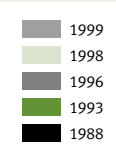
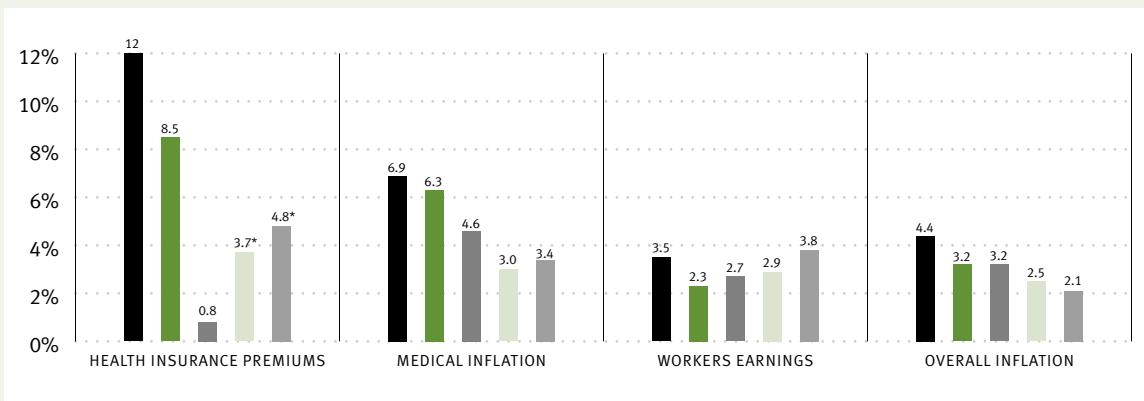


EXHIBIT 2.2

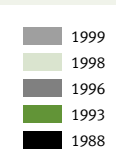
Increases in Health Insurance Premiums Compared to Other Indicators, 1988-1999



SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.



## EXHIBIT 2.3

## Percentage Change in Premiums, by Plan Type and Firm Size, 1999

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plan Types</i>
<b>FIRM SIZE</b>					
Small (3-9 Workers)	NSD	NSD	11.7%	NSD	9.2%
Small (10-24 Workers)	NSD	NSD	6.8	5.05	6.9%
Small (25-49 Workers)	NSD	NSD	9.0	4.9	6.5
Small (50-199 Workers)	10.2	3.5	5.1	5.3	5.5
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>9.6%*</b>	<b>6.3%</b>	<b>7.7%*</b>	<b>5.2%</b>	<b>6.9%*</b>
Midsize (200-999 Workers)	5.8%	3.9%	4.6%	6.9%	4.7%
Large (1,000-4,999 Workers)	5.3	7.5^	1.1	2.0	3.1
Jumbo (5,000+ Workers)	2.7	5.8^	3.1	2.6	4.2
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>	<b>3.9%</b>	<b>5.6%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>4.1%</b>
<b>ALL FIRM SIZES</b>	<b>5.6%</b>	<b>5.7%</b>	<b>4.3%</b>	<b>3.6%</b>	<b>4.8%</b>

## SOURCE :

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

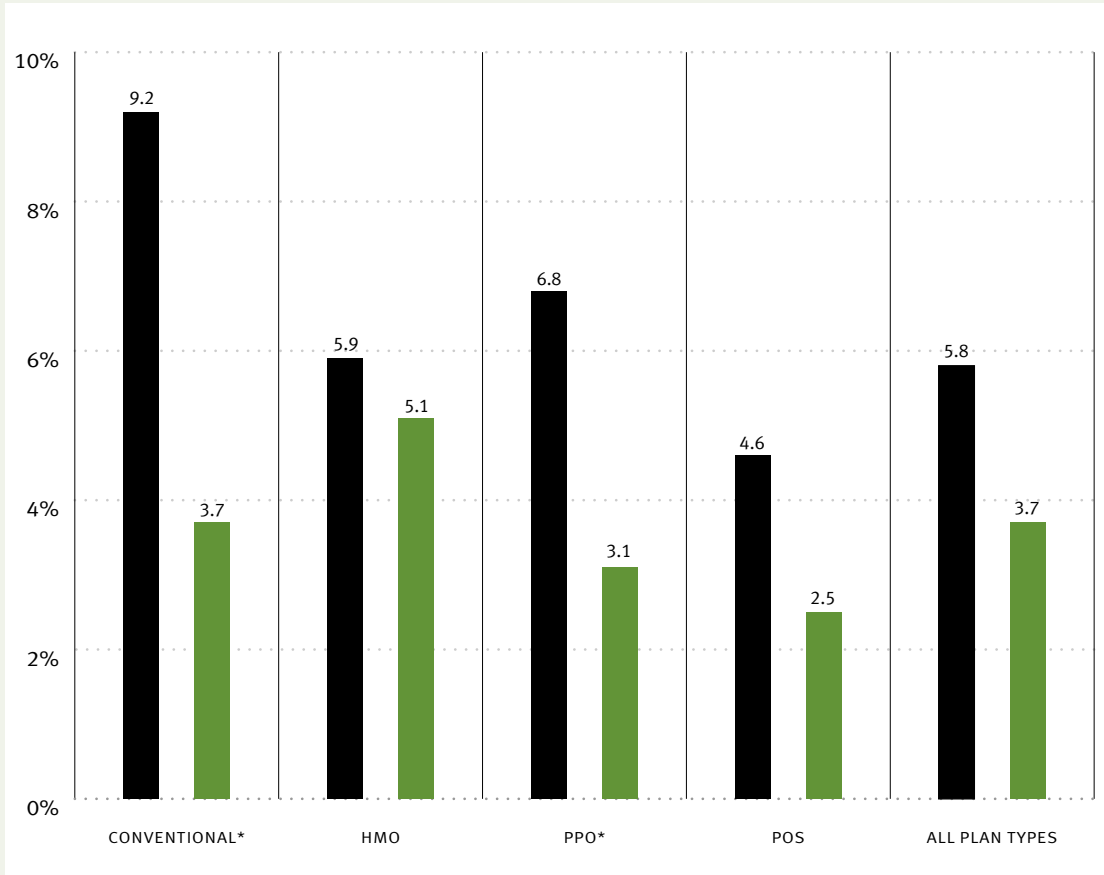
NSD: Not sufficient data.

\* Firm size estimate is statistically different from All Firms within a plan type.

^ Plan type estimate is statistically different from All Plans within a firm size.

EXHIBIT 2.4

Premium Increases by Plan Type and Funding Arrangement, 1999



SELF-INSURED  
FULLY INSURED

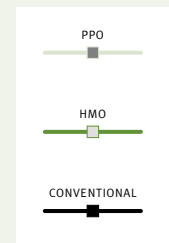
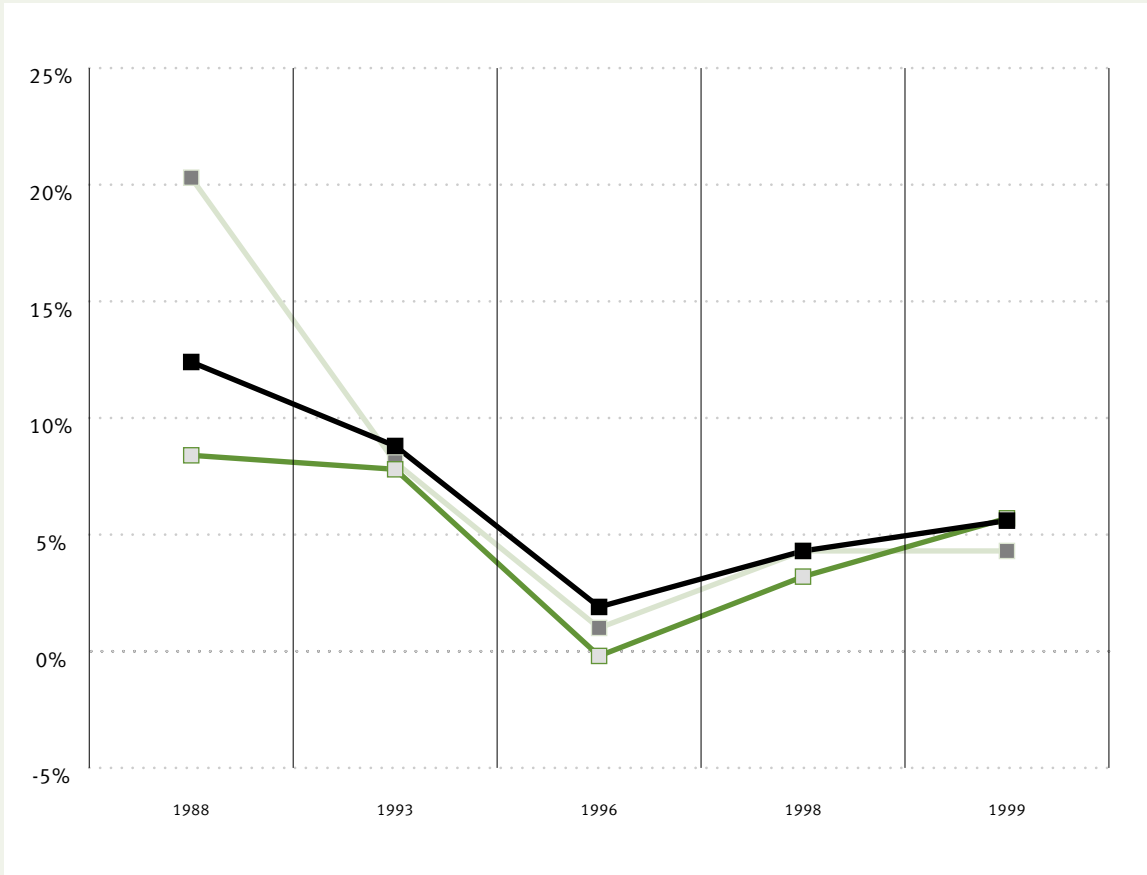
SOURCE :

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

\* Estimates are statistically different within plan type.

EXHIBIT 2.5

Premium Increases for Covered Workers, by Plan Type, 1988-1999

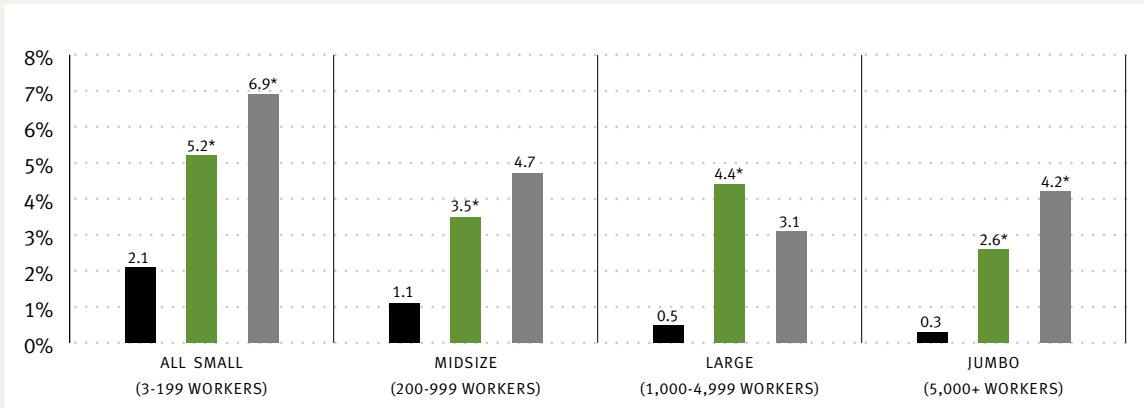


SOURCE :

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

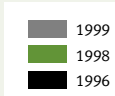
EXHIBIT 2.6

Premium Increases from Previous Year, by Firm Size, 1996, 1998, and 1999



SOURCE :

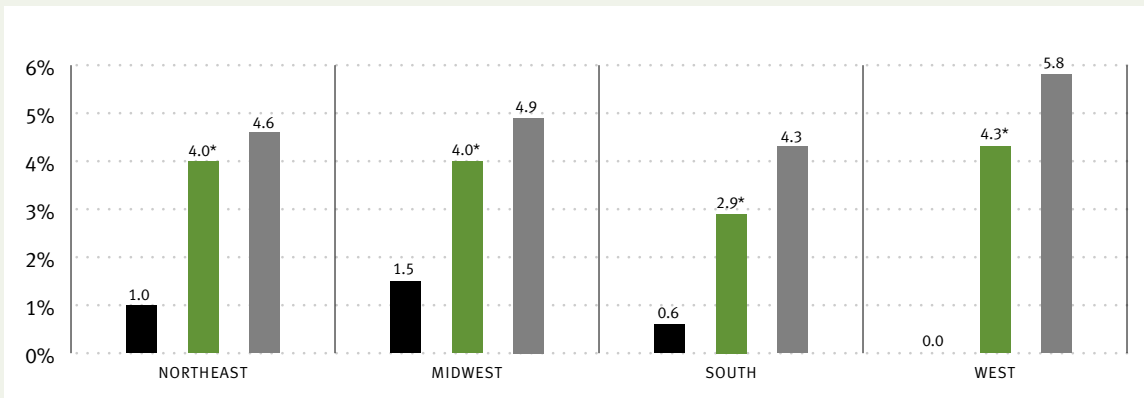
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

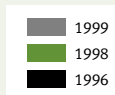
EXHIBIT 2.7

Premium Increases from Previous Year, by Region, 1996, 1998, and 1999



SOURCE :

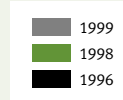
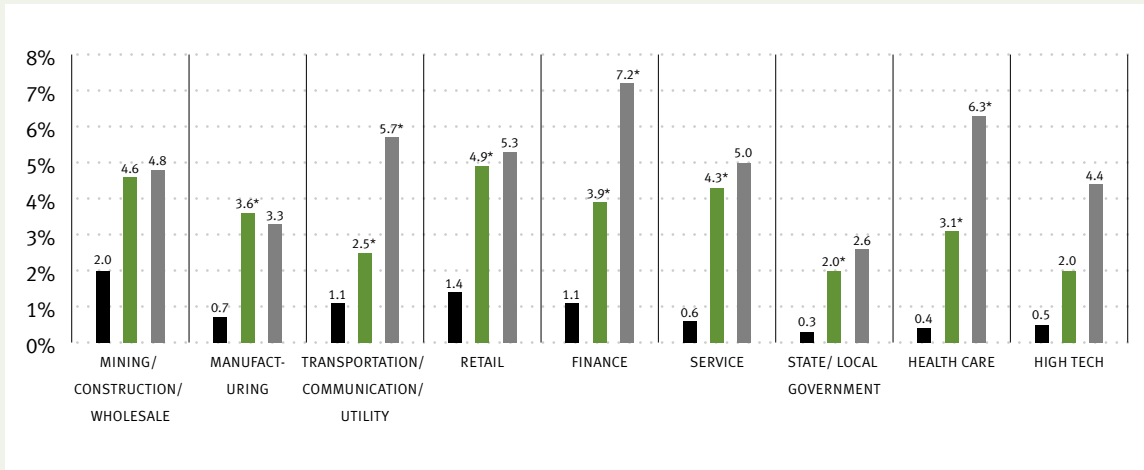
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

EXHIBIT 2.8

Premium Increases from Previous Year, by Industry, 1996, 1998, and 1999



SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

## EXHIBIT 2.9

## Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Region, 1999

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>CONVENTIONAL PLANS</b>				
Northeast	\$197	\$500	\$2,365	\$6,004
Midwest	212	519	2,547	6,234
South	185	468	2,222	5,612
West	250*	478	2,995*	5,733
<b>ALL REGIONS</b>	<b>202</b>	<b>491</b>	<b>2,420</b>	<b>5,891</b>
<b>HMO PLANS</b>				
Northeast	\$170	\$486	\$2,036	\$5,831
Midwest	157	445	1,881	5,345
South	153	457	1,831	5,480
West	201	397*	2,413	4,762*
<b>ALL REGIONS</b>	<b>169</b>	<b>445</b>	<b>2,025</b>	<b>5,342</b>
<b>PPO PLANS</b>				
Northeast	\$213	\$567*	\$2,550	\$6,799*
Midwest	182	468	2,186	5,619
South	183	476	2,200	5,711
West	247	496	2,967	5,951
<b>ALL REGIONS</b>	<b>195</b>	<b>488</b>	<b>2,345</b>	<b>5,862</b>
<b>POS PLANS</b>				
Northeast	\$206	\$562*	\$2,474	\$6,742*
Midwest	170*	452*	2,040*	5,421*
South	183	493	2,198	5,917
West	237	412	2,839	4,944
<b>ALL REGIONS</b>	<b>198</b>	<b>496</b>	<b>2,373</b>	<b>5,951</b>
<b>ALL PLAN TYPES</b>				
Northeast	\$197	\$537*	\$2,368	\$6,441*
Midwest	176	465	2,117	5,574
South	176	474	2,113	5,694
West	226	435	2,714	5,217
<b>ALL REGIONS</b>	<b>189</b>	<b>478</b>	<b>2,270</b>	<b>5,742</b>

## SOURCE :

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

\* Region estimate is statistically different from All Regions within a plan type.



## EXHIBIT 2.10

## Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Firm Size, 1999

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>CONVENTIONAL PLANS</b>				
Small (3-9 Workers)	NSD	NSD	NSD	NSD
Small (10-24 Workers)	NSD	NSD	NSD	NSD
Small (25-49 Workers)	NSD	NSD	NSD	NSD
Small (50-199 Workers)	185	472	2,218	5,664
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>210</b>	<b>457</b>	<b>2,516</b>	<b>5,486</b>
Midsize (200-999 Workers)	230	573*	2,759	6,878*
Large (1,000-4,999 Workers)	192	491	2,299	5,892
Jumbo (5,000+ Workers)	189	488	2,269	5,853
<b>ALL FIRM SIZES</b>	<b>202</b>	<b>491</b>	<b>2,420</b>	<b>5,891</b>
<b>HMO PLANS</b>				
Small (3-9 Workers)	NSD	NSD	NSD	NSD
Small (10-24 Workers)	NSD	NSD	NSD	NSD
Small (25-49 Workers)	NSD	NSD	NSD	NSD
Small (50-199 Workers)	157	441	1,878	5,287
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>151</b>	<b>411</b>	<b>1,807</b>	<b>4,931</b>
Midsize (200-999 Workers)	150	422	1,796	5,062
Large (1,000-4,999 Workers)	173	472	2,078	5,663
Jumbo (5,000+ Workers)	181	459	2,178	5,502
<b>ALL FIRM SIZES</b>	<b>169</b>	<b>445</b>	<b>2,025</b>	<b>5,342</b>
<b>PPO PLANS</b>				
Small (3-9 Workers)	\$185	\$494	\$2,222	\$5,932
Small (10-24 Workers)	212	533	2,539	6,401
Small (25-49 Workers)	186	458	2,238	5,498
Small (50-199 Workers)	206	498	2,468	5,981
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>198</b>	<b>495</b>	<b>2,375</b>	<b>5,943</b>
Midsize (200-999 Workers)	198	516	2,381	6,187
Large (1,000-4,999 Workers)	180	506	2,164	6,078
Jumbo (5,000+ Workers)	201	449	2,407	5,392
<b>ALL FIRM SIZES</b>	<b>195</b>	<b>488</b>	<b>2,345</b>	<b>5,862</b>
<b>POS PLANS</b>				
Small (3-9 Workers)	NSD	NSD	NSD	NSD
Small (10-24 Workers)	173*	400*	2,071*	4,797*
Small (25-49 Workers)	192	499	2,304	5,984
Small (50-199 Workers)	172*	466	2,061*	5,597
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>193</b>	<b>469</b>	<b>2,311</b>	<b>5,626</b>
Midsize (200-999 Workers)	176*	468	2,116*	5,618
Large (1,000-4,999 Workers)	187	534	2,241	6,407
Jumbo (5,000+ Workers)	209	505	2,513	6,060
<b>ALL FIRM SIZES</b>	<b>198</b>	<b>496</b>	<b>2,373</b>	<b>5,951</b>
<b>ALL PLAN TYPES</b>				
Small (3-9 Workers)	\$201	\$467	\$2,411	\$5,602
Small (10-24 Workers)	179	455	2,146	5,459
Small (25-49 Workers)	189	462	2,264	5,544
Small (50-199 Workers)	185	476	2,215	5,706
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>189</b>	<b>467</b>	<b>2,263</b>	<b>5,607</b>
Midsize (200-999 Workers)	183	486	2,201	5,831
Large (1,000-4,999 Workers)	181	504	2,173	6,044
Jumbo (5,000+ Workers)	196	471	2,347	5,655
<b>ALL FIRM SIZES</b>	<b>189</b>	<b>478</b>	<b>2,270</b>	<b>5,742</b>

## SOURCE:

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

NSD: Not sufficient data.

\* Firm size estimate is statistically different from All Firms within a plan type.

## EXHIBIT 2.11

## Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Industry, 1999

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>CONVENTIONAL PLANS</b>				
Mining/Construction/Wholesale	\$176	\$489	\$2,107	\$5,872
Manufacturing	210	504	2,515	6,045
Transportation/Communication/Utility	201	545	2,413	6,546
Retail	NSD	NSD	NSD	NSD
Finance	241*	535	2,892*	6,425
Service	214	513	2,572	6,162
State/Local Government	160*	395*	1,919*	4,746*
Health Care	233*	505	2,796*	6,065
High Tech	165*	472	1,984*	5,670
<b>ALL INDUSTRIES</b>	<b>202</b>	<b>491</b>	<b>2,420</b>	<b>5,891</b>
<b>HMO PLANS</b>				
Mining/Construction/Wholesale	\$152	\$391*	\$1,820	\$4,688*
Manufacturing	162	444	1,946	5,327
Transportation/Communication/Utility	145	430	1,742	5,161
Retail	156	450	1,871	5,401
Finance	169	491	2,027	5,889
Service	177	440	2,124	5,275
State/Local Government	170	449	2,043	5,388
Health Care	174	470	2,084	5,644
High Tech	157	424	1,883	5,084
<b>ALL INDUSTRIES</b>	<b>169</b>	<b>445</b>	<b>2,025</b>	<b>5,342</b>
<b>PPO PLANS</b>				
Mining/Construction/Wholesale	\$180	\$537	\$2,159	\$6,439
Manufacturing	179	473	2,145	5,680
Transportation/Communication/Utility	184	487	2,211	5,842
Retail	179	509	2,148	6,108
Finance	202	541	2,427	6,488
Service	222	488	2,667	5,859
State/Local Government	163*	414*	1,959*	4,965*
Health Care	204	503	2,450	6,031
High Tech	188	512	2,253	6,144
<b>ALL INDUSTRIES</b>	<b>195</b>	<b>488</b>	<b>2,345</b>	<b>5,862</b>
<b>POS PLANS</b>				
Mining/Construction/Wholesale	\$203	\$452*	\$2,431	\$5,419*
Manufacturing	192	530	2,307	6,354
Transportation/Communication/Utility	185	538	2,215	6,453
Retail	181	525	2,176	6,295
Finance	197	571*	2,369	6,854*
Service	216	450	2,589	5,399
State/Local Government	186	502	2,226	6,022
Health Care	196	490	2,350	5,884
High Tech	171*	515	2,052*	6,185
<b>ALL INDUSTRIES</b>	<b>198</b>	<b>496</b>	<b>2,373</b>	<b>5,951</b>
<b>ALL PLAN TYPES</b>				
Mining/Construction/Wholesale	\$181	\$485	\$2,173	\$5,817
Manufacturing	181	482	2,170	5,788
Transportation/Communication/Utility	174	490	2,091	5,879
Retail	176	501	2,113	6,018
Finance	194	532*	2,327	6,382*
Service	205	465	2,458	5,581
State/Local Government	167*	430*	2,005*	5,163*
Health Care	197	492	2,365	5,899
High Tech	173*	494	2,076*	5,924
<b>ALL INDUSTRIES</b>	<b>189</b>	<b>478</b>	<b>2,270</b>	<b>5,742</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Industry estimate is statistically different from All Industries within a plan type.

EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Health  
Benefits  
Offer Rates

SECTION

3

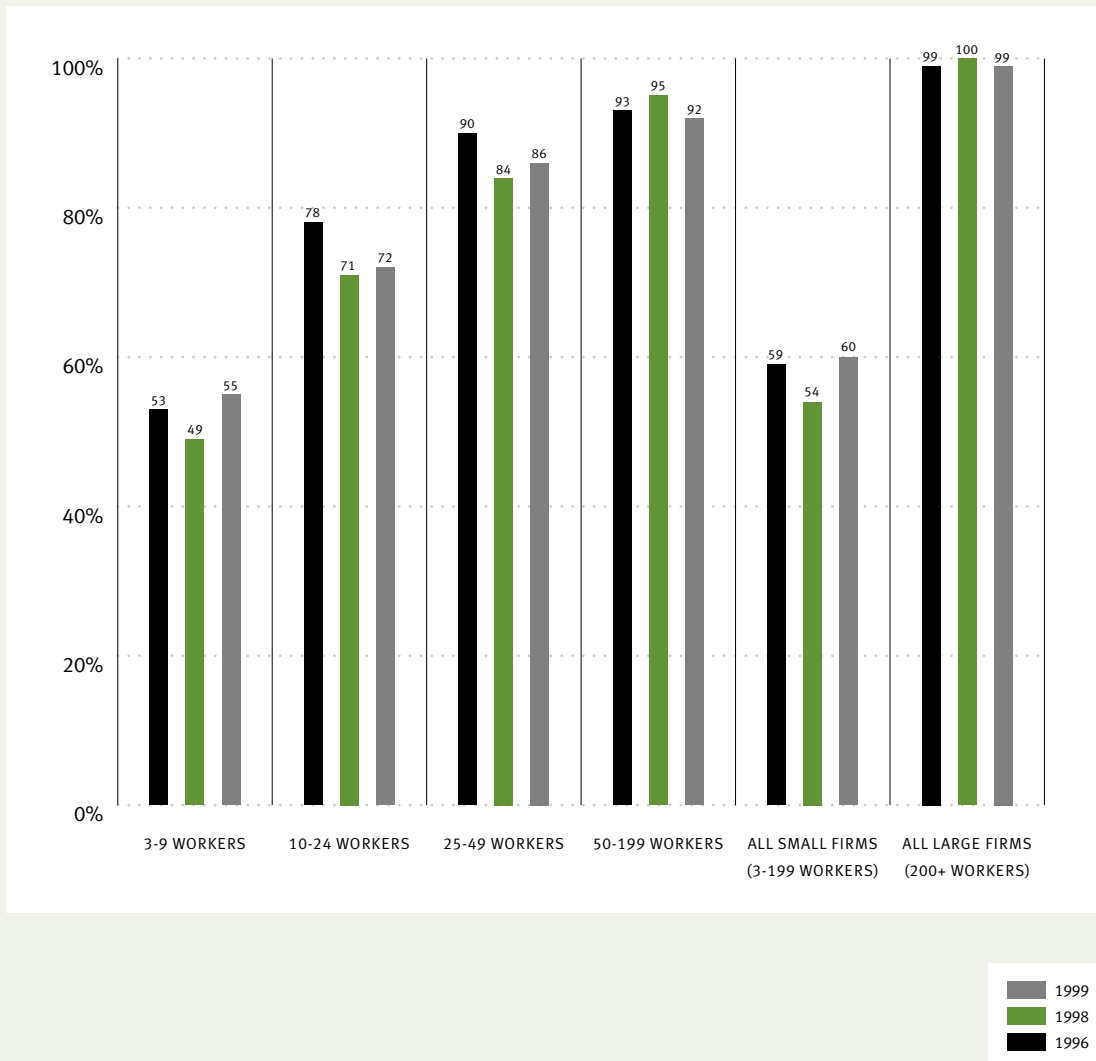
## HEALTH BENEFITS OFFER RATES

NEARLY ALL BUSINESSES WITH 200 OR MORE EMPLOYEES OFFER HEALTH INSURANCE. HOWEVER, SMALLER BUSINESSES HAVE ALWAYS BEEN MUCH LESS LIKELY TO PROVIDE HEALTH BENEFITS. THE PROPORTION OF ALL SMALL BUSINESSES (3-199 WORKERS) NOW OFFERING HEALTH COVERAGE IS 60%, WHICH HAS SEEN NO STATISTICALLY SIGNIFICANT CHANGES OVER THE PAST THREE YEARS, DESPITE LOWER HEALTH CARE INFLATION AND THE BEST ECONOMY SINCE THE 1960S (EXHIBIT 3.1).

- ▶ Whether or not small businesses offer health benefits varies with their size, whether they have a large share of low-wage workers, and the type of industry.
  - *The chance that a small business offers health benefits increases with firm size. Over 90% of firms with 50-199 employees offer health coverage, compared with only 55% of the smallest firms (3-9 workers) (EXHIBIT 3.1).*
  - *All small firms (3-199 workers) with many low-wage workers (defined here as 35% or more employees earning less than \$20,000 per year) are much less likely to offer health benefits than are small firms with higher-wage employees. 40% of small low-wage firms offered health insurance in 1999 compared with 79% of small high-wage firms (where 10% or less of employees earn low wages) (EXHIBIT 3.2).*
  - *The lowest offer rates among all small firms (3-199 workers) are found in the retail sector, at 34%, which is nearly half the 60% offer rate for all small firms. The highest rates are in government and the health care industry – 84% and 78%, respectively (EXHIBIT 3.3).*
- ▶ The most common reason reported by small firms as “very important” in their decision not to offer health insurance is still that premiums are too expensive – 68% of all small firms (3-199 workers) (EXHIBIT 3.4).
  - *The fact that the company could not qualify for group rates was cited as very important in their decision by 43% of all small firms; 40% considered the fact that their employees were covered elsewhere a very important reason for not offering health benefits.*
  - *Most small businesses (75%) that are not offering health benefits in 1999 have never offered health insurance.*

EXHIBIT 3.1

Percentage of Firms Offering Health Benefits, by Firm Size, 1996, 1998, and 1999\*



SOURCE :

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

\* Tests found no statistically different estimates from the previous year for years 1996-1998, 1998-1999.

**EXHIBIT 3.2**

**Percentage of All Small Firms (3-199 workers) in Which Workers Are Offered Health Insurance, by Percentage of Workforce that is Low Income, 1999**

	Yes	No
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>		
10% or less	79%*	21%
More than 10% & less than 35%	73	27
35% or more	40*	60

**SOURCE :**

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

\* Income estimate is statistically different from All Firms (All Firms data not shown).

## EXHIBIT 3.3

## Percentage of All Small Firms (3-199 workers) in Which Workers Are Offered Health Insurance, 1999

	Yes	No
<b>REGION</b>		
Northeast	62%	38%
Midwest	56	44
South	59	41
West	63	37
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	70%	30%
Manufacturing	71	29
Transportation/Communication/Utility	NSD	NSD
Retail	34*	66
Finance	60	40
Service	61	39
State/Local Government	84*	16
Health Care	78*	22
High Tech	76	24
<b>ALL REGIONS AND INDUSTRIES</b>	<b>60%</b>	<b>40%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Industry estimate is statistically different from All Regions and All Industries.

## EXHIBIT 3.4

## Small Firms' Reasons For Not Offering Health Insurance, 1999

	<i>Very Important</i>	<i>Somewhat Important</i>	<i>Not Too Important</i>	<i>Not At All Important</i>	<i>Don't Know</i>
<b>HIGH PREMIUMS</b> All Small Firms (3-199 Workers)	68%	18%	3%	9%	2%
<b>HIGH TURNOVER</b> All Small Firms (3-199 Workers)	31	18	11	38	2
<b>EMPLOYEES COVERED ELSEWHERE</b> All Small Firms (3-199 Workers)	40	33	8	16	3
<b>ADMINISTRATIVE HASSLE</b> All Small Firms (3-199 Workers)	23	22	26	26	3
<b>OBTAIN GOOD EMPLOYEES WITHOUT OFFERING A HEALTH PLAN</b> All Small Firms (3-199 Workers)	24	42	15	15	3
<b>COMPANY CAN'T QUALIFY FOR GROUP RATES</b> All Small Firms (3-199 Workers)	43	15	10	28	3
<b>FIRM TOO NEWLY ESTABLISHED</b> All Small Firms (3-199 Workers)	9	14	8	67	2

## SOURCE :

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



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Employee  
Coverage,  
Eligibility, and  
Participation

SECTION

4

## EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

JUST OVER 60% OF ALL EMPLOYEES (INCLUDING BOTH FULL- AND PART-TIME) HAVE HEALTH INSURANCE COVERAGE THROUGH THEIR OWN EMPLOYER (EXHIBIT 4.1). WHILE OTHER WORKERS MAY HAVE COVERAGE THROUGH THEIR SPOUSE'S JOB, MANY DO NOT HAVE THAT OPTION. ESTIMATES FROM CENSUS BUREAU DATA NOW INDICATE THAT NEARLY ONE IN FIVE WORKERS IS UNINSURED.<sup>4</sup>

THE PRIMARY REASON WORKERS ARE UNINSURED IS BECAUSE HEALTH BENEFITS ARE NOT OFFERED BY THEIR EMPLOYER. WHILE VIRTUALLY ALL LARGE FIRMS (200 OR MORE WORKERS) OFFER HEALTH BENEFITS, ONLY 60% OF SMALL FIRMS (3-199 WORKERS) OFFERED HEALTH INSURANCE IN 1999 (EXHIBIT 3.1). THE IMPACT OF THIS DIFFERENCE IS SUBSTANTIAL GIVEN THAT NEARLY 30% OF ALL EMPLOYEES (EXCLUDING THE SELF-EMPLOYED) WORK IN SMALL FIRMS (EXHIBIT 1.2).

- ▶ Not all employees are eligible for their firm's health benefits and not all who are eligible choose to participate in them. Therefore, how many workers are covered is a product of both the percentage of workers who are actually eligible for the firm's health insurance and the percentage who choose to "take-up" (i.e., participate in) this benefit. Evidence from this and other surveys indicates both eligibility and take-up rates have decreased in the past decade.<sup>5</sup> (EXHIBIT 4.3).
  - 80% of small firms' (3-199 workers) employees and 78% of all large firms' employees are eligible for health benefits.
  - *Participation (the take-up rate) in health benefits is high across all firm sizes, with take-up rates ranging from 81% to 89%.*
  - *Both eligibility and take-up rates vary considerably across industries. The proportion of workers eligible for health benefits (among firms that offer coverage) ranges from 95% in government to 56% in the retail sector. The take-up rate for health benefits is particularly low among workers in retail — 72%.*
- ▶ The percentage of workers insured in firms that offer health benefits — referred to as the coverage rate — has decreased in the past decade, dropping from 73% in 1989 to 67% in 1996 (EXHIBIT 4.2). Coverage rates have stabilized since then and are currently at 66% — a surprising finding when a rebound might have been expected given the strong national economy. Coverage rates do not differ substantially by firm size or across regions of the country, but do vary by industry (EXHIBIT 4.3).

- Among firms that offer health benefits, two-thirds (66%) of workers in both small (3-199 workers) and large (200 or more workers) firms are covered through their own employer.
  - Regional variation in coverage rates is slight, ranging from 64% in the West to 69% in the South.
  - Coverage rates vary widely by industry: among employees of firms that offer health benefits, 40% of workers in retail businesses had health coverage through their own employer, while 75% of manufacturing workers and 90% of government workers were covered.
- ▶ Among firms that offer health benefits, eligibility rates, take-up rates — and, consequently, coverage rates — are lower in low-wage firms (EXHIBIT 4.6).
- 55% of employees in low-wage firms (where 35% or more of the workers earn less than \$20,000 per year) are covered through their own employer, compared with 73% of workers in high-wage firms (where 10% or less of the workers earn less than \$20,000 per year). Higher coverage rates in high-wage firms that offer health benefits are a function of both higher eligibility rates and higher take-up rates.
- Part of the reason workers in low-wage firms have lower take-up rates may be because they are required to pay a greater share of the premium for family coverage — 40% of the premium, compared with 27% paid by workers in high-wage firms (See Exhibit 7.24 in Section 7). Still, a large majority (75%) of workers in low-wage firms participate in their company's health benefits, compared with 87% of workers in high-wage firms.
- ▶ Part-time workers often are not eligible for health coverage. This is particularly true in all small firms (3-199 workers), where only 27% of workers are offered coverage if they work part-time, compared with 46% of workers in all large firms (200 or more workers). Temporary workers are rarely eligible for health benefits in any size of firm (EXHIBIT 4.4).
- ▶ Some new employees may not have worked long enough in a firm to qualify for health benefits. However, waiting periods for health coverage are short, ranging from less than one month in jumbo firms (5,000 or more workers) to 2.6 months in the smallest firms (3-9 workers) (EXHIBIT 4.5).

#### HEALTH BENEFITS FOR DEPENDENTS

▶ Almost all workers who are offered health benefits by their employer, regardless of firm size, region, or industry, also have the option to cover their family members, at 99% (EXHIBIT 4.7). Recently, employers have also begun to offer coverage to the nontraditional partners of their workers. In 1999, 18% of workers with health benefits available to them were also offered coverage for nontraditional partners.

- The extension of health benefits to nontraditional partners varies somewhat by geographic region and industry. Workers in the Midwest are least likely (8%) to have this option. Workers in retail and government are least likely to be offered nontraditional partner coverage, while over half of workers in high-tech businesses have this option.
- Nontraditional coverage can include same sex couples or unmarried heterosexual couples, although businesses do not always extend coverage to both types of nontraditional partners (EXHIBIT 4.8).

#### NOTES:

<sup>4</sup> U.S. Census Bureau, "Health Insurance Coverage, 1998," Current Population Reports, October 1999.

<sup>5</sup> P. Cooper and B. Schoene, "More Offers, Fewer Takers for Employment-Based Health Insurance," Health Affairs, (November/December, 1997) pp. 142-152; P. Ginsburg and J. Gabel, "Tracking Health Care Costs: Third Edition," Health Affairs, September/October 1998, Vol. 17, No. 5, pp. 141-146. T. Rice et al., "Trends in Job-Based Health Insurance Coverage," Kaiser Family Foundation, June 1998.

## EXHIBIT 4.1

Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, 1996, 1998, 1999

Category	1996	1998	1999
<b>FIRM SIZE</b>			
Small (3-9 Workers)	36%	31%	42%
Small (10-24 Workers)	52	43	53
Small (25-49 Workers)	66	55	56
Small (50-199 Workers)	64	63	60
Midsize (200-999 Workers)	N/A	N/A	66
Large (1,000-4,999 Workers)	N/A	N/A	63
Jumbo (5,000+ Workers)	N/A	N/A	68
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>52%</b>	<b>47%</b>	<b>52%</b>
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>	<b>N/A</b>	<b>N/A</b>	<b>66%</b>
<b>ALL FIRMS</b>	<b>N/A</b>	<b>N/A</b>	<b>62%</b>

## SOURCE :

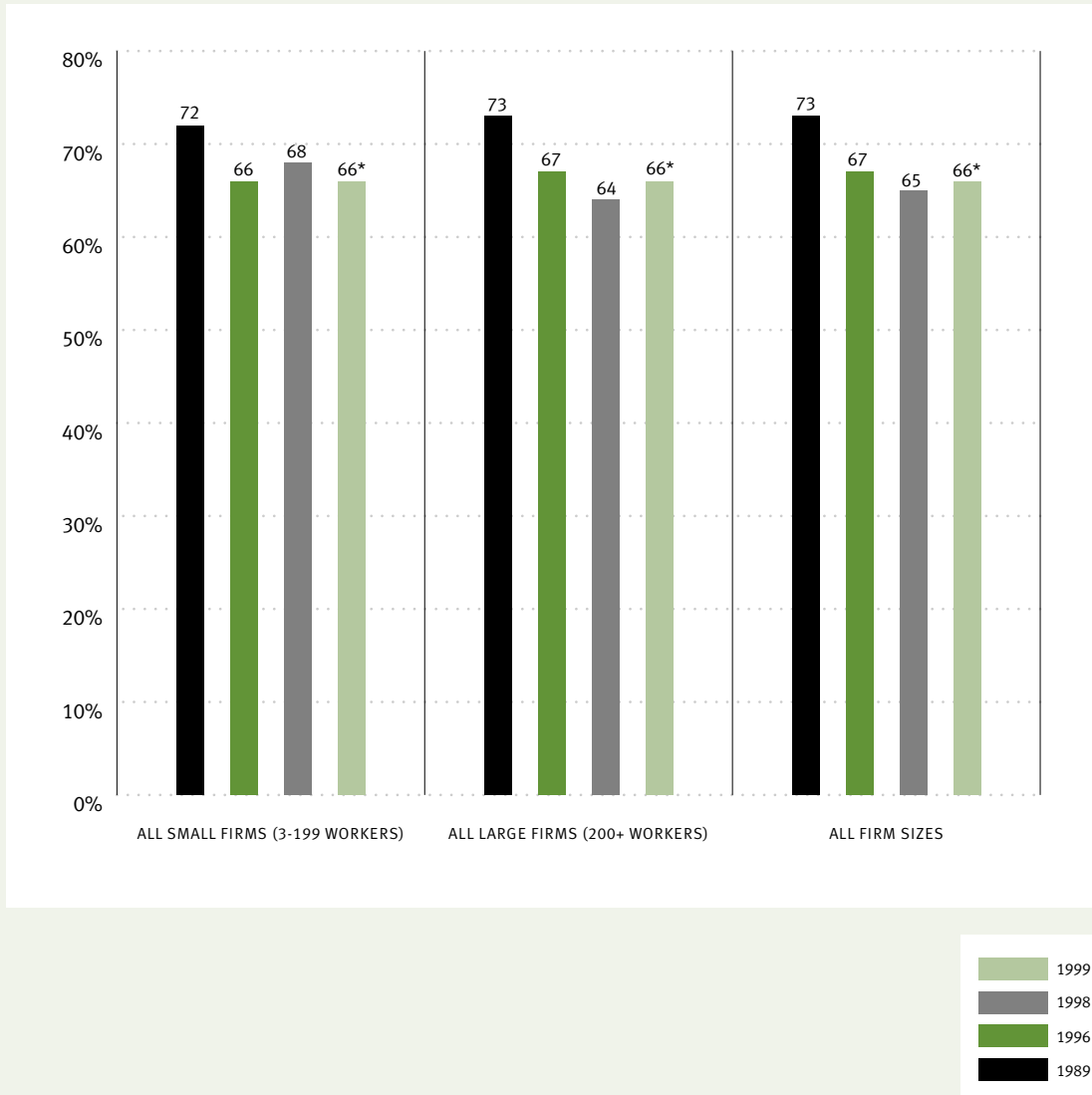
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999; KPMG Surveys of Employer-Sponsored Health Benefits: 1996, 1998.

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

\* Tests found no statistically significant changes from the previous year for years 1996-1998, 1998-1999.

EXHIBIT 4.2

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employer's Health Plan, by Firm Size, 1989-1999



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999; KPMG Survey of Employer-Sponsored Health Benefits: 1989, 1996, 1998.

\* Estimate is statistically different from the 1989 estimate; no statistical differences in estimates from the previous year for years 1996-1998, 1998-1999.

## EXHIBIT 4.3

Eligibility, Take-up Rates<sup>^</sup>, and Coverage, 1999

	<i>Percentage of Workers Eligible for Health Insurance</i>	<i>Take-up Rate<sup>^</sup></i>	<i>Percentage of Workers Covered by Health Insurance</i>
<b>FIRM SIZE</b>			
Small (3-9 Workers)	82%	86%	69%
Small (10-24 Workers)	85*	83	70
Small (25-49 Workers)	79	82	65
Small (50-199 Workers)	78	81	63
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>80</b>	<b>83</b>	<b>66</b>
Midsize (200-999 Workers)	75	89*	66
Large (1,000-4,999 Workers)	76	81	63
Jumbo (5,000+ Workers)	80	84	68
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>	<b>78</b>	<b>85</b>	<b>66</b>
<b>REGION</b>			
Northeast	77%	83%	65%
Midwest	76	84	65
South	80	86	69
West	78	81	64
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	80%	87%	70%
Manufacturing	85	87	75
Transportation/Communication/Utility	82	93*	77
Retail	56*	72*	40*
Finance	92*	84	77*
Service	78	85	66
State/Local Government	95*	97*	90*
Health Care	74	81	60
High Tech	90*	84	76*
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>78%</b>	<b>84%</b>	<b>66%</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.

<sup>^</sup> Take-up rate is the percentage of eligible workers who choose to participate in health benefits offered by their employer.

## EXHIBIT 4.4

## Percentages of Workers Employed In Firms That Offer Part-time and Temporary Workers Health Coverage, 1999

	<i>Part-time</i>	<i>Temporary</i>
<b>FIRM SIZE</b>		
Small (3-9 Workers)	18%*	6%
Small (10-24 Workers)	19*	2
Small (25-49 Workers)	33	3
Small (50-199 Workers)	34	5
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>27*</b>	<b>4</b>
Midsize (200-999 Workers)	25*	2*
Large (1,000-4,999 Workers)	41	4
Jumbo (5,000+ Workers)	58	4
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>	<b>46</b>	<b>3</b>
<b>REGION</b>		
Northeast	47%	2%
Midwest	48	3
South	37	4
West	34	4
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	22%*	3%
Manufacturing	40	2
Transportation/Communication/Utility	58	7
Retail	24	5
Finance	59*	1*
Service	36	3
State/Local Government	70*	2
Health Care	69*	5
High Tech	48	2
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>41%</b>	<b>3%</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.

## EXHIBIT 4.5

## Average Waiting Period for Health Coverage, 1999

	<i>Average Wait for Health Coverage (Months)</i>
<b>FIRM SIZE</b>	
Small (3-9 Workers)	2.6*
Small (10-24 Workers)	2.1*
Small (25-49 Workers)	2.2*
Small (50-199 Workers)	2.0*
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>2.2*</b>
Midsize (200-999 Workers)	2.1
Large (1,000-4,999 Workers)	1.5
Jumbo (5,000+ Workers)	0.8*
<b>REGION</b>	
Northeast	1.3
Midwest	1.3
South	1.8
West	1.4
<b>INDUSTRY</b>	
Mining/Construction/Wholesale	1.9*
Manufacturing	1.4
Transportation/Communication/Utility	1.5
Retail	3.1*
Finance	0.9*
Service	1.2
State/Local Government	1.1
Health Care	2.0*
High Tech	1.7
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>1.5</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.



## EXHIBIT 4.6

## Percentage of Workers Covered by Health Benefits, Take-up Rates, and Eligibility for Health Benefits, by Percentage of Workforce that is Low Income, 1999

	<i>Percentage of Workers Covered by Health Insurance</i>	<i>Take-up Rate</i>	<i>Percentage of Workers Eligible for Health Insurance</i>
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>			
10% or less	73%*	87%*	83%*
More than 10% & less than 35%	62	86	72
35% or more	55	75*	72

## SOURCE:

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

\* Income estimate is statistically different from All Firms (All Firms data not shown).

## EXHIBIT 4.7

Percentage of Workers Employed in Firms That Offer Dependents and Nontraditional Partners<sup>^</sup> Health Coverage, 1999

	<i>Dependents</i>	<i>Nontraditional Partners<sup>^</sup></i>
<b>FIRM SIZE</b>		
Small (3-9 Workers)	99%	14%
Small (10-24 Workers)	96	19
Small (25-49 Workers)	97	15
Small (50-199 Workers)	98	17
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>98*</b>	<b>16</b>
Midsize (200-999 Workers)	100	25
Large (1,000-4,999 Workers)	99	14
Jumbo (5,000+ Workers)	100	18
<b>REGION</b>		
Northeast	99%	18%
Midwest	99	8*
South	100*	23
West	99	21
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	100%*	23%
Manufacturing	99	17
Transportation/Communications/Utility	100	21
Retail	99	5*
Finance	100	12
Service	99	23
State/Local Government	100*	7*
Health Care	99	17
High Tech	100*	53*
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>99%</b>	<b>18%</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.

<sup>^</sup> Nontraditional partners is defined as unmarried heterosexual and same-sex couples who live together.

## EXHIBIT 4.8

### Percentage of Workers Employed in Firms That Offer Same Sex and Unmarried Heterosexual Couples Health Coverage, 1999

	<i>Same Sex Couples Eligible</i>	<i>Unmarried Heterosexual Couples Eligible</i>
<b>FIRM SIZE</b>		
Small (3-9 Workers)	10%	12%
Small (10-24 Workers)	9	10
Small (25-49 Workers)	6	12
Small (50-199 Workers)	8	13
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>9</b>	<b>12</b>
Midsize (200-999 Workers)	4*	23
Large (1,000-4,999 Workers)	11	6
Jumbo (5,000+ Workers)	15	10
<b>REGION</b>		
Northeast	15%	10%
Midwest	5*	6
South	9	18
West	19	11
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	14%	19%
Manufacturing	13	14
Transportation/Communication/Utility	16	4*
Retail	2*	5
Finance	10	4*
Service	11	17
State/Local Government	6	5
Health Care	9	13
High Tech	51*	9
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>11%</b>	<b>12%</b>

## SOURCE:

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

\* Estimate is statistically different from All Firms.



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Health  
Insurance  
Choice

SECTION

5

## HEALTH INSURANCE CHOICE

AS EMPLOYER-BASED INSURANCE CHANGED FROM A FEE-FOR-SERVICE TO A MANAGED CARE DOMINATED SYSTEM, EMPLOYEES FOUND THEY COULD NO LONGER SELECT ANY PROVIDER OF THEIR CHOICE. THIS TREND HAS MADE THE ISSUE OF PLAN CHOICE EVEN MORE IMPORTANT. STUDIES SHOW THAT PEOPLE WITH MORE CHOICE OF PLANS REPORT GREATER SATISFACTION WITH THE HEALTH PLAN THEY ARE ENROLLED IN.<sup>6</sup>

- ▶ The percentage of workers with employer-based coverage who can choose a conventional plan continues to decline — only 26% in 1999, down from 52% in 1996 (EXHIBIT 5.1). The number of workers with an HMO or PPO option available both increased slightly in the last year, while the percentage of workers with a POS option declined from 49% to 45%. None of the changes from 1998 to 1999 were statistically significant, however. Workers are now more likely to be able to choose a PPO than an HMO (62% versus 56%, respectively), making PPOs the dominant player in terms of employer offerings and market share as well.
- ▶ The percentage of workers with a choice of health plans has remained essentially stable since 1996, at 65% (EXHIBIT 5.2). Since 1988, employees with a choice of health plans have increased from 53% to 65%, perhaps a response to the shift into managed care.
- ▶ Exhibits 5.3 and 5.4 highlight the significant disparities that exist among employees of small and large firms in their ability to choose among alternative health plans. The percentage of firms offering a choice of health plans ranges from 10% for all small firms (3-199 employees) to 54% for midsize companies (200-999 employees) and 88% for jumbo employers (5,000 or more employees).
- ▶ Employees are more likely to have a choice among different HMO plans than among other types of plans (EXHIBIT 5.5). Since 1996, there has been little change in the percentage of employees offered more than one HMO, conventional, PPO, or POS plan (EXHIBITS 5.6-5.9).
- ▶ Regional variations in the percentage of employees with a choice of plans highlight the more limited plan choice available to workers in the South. (EXHIBIT 5.10). 42% of employees in the South are limited to one plan, compared with 28% in the Northeast, 30% in the West, and 35% in the Midwest.

► Why do firms offer only one plan? Among firms offering only one health plan, the reasons for doing so vary by firm size (EXHIBIT 5.11). “Too expensive to offer more choices” was cited as a major reason more frequently by smaller firms – 55% of firms with 10-24 workers, compared with 23% of firms with 5,000 or more workers. In contrast, larger firms were more likely than small businesses to cite “the administrative burden is too great” – 60% of both large and jumbo firms, in contrast with only 28% of the smallest firms (3-9 workers). The percentage of firms citing “few plans available locally” as a major reason was modest (11%), which is perhaps surprising in light of the health plan consolidation that has been occurring in markets across the country.

#### EMPLOYER

##### CONTRIBUTION POLICIES

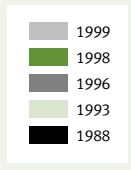
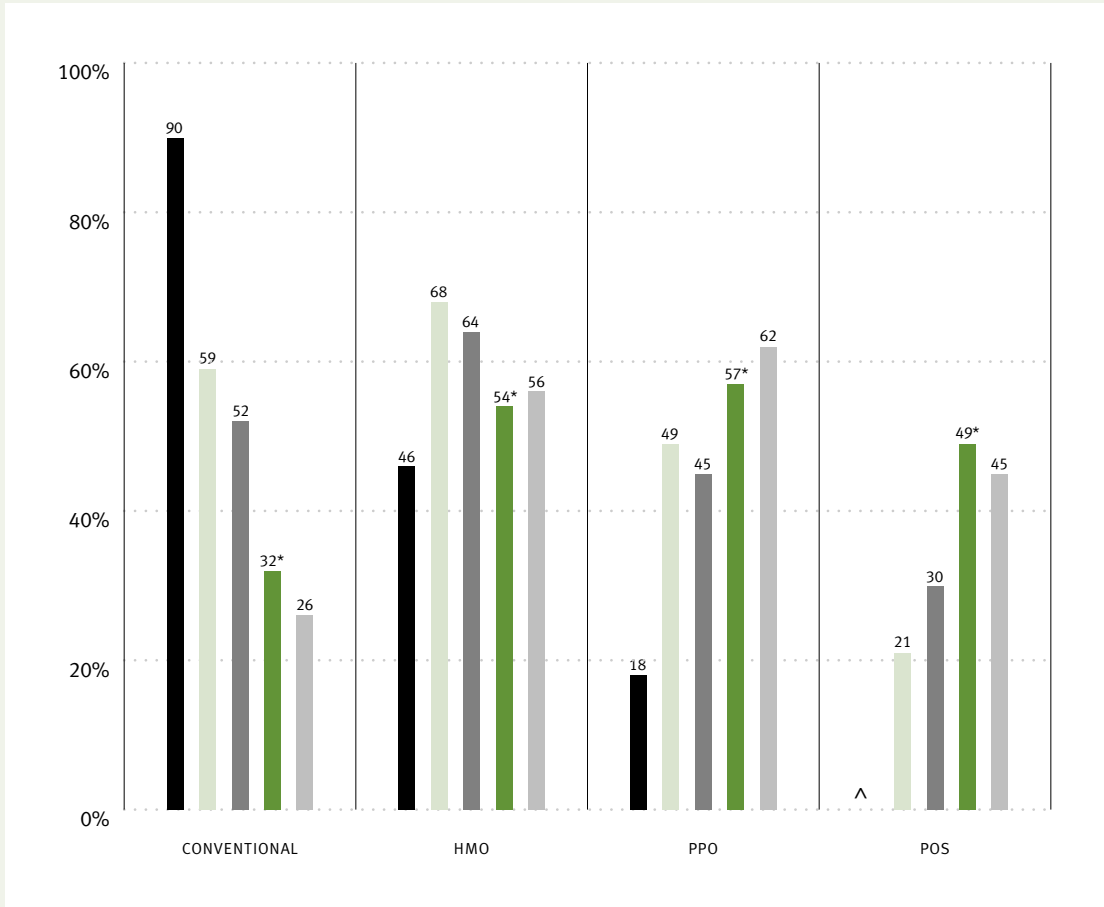
- When employers offer choice, they continue to subsidize employees who select higher cost plans (EXHIBIT 5.12). Only 28% of employees work for a firm where the employer contributes the same dollar amount to each health plan, which would give employees the maximum financial incentive to choose lower cost plans; 29% of workers work for a firm that contributes the same percentage to all health plans; and 12% of workers contribute the same dollar amount, regardless of the plan they choose (EXHIBIT 5.13).
- Among firms contributing the same dollar amount, about one-fifth set the contribution level at the cost of the lowest priced plan (EXHIBIT 5.14).

#### NOTES:

<sup>6</sup> Gawande et al., “Does Dissatisfaction with Health Plans Stem From Having No Choice?,” *Health Affairs*, September/October 1998, pp. 184-194.

EXHIBIT 5.1

Percentage of Covered Workers with a Choice of Conventional, HMO, PPO, or POS Plans, 1988-1999



SOURCE :

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

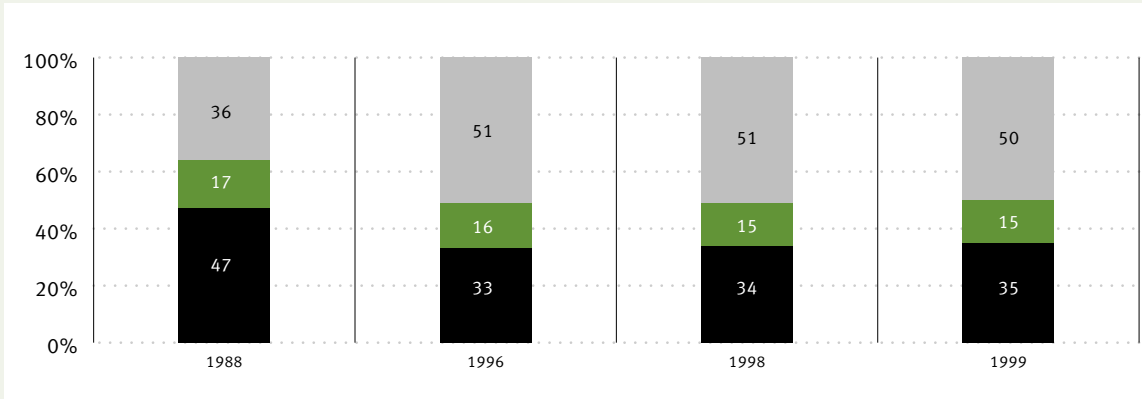
\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

^ Information was not obtained for POS plans in 1988.



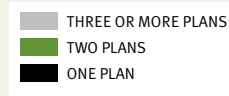
EXHIBIT 5.2

Percentage of Covered Workers With a Choice of Health Plans, 1988-1999\*



SOURCE :

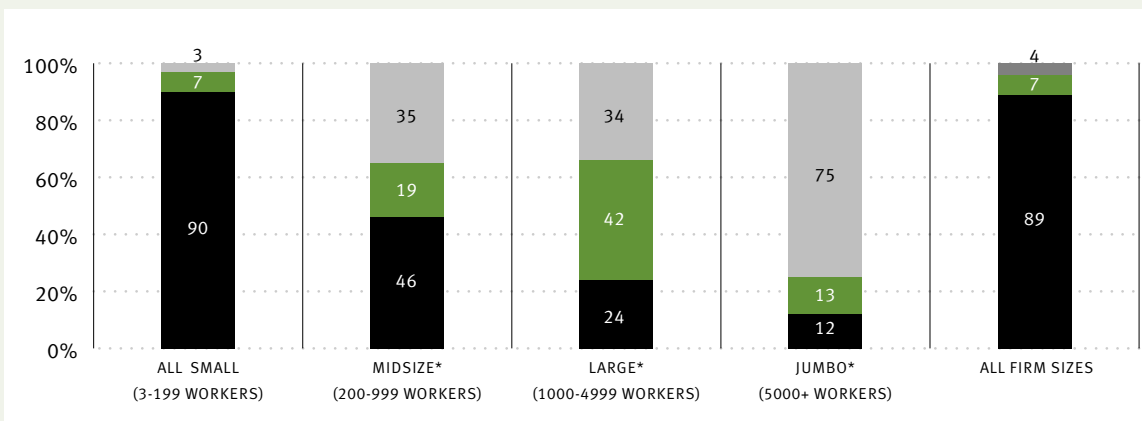
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1996, 1998.



\* Tests found no statistically different distributions from the previous year for years 1996-1998, 1998-1999.

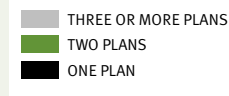
EXHIBIT 5.3

Percentage of Employers Providing a Choice of Health Plans, by Firm Size, 1999



SOURCE :

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



\* Distribution is statistically different from All Firm Sizes.

## EXHIBIT 5.4

## Percentage of Covered Workers with a Choice of Health Plans, by Firm Size, 1988-1999

	<i>1 Plan Only</i>	<i>2 Plans</i>	<i>3 or More Plans</i>
<b>1988</b>			
Small (3-9 Workers)	92%	5%	3%
Small (10-24 Workers)	85	7	9
Small (25-49 Workers)	58	24	19
Small (50-199 Workers)	62	22	16
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>66</b>	<b>19</b>	<b>15</b>
Midsize (200-999 Workers)	39	22	40
Large (1,000-4,999 Workers)	29	17	54
Jumbo (5,000+ Workers)	18	5	77
<b>ALL FIRM SIZES</b>	<b>47</b>	<b>17</b>	<b>36</b>
<b>1996</b>			
Small (3-9 Workers)*	91%	2%	7%
Small (10-24 Workers)*	85	12	3
Small (25-49 Workers)*	83	14	3
Small (50-199 Workers)*	68	24	8
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>80</b>	<b>14</b>	<b>6</b>
Midsize (200-999 Workers)*	47	25	28
Large (1,000-4,999 Workers)*	22	23	55
Jumbo (5,000+ Workers)*	9	10	81
<b>ALL FIRM SIZES</b>	<b>33</b>	<b>16</b>	<b>51</b>
<b>1998</b>			
Small (3-9 Workers)*	94%	3%	3%
Small (10-24 Workers)*	93	5	2
Small (25-49 Workers)*	81	13	6
Small (50-199 Workers)*	68	22	10
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>80</b>	<b>14</b>	<b>6</b>
Midsize (200-999 Workers)*	45	24	31
Large (1,000-4,999 Workers)*	21	22	57
Jumbo (5,000+ Workers)*	7	9	84
<b>ALL FIRM SIZES</b>	<b>34</b>	<b>15</b>	<b>51</b>
<b>1999</b>			
Small (3-9 Workers)*	92%	5%	4%
Small (10-24 Workers)*	95	2	3
Small (25-49 Workers)*	86	11	3
Small (50-199 Workers)*	66	21	13
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>81</b>	<b>12</b>	<b>7</b>
Midsize (200-999 Workers)*	43	17	40
Large (1,000-4,999 Workers)*	29	30	42
Jumbo (5,000+ Workers)*	7	9	84
<b>ALL FIRM SIZES</b>	<b>35</b>	<b>15</b>	<b>50</b>

## SOURCE :

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

\* Firm size distribution is statistically different from All Firm Sizes within given year. No significance tests were run for 1988.

## EXHIBIT 5.5

## Of Firms Offering a Conventional, HMO, PPO, or POS Plan, Percentage of Covered Workers With a Choice of Health Plans, by Firm Size, 1999

	1 Plan Only	2 Plans	3 or More Plans
<b>CONVENTIONAL PLANS</b>			
Small (3-9 Workers)	NSD	NSD	NSD
Small (10-24 Workers)	NSD	NSD	NSD
Small (25-49 Workers)	NSD	NSD	NSD
Small (50-199 Workers) *	97	3	0
<b>ALL SMALL FIRMS (3-199 WORKERS) *</b>	<b>89</b>	<b>5</b>	<b>5</b>
Midsize (200-999 Workers) *	90	9	2
Large (1,000-4,999 Workers)	67	19	14
Jumbo (5,000+ Workers) *	57	20	23
<b>ALL FIRM SIZES</b>	<b>73</b>	<b>14</b>	<b>13</b>
<b>HMO PLANS</b>			
Small (3-9 Workers)	NSD	NSD	NSD
Small (10-24 Workers)	NSD	NSD	NSD
Small (25-49 Workers)	NSD	NSD	NSD
Small (50-199 Workers) *	64	30	6
<b>ALL SMALL FIRMS (3-199 WORKERS) *</b>	<b>85</b>	<b>12</b>	<b>2</b>
Midsize (200-999 Workers)	42	10	48
Large (1,000-4,999 Workers) *	24	18	58
Jumbo (5,000+ Workers) *	20	7	74
<b>ALL FIRM SIZES</b>	<b>36</b>	<b>10</b>	<b>54</b>
<b>PPO PLANS</b>			
Small (3-9 Workers) *	100%	0%	0%
Small (10-24 Workers) *	95	0	5
Small (25-49 Workers) *	100	0	0
Small (50-199 Workers) *	90	9	1
<b>ALL SMALL FIRMS (3-199 WORKERS) *</b>	<b>95</b>	<b>4</b>	<b>1</b>
Midsize (200-999 Workers) *	82	4	14
Large (1,000-4,999 Workers)	79	15	6
Jumbo (5,000+ Workers) *	69	22	9
<b>ALL FIRM SIZES</b>	<b>81</b>	<b>11</b>	<b>8</b>
<b>POS PLANS</b>			
Small (3-9 Workers)	NSD	NSD	NSD
Small (10-24 Workers) *	96	2	3
Small (25-49 Workers) *	99	0	1
Small (50-199 Workers) *	86	14	0
<b>ALL SMALL FIRMS (3-199 WORKERS) *</b>	<b>92</b>	<b>8</b>	<b>1</b>
Midsize (200-999 Workers) *	68	28	5
Large (1,000-4,999 Workers) *	84	9	7
Jumbo (5,000+ Workers) *	63	5	32
<b>ALL FIRM SIZES</b>	<b>75</b>	<b>8</b>	<b>16</b>

## SOURCE :

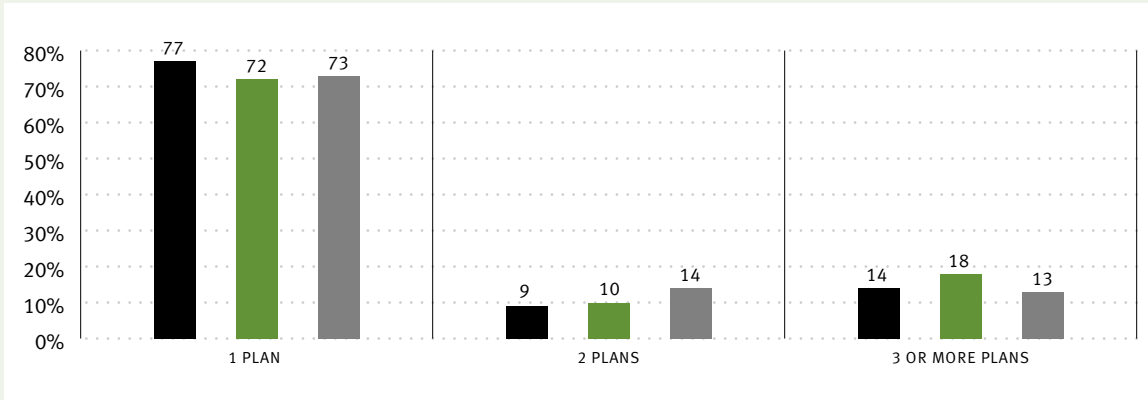
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NSD: Not sufficient data.

\* Firm size distribution is statistically different from All Firm Sizes within plan type.

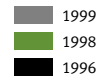
EXHIBIT 5.6

Of Firms Offering a Conventional Plan, Percentage of Covered Workers With a Choice of Health Plans, by Number of Plans Offered, 1996, 1998, and 1999\*



SOURCE :

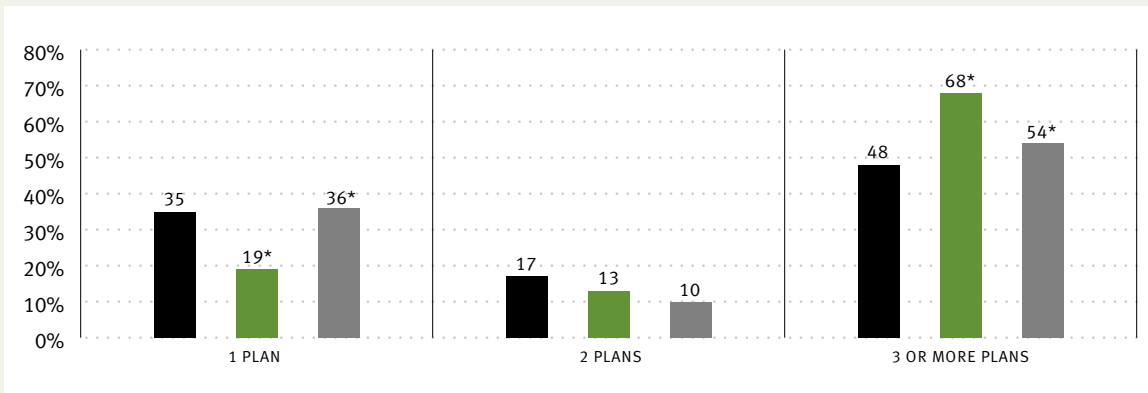
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Tests found no statistically different estimates from the previous year for years 1996-1998, 1998-1999.

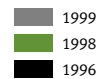
EXHIBIT 5.7

Of Firms Offering an HMO Plan, Percentage of Covered Workers With a Choice of Health Plans, by Number of Plans Offered, 1996, 1998, and 1999



SOURCE :

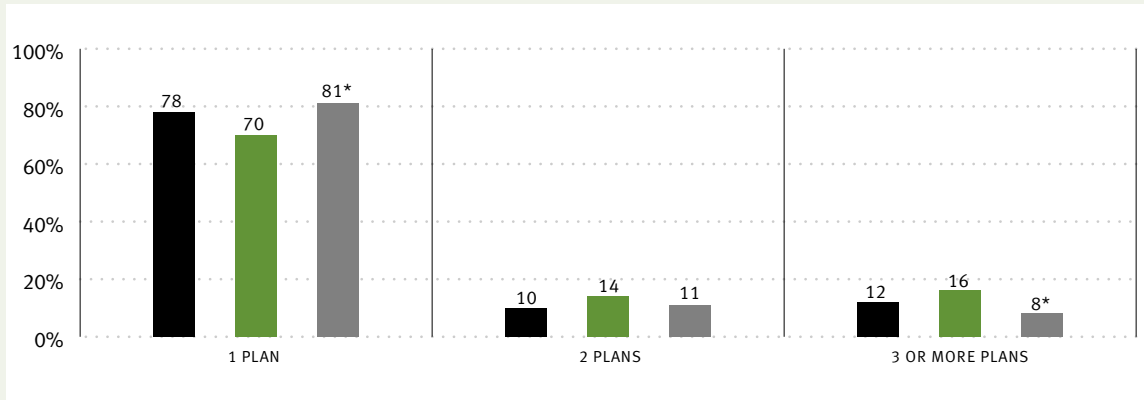
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

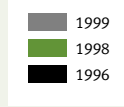
**EXHIBIT 5.8**

Of Firms Offering a PPO Plan, Percentage of Covered Workers With a Choice of Health Plans, by Number of Plans Offered, 1996, 1998, and 1999



**SOURCE :**

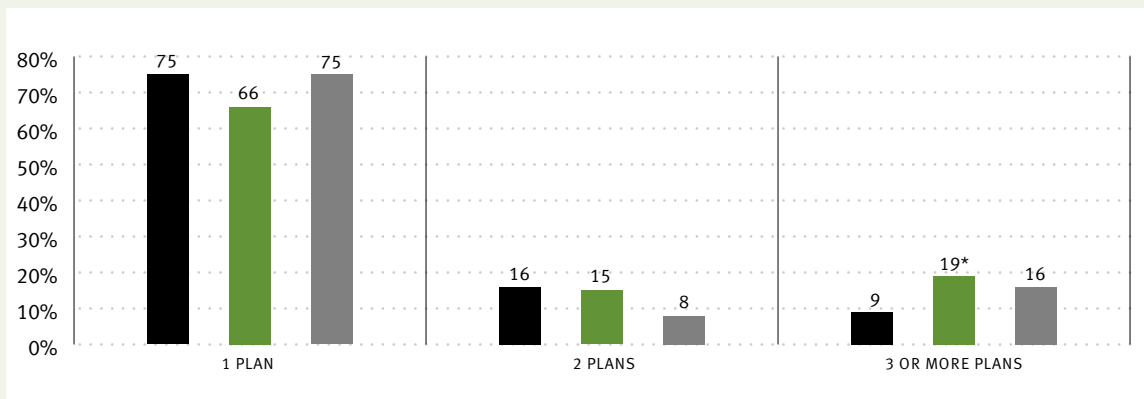
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999; KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

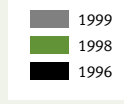
**EXHIBIT 5.9**

Of Firms Offering a POS Plan, Percentage of Covered Workers With a Choice of Health Plans, by Number of Plans Offered, 1996, 1998, and 1999



**SOURCE :**

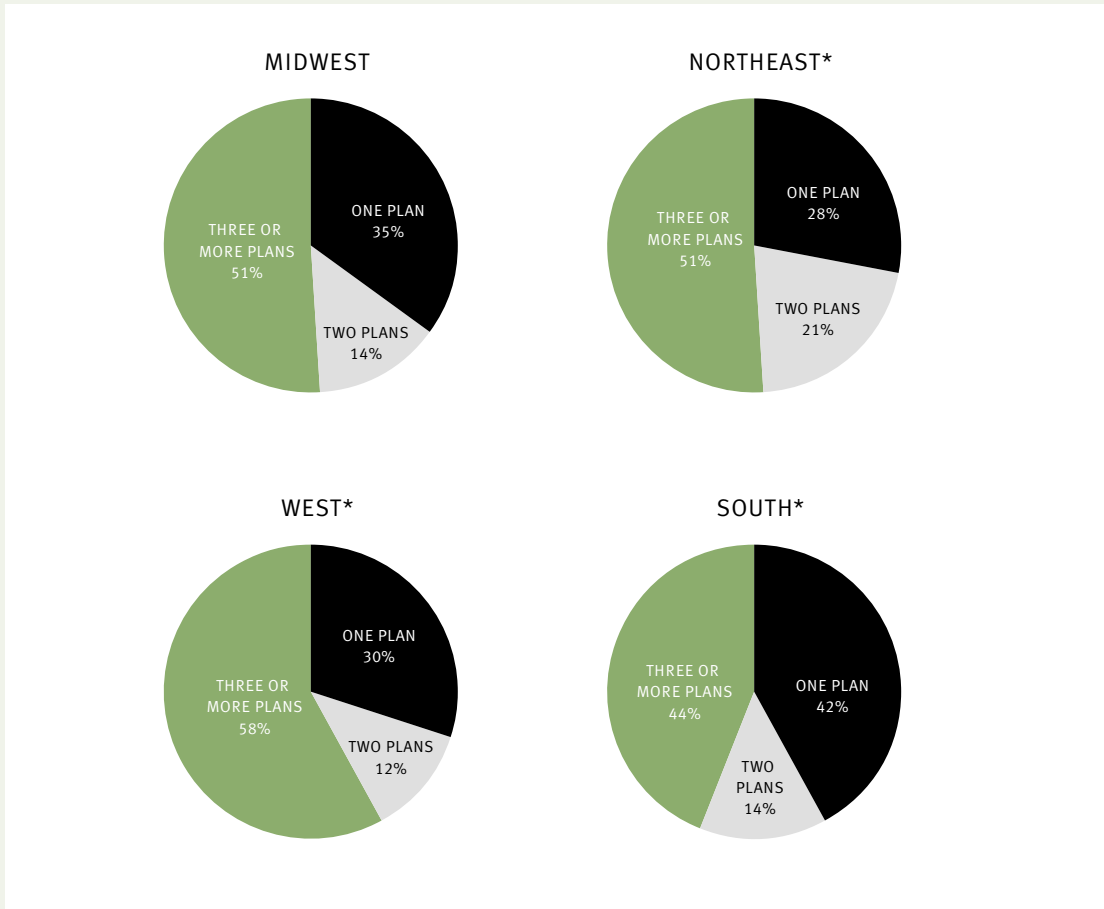
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999; KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

EXHIBIT 5.10

Percentage of Covered Workers with a Choice of Health Plans, by Region, 1999



SOURCE :

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

\* Region distribution is statistically different from All Regions.

## EXHIBIT 5.11

## Reasons Firm Offers Only One Plan, by Firm Size, 1999

	Major Reason	Minor Reason	Not a Reason	Don't Know
<b>TOO EXPENSIVE TO OFFER MORE CHOICES</b>				
Small (3-9 Workers)	46%	18%	33%	3%
Small (10-24 Workers)	55	9	32	4
Small (25-49 Workers)*	30	13	46	11
Small (50-199 Workers)	37	16	43	4
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>46</b>	<b>16</b>	<b>34</b>	<b>4</b>
Midsize (200-999 Workers)*	30	12	53	5
Large (1,000-4,999 Workers)	46	14	38	3
Jumbo (5,000+ Workers)	23	19	49	9
<b>ALL FIRM SIZES</b>	<b>46</b>	<b>16</b>	<b>35</b>	<b>4</b>
<b>ADMINISTRATIVE BURDEN TOO GREAT</b>				
Small (3-9 Workers)	28%	23%	47%	2%
Small (10-24 Workers)	37	30	29	4
Small (25-49 Workers)	35	22	38	5
Small (50-199 Workers)	31	26	37	6
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>30</b>	<b>24</b>	<b>43</b>	<b>3</b>
Midsize (200-999 Workers)*	21	27	48	4
Large (1,000-4,999 Workers)*	60	16	22	2
Jumbo (5,000+ Workers)*	60	22	15	3
<b>ALL FIRM SIZES</b>	<b>30</b>	<b>24</b>	<b>43</b>	<b>3</b>
<b>PLAN RULES REQUIRE ALL EMPLOYEES TO BE IN SAME PLAN</b>				
Small (3-9 Workers)	38%	16%	41%	5%
Small (10-24 Workers)*	54	12	29	5
Small (25-49 Workers)	46	15	34	5
Small (50-199 Workers)*	34	24	37	5
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>41</b>	<b>15</b>	<b>39</b>	<b>5</b>
Midsize (200-999 Workers)	46	12	38	4
Large (1,000-4,999 Workers)*	10	13	75	2
Jumbo (5,000+ Workers)*	12	23	62	3
<b>ALL FIRM SIZES</b>	<b>41</b>	<b>15</b>	<b>39</b>	<b>5</b>
<b>FEW PLANS AVAILABLE LOCALLY</b>				
Small (3-9 Workers)	11%	24%	62%	3%
Small (10-24 Workers)	8	31	57	3
Small (25-49 Workers)	17	22	54	7
Small (50-199 Workers)*	14	12	69	5
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>12</b>	<b>24</b>	<b>61</b>	<b>6</b>
Midsize (200-999 Workers)*	45	13	38	4
Large (1,000-4,999 Workers)*	15	10	73	2
Jumbo (5,000+ Workers)	19	7	71	3
<b>ALL FIRM SIZES</b>	<b>12</b>	<b>24</b>	<b>61</b>	<b>4</b>

## SOURCE :

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

\* Firm size distribution is statistically different from All Firm Sizes by reason.

## EXHIBIT 5.12

## Contribution Policies for Covered Workers Who Are Offered a Choice of Health Plans, by Firm Size, 1999

	<i>Small (3-199 Workers)*</i>	<i>Midsize (200-999 Workers)*</i>	<i>Large (1,000-4,999 Workers)*</i>	<i>Jumbo (5,000+ Workers)</i>	<i>All Firm Sizes</i>
<b>EMPLOYEES OFFERED ONE PLAN ONLY</b>	<b>81%</b>	<b>43%</b>	<b>29%</b>	<b>7%</b>	<b>35%</b>
<b>EMPLOYEES OFFERED MORE THAN ONE PLAN</b>					
Company contributes the same dollar amount regardless of plan chosen	38%	15%	12%	35%	28%
Workers contribute the same dollar amount regardless of plan chosen	4	14	6	15	12
Company contributes same percentage of total premium regardless of plan chosen	46	20	48	24	29
Company contribution varies based on other factors	11	51	33	26	30
Other	0	0	1	0	1
Don't Know	1	0	0	1	0
<b>TOTAL</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100%</b>

## SOURCE :

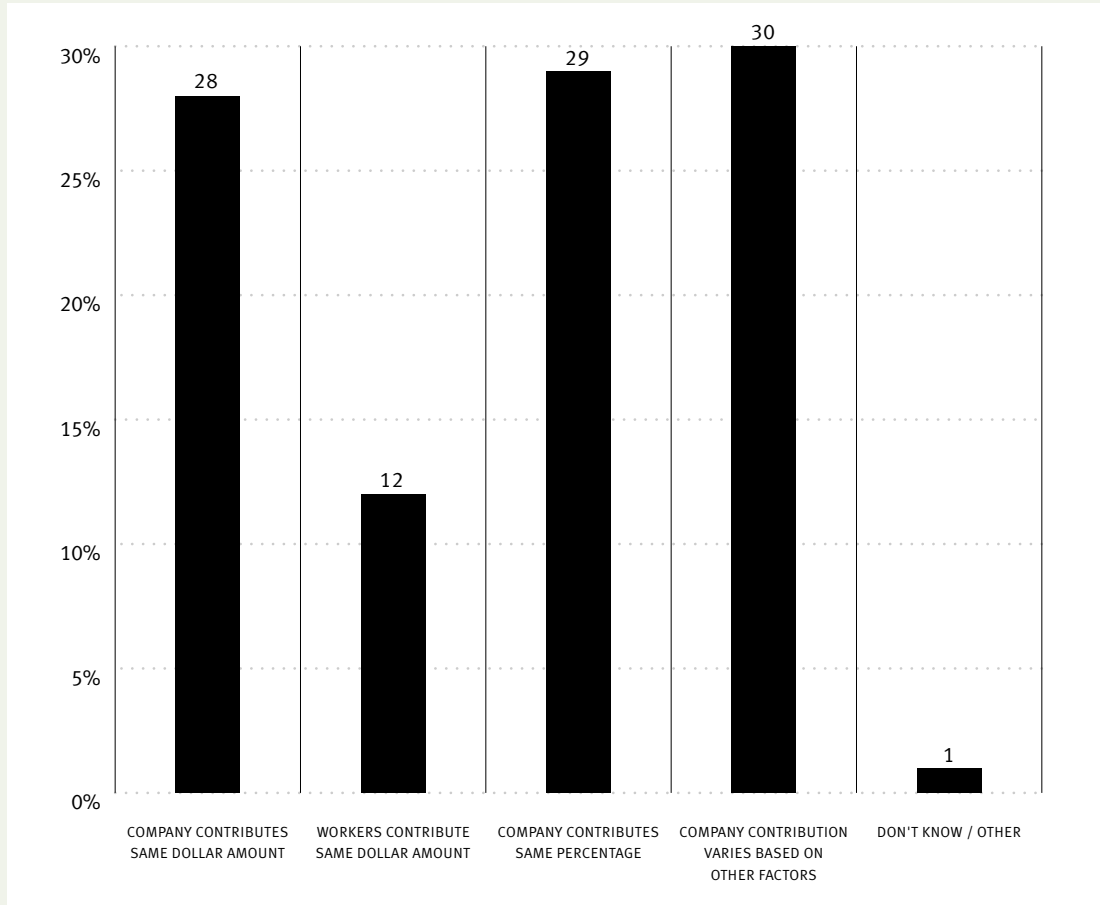
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

\* Firm size distribution is statistically different from All Firm Sizes for employees offered more than one plan.



EXHIBIT 5.13

Contribution Policies For Covered Workers in Firms Offering a Choice of Health Plans, 1999

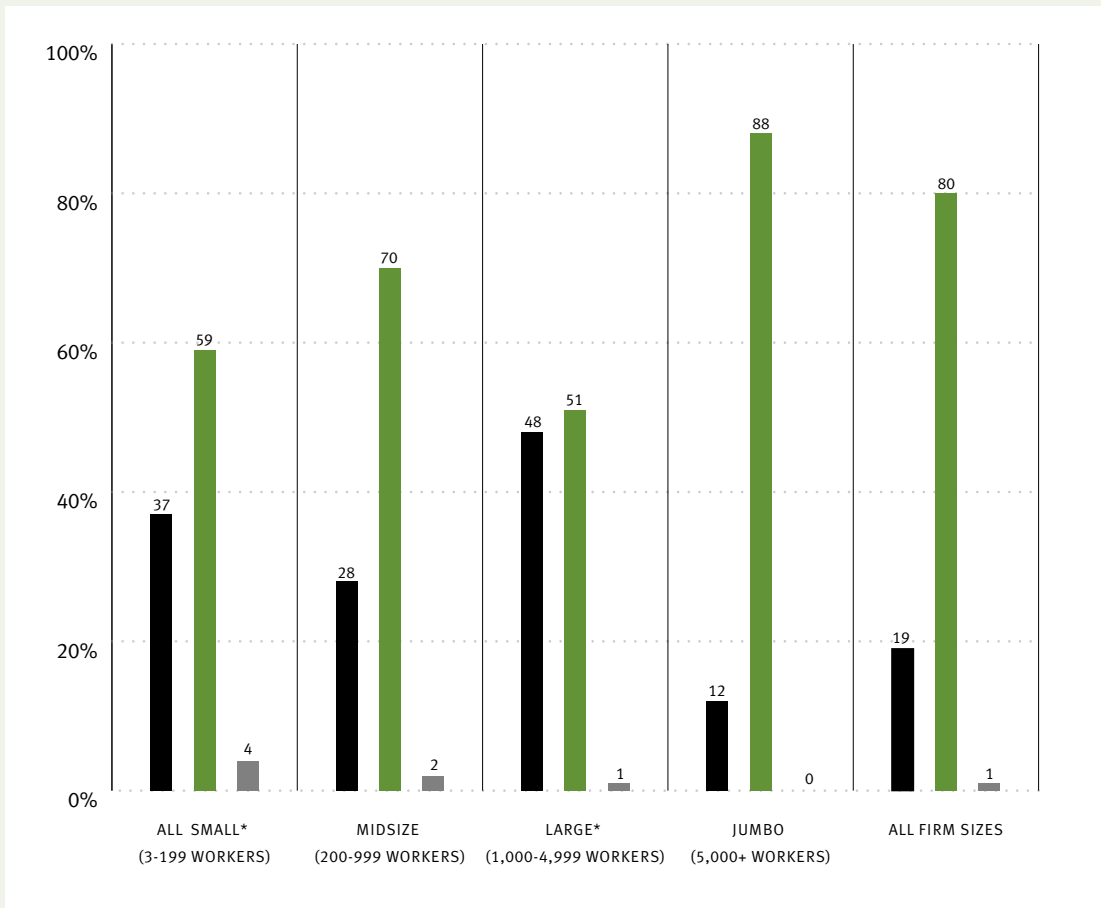


SOURCE :

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

EXHIBIT 5.14

For Firms Contributing the Same Dollar Amount, Is Contribution Policy Set at the Cost of the Lowest Cost Plan Firm Offers, By Firm Size, 1999



DON'T KNOW  
 NO  
 YES

SOURCE :

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

\* Distribution is statistically different from All Firm Sizes.

EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Market  
Shares of  
Health Plans

SECTION

6

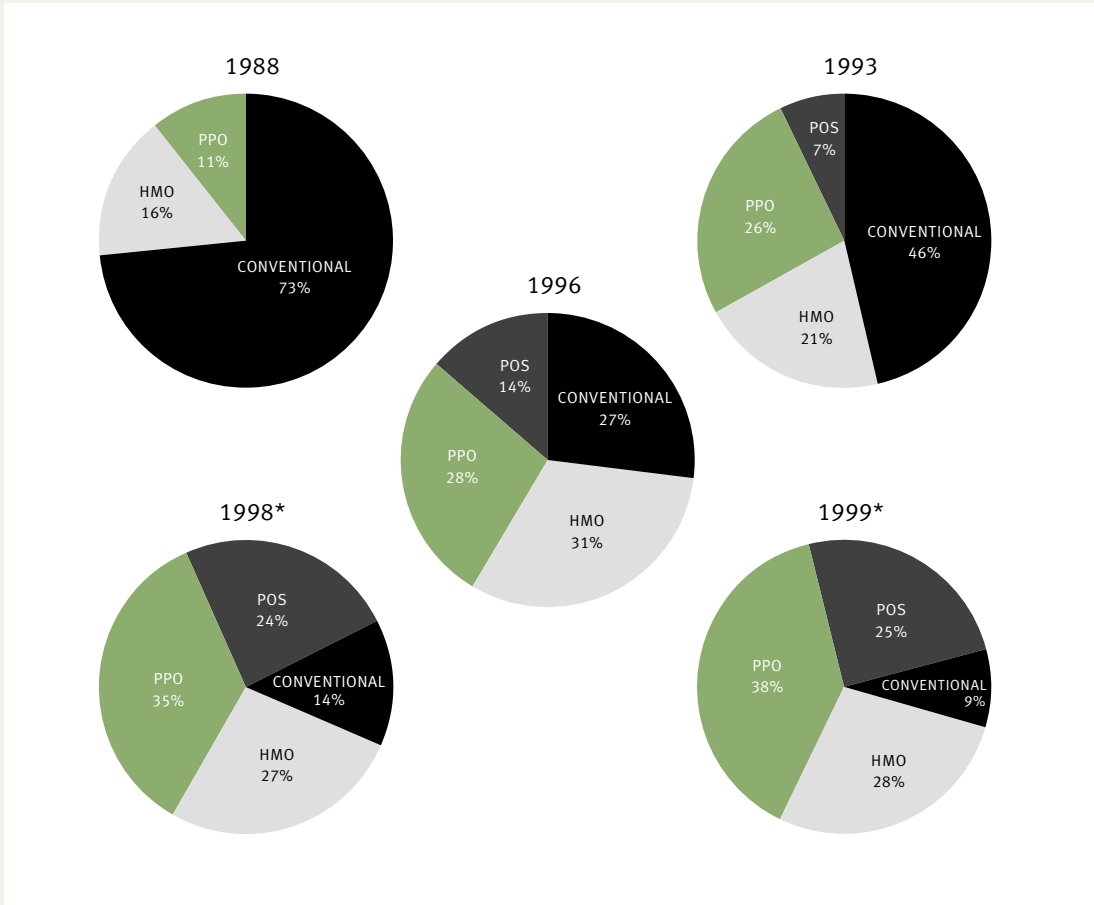
## MARKET SHARES OF HEALTH PLANS

IN RESPONSE TO HIGH HEALTH CARE INFLATION, HMO ENROLLMENT GREW RAPIDLY IN THE LATE 1980S AND THE EARLY-TO-MID 1990S IN THE EMPLOYER-BASED HEALTH CARE MARKET. MORE RECENT YEARS HAVE SEEN DECLINES IN THE SHARE OF EMPLOYEES ENROLLED IN HMOs — COUPLED WITH COMMENSURATE INCREASES IN PPO AND POS ENROLLMENT — WHILE CONVENTIONAL PLAN ENROLLMENT HAS CONTINUED TO FALL. SHIFTS IN MARKET SHARE APPEAR TO FUNCTION IN LARGE PART AS AN INDICATOR OF INFLATION IN HEALTH CARE PREMIUMS. AS INFLATION IN HEALTH CARE PREMIUMS RETURNED TO APPARENTLY TOLERABLE LEVELS, EMPLOYERS BECAME MORE WILLING TO OFFER LESS RESTRICTIVE BUT TRADITIONALLY MORE COSTLY HEALTH PLANS SUCH AS PPOs. MOREOVER, THE PUBLIC “BACKLASH” AGAINST HMOs DOCUMENTED IN PUBLIC OPINION SURVEYS AND NEGATIVE PUBLICITY ASSOCIATED WITH DEBATE OVER “PATIENTS’ RIGHTS” LEGISLATION MAY HAVE HASTENED THE DECLINE IN HMO ENROLLMENT.

- ▶ Conventional plans continue to lose market share, declining from 14% in 1998 to only 9% of enrollment in 1999 (EXHIBIT 6.1). PPO enrollment increased from 35% to 38%, while POS enrollment grew slightly from 24% to 25%. HMO enrollment appears to have stabilized at 28% of people in employer-sponsored plans. The bottom line is that less-restrictive managed care plans continue to dominate in the marketplace, while enrollment in conventional plans has become marginal.
- ▶ Employees in the West continue to experience the greatest HMO enrollment, with enrollment in conventional plans virtually non-existent (EXHIBIT 6.2). The Midwest and South have much larger enrollments in less restrictive managed care plans such as PPOs. Conventional enrollment is consistently low across the regions, and POS enrollment is considerably higher in the Northeast—the only region where POS enrollment surpasses PPO enrollment.
- ▶ Employees in different firm sizes follow somewhat different enrollment patterns (EXHIBIT 6.2). Workers in small firms (3-199 employees) are somewhat less likely to be enrolled in HMOs (19%). Employees in jumbo firms (5,000+ employees) have the highest HMO market share, at 34%. This phenomenon likely reflects in part the lack of choice in small firms — when a small firm offers a plan, it is generally the only plan offered, so greater choice of provider may be more important than in larger firms where a wider variety of plans is generally offered.
- ▶ Employees of state and local governments are by far the most likely to enroll in conventional plans (16%, versus a national average of 9%). Workers in the mining/construction/wholesale industries are considerably less likely to enroll in HMOs — 16% versus 28% for all industries, a significant difference. Only 10% of covered workers in state and local government are enrolled in POS plans, significantly different from the national average of 25%.

EXHIBIT 6.1

Health Plan Enrollments for Covered Workers, 1988-1999



SOURCE :

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

\* Distribution is statistically different from the previous year for years 1996-1998, 1998-1999.

## EXHIBIT 6.2

## Health Plan Enrollments, by Firm Size, Region, and Industry, 1999

Type of Plan	Conventional	HMO	PPO	POS
<b>FIRM SIZE</b>				
Small (3-9 Workers)	12%	21%	37%	30%
Small (10-24 Workers)	7	23	40	30
Small (25-49 Workers)	6	16*	47	31
Small (50-199 Workers)	14	18*	41	28
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>11</b>	<b>19*</b>	<b>41</b>	<b>29</b>
Midsize (200-999 Workers)	7	29	52	12*
Large (1,000-4,999 Workers)	8	23	44	24
Jumbo (5,000+ Workers)	8	34	30	28
<b>REGION</b>				
Northeast	11%	26%	25%*	38%*
Midwest	10	27	47	16*
South	8	24	45	23
West	5	40*	31	24
<b>INDUSTRY</b>				
Mining/Construction/Wholesale	12%	16%*	45%	27%
Manufacturing	8	19	51	22
Transportation/Communication/Utility	6	29	35	31
Retail	6	24	32	38
Finance	11	34	26*	29
Service	7	34	37	22
State/Local Government	16	30	44	10*
Health Care	9	25	39	28
High Tech	3*	21	31	45
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>9%</b>	<b>28%</b>	<b>38%</b>	<b>25%</b>

## SOURCE :

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

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

EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Employee  
Contributions for  
Premiums and  
Cost Sharing

SECTION

7

## EMPLOYEE CONTRIBUTIONS FOR PREMIUMS AND COST SHARING

ONE OF THE WAYS IN WHICH EMPLOYERS RESPOND TO THE RISING COST OF HEALTH INSURANCE IS TO PASS SOME PORTION OF THE INCREASED COSTS ON TO EMPLOYEES. INCREASING WHAT EMPLOYEES CONTRIBUTE TOWARDS THE PREMIUM FOR HEALTH COVERAGE MAY MAKE THEM MORE CONSCIOUS OF COSTS AND MORE LIKELY TO SELECT LOWER COST PLANS, THOUGH AT THE SAME TIME IT MAY LEAD TO FEWER WORKERS TAKING UP COVERAGE. SIMILARLY, WHILE INCREASED CO-PAYMENTS AND DEDUCTIBLES MAY ENCOURAGE MORE PRUDENT USE OF SERVICES, THEY MAY LEAD TO LESS USE OF NEEDED AS WELL AS ELECTIVE SERVICES, PARTICULARLY AMONG LOW-INCOME INDIVIDUALS.

FROM 1988 TO 1995, EMPLOYERS INCREASED THE AMOUNT THAT WORKERS PAY FOR COVERAGE AND SERVICES. SINCE THEN, HOWEVER, EMPLOYEE CONTRIBUTIONS HAVE REMAINED MORE STABLE.

### WORKER CONTRIBUTIONS FOR HEALTH PREMIUMS

- ▶ Average monthly worker contributions for health insurance remained relatively stable in 1999; changes from 1998 were not statistically significant. The average worker contributed \$35 for single coverage and \$145 for family coverage in 1999 (EXHIBIT 7.1), compared to \$32 and \$140 in 1998. The average percent worker contribution was 16% for single coverage and 32% for family coverage, compared with 19% and 32% in 1998.
- ▶ Workers in larger firms pay somewhat more for their single health benefits than do employees in smaller firms.
  - For example, employees in jumbo firms (5,000 or more workers) pay an average of 21% of the total premium for single coverage, compared with an average of 12% in small firms (3-199 workers). For family coverage, employee contributions are similar across firm sizes (EXHIBIT 7.7).
  - Similarly, workers in all small firms (3-199 workers) are more likely than employees in all large firms (200 or more workers) to pay nothing towards the cost of health insurance. (EXHIBITS 7.10-7.13). The percentage of all small firms paying the full cost of coverage has grown since 1996, while for all large firms it has seen no change.
- ▶ Regionally, firms in the West pay by far the smallest percentages of the total premium for their employees, 69% for single coverage and 57% for family coverage, compared to 84% and 68%, respectively, in the U.S. as a whole (EXHIBIT 7.14). By industry, state and local governments offer comparatively generous single coverage — paying 94% of the total premium across plan types, significantly higher than the 84% for all industries — although contributions for family coverage are comparable to all industry averages (EXHIBIT 7.15).



► Workers in lower wage firms pay more on average for family coverage, although there is no clear relationship between the wage level of the firm and how much workers pay for single coverage. In firms where 35% or more of the workforce earns less than \$20,000 per year, workers pay an average of 40% of the premium for family coverage. For firms where 10% or less of the workforce earns \$20,000 per year or less, the average contribution is 27% of the monthly premium (EXHIBIT 7.24).

#### **COST SHARING FOR SERVICES**

► Deductibles for single and family conventional coverage remained relatively unchanged in 1999, and have been fairly stable since 1996 (EXHIBIT 7.16). Single conventional deductibles increased from \$243 in 1998 to \$245 in 1999, while family deductibles rose from \$596 to \$605.

• *Deductibles for in-network PPO coverage increased marginally from \$186 in 1998 to \$190 in 1999, while out-of-network deductibles for PPO plans dropped somewhat from \$344 in 1998 to \$315 in 1999 (although the changes are within the survey's margin of error) (Exhibit 7.16). The trend in PPO deductibles has been fairly stable over the past few years. POS in-network deductibles continued to decrease slightly, dropping from \$43 in 1998 to \$41 in 1999. The trend in out-of-network deductibles continued in an upward direction, increasing from \$346 in 1998 to \$359 in 1999.*

• *In general, deductibles for single and family conventional plans decrease as firm size increases — \$277 for single coverage among workers in all small firms (3-199 workers), compared with \$201 for employees of mid-size and large firms (Exhibit 7.18). The same trend holds true for PPO and POS deductibles, with employees in small firms generally paying more.*

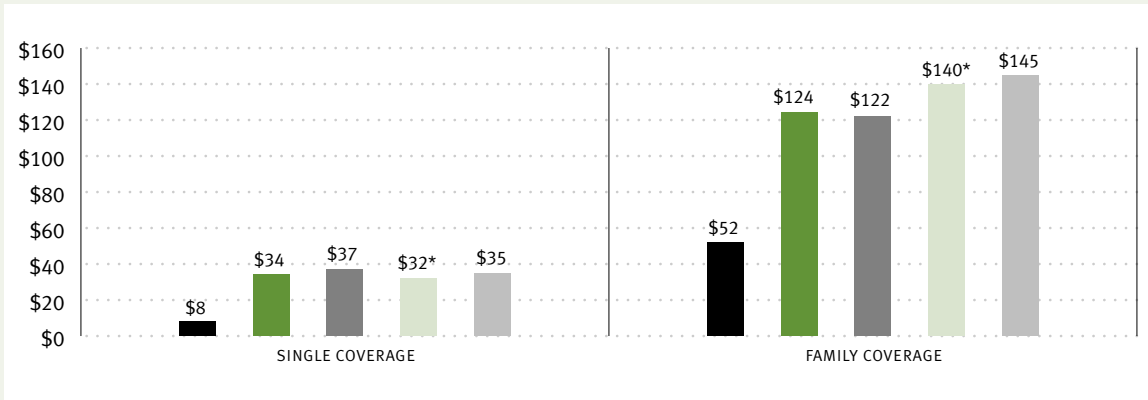
► HMO co-payments remain relatively unchanged from 1998 (EXHIBIT 7.17). A \$10 co-payment per visit continued to be the most common, followed by \$5 per visit. The percentage of employees with no co-payment continued to decrease, down from 7% in 1998 to only 4% in 1999.

• *Employees in HMO plans that are a Staff/Group model are considerably more likely to have no co-payment than employees in IPA or mixed-model HMOs — 19% versus an overall average of 4%, a statistically significant difference (Exhibit 7.20). However, \$10 co-payments remain the most common level of co-payment in all types of HMO plans.*

► In conventional plans, 20% coinsurance rates are prevalent across all firm sizes (EXHIBIT 7.21).

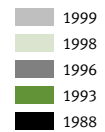
EXHIBIT 7.1

Average Monthly Worker Contribution for Single and Family Coverage, 1988-1999



SOURCE :

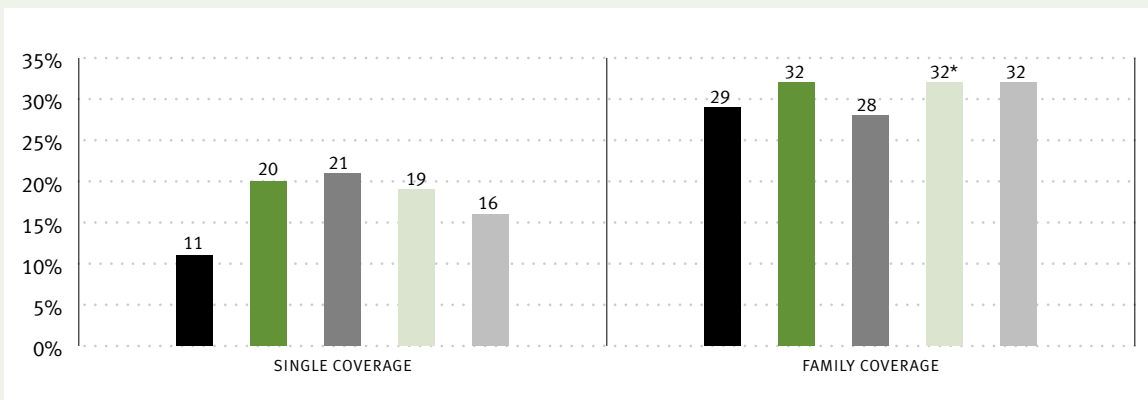
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998.

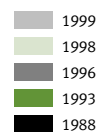
EXHIBIT 7.2

Percentage of Premiums Paid by Covered Workers for Single and Family Coverage, 1988-1999



SOURCE :

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



\* Estimate is statistically different from the previous year for years 1996-1998.

## EXHIBIT 7.3

## Average Monthly Worker Premium Contributions, by Firm Size, 1999

	Single Coverage	Family Coverage
<b>CONVENTIONAL PLANS</b>		
Small (3-9 Workers)	NSD	NSD
Small (10-24 Workers)	NSD	NSD
Small (25-49 Workers)	NSD	NSD
Small (50-199 Workers)	\$28	\$139
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>22</b>	<b>112</b>
Midsize (200-999 Workers)	20	109
Large (1,000-4,999 Workers)	15	99
Jumbo (5,000+ Workers)	20	138
<b>ALL FIRM SIZES</b>	<b>20</b>	<b>119</b>
<b>HMO PLANS</b>		
Small (3-9 Workers)	NSD	NSD
Small (10-24 Workers)	NSD	NSD
Small (25-49 Workers)	NSD	NSD
Small (50-199 Workers)	\$29	\$205*
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>32</b>	<b>143</b>
Midsize (200-999 Workers)	13*	184
Large (1,000-4,999 Workers)	41	156
Jumbo (5,000+ Workers)	33	116
<b>ALL FIRM SIZES</b>	<b>30</b>	<b>140</b>
<b>PPO PLANS</b>		
Small (3-9 Workers)	\$36	\$119
Small (10-24 Workers)	16	157
Small (25-49 Workers)	17	177
Small (50-199 Workers)	24	154
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>24</b>	<b>151</b>
Midsize (200-999 Workers)	27	155
Large (1,000-4,999 Workers)	22	110
Jumbo (5,000+ Workers)	55	156
<b>ALL FIRM SIZES</b>	<b>34</b>	<b>146</b>
<b>POS PLANS</b>		
Small (3-9 Workers)	NSD	NSD
Small (10-24 Workers)	\$17	\$141
Small (25-49 Workers)	12*	124
Small (50-199 Workers)	24	194
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>19</b>	<b>146</b>
Midsize (200-999 Workers)	30	136
Large (1,000-4,999 Workers)	41	140
Jumbo (5,000+ Workers)	72	176
<b>ALL FIRM SIZES</b>	<b>48</b>	<b>158</b>
<b>ALL PLANS</b>		
Small (3-9 Workers)	\$25	\$99*
Small (10-24 Workers)	16	128
Small (25-49 Workers)	27	164
Small (50-199 Workers)	25	172*
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>24</b>	<b>144</b>
Midsize (200-999 Workers)	23	158
Large (1,000-4,999 Workers)	30	127
Jumbo (5,000+ Workers)	49	147
<b>ALL FIRM SIZES</b>	<b>35</b>	<b>145</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Firm size estimate is statistically different from All Firm Sizes within a plan type.

## EXHIBIT 7.4

## Average Monthly Worker Premium Contributions, by Region, 1999

	<i>Single Coverage</i>	<i>Family Coverage</i>
<b>CONVENTIONAL PLANS</b>		
Northeast	\$19	\$71*
Midwest	26	102
South	18	176*
West	11	80
<b>ALL REGIONS</b>	<b>20</b>	<b>119</b>
<b>HMO PLANS</b>		
Northeast	\$25	\$97*
Midwest	17	141
South	26	164
West	52	139
<b>ALL REGIONS</b>	<b>30</b>	<b>140</b>
<b>PPO PLANS</b>		
Northeast	\$32	\$102*
Midwest	29	127
South	17	156
West	102	196
<b>ALL REGIONS</b>	<b>34</b>	<b>146</b>
<b>POS PLANS</b>		
Northeast	\$34	\$120*
Midwest	25	115*
South	29	187
West	133	208
<b>ALL REGIONS</b>	<b>48</b>	<b>158</b>
<b>ALL PLANS</b>		
Northeast	\$30	\$104*
Midwest	25	127
South	22	166
West	85	170
<b>ALL REGIONS</b>	<b>35</b>	<b>145</b>

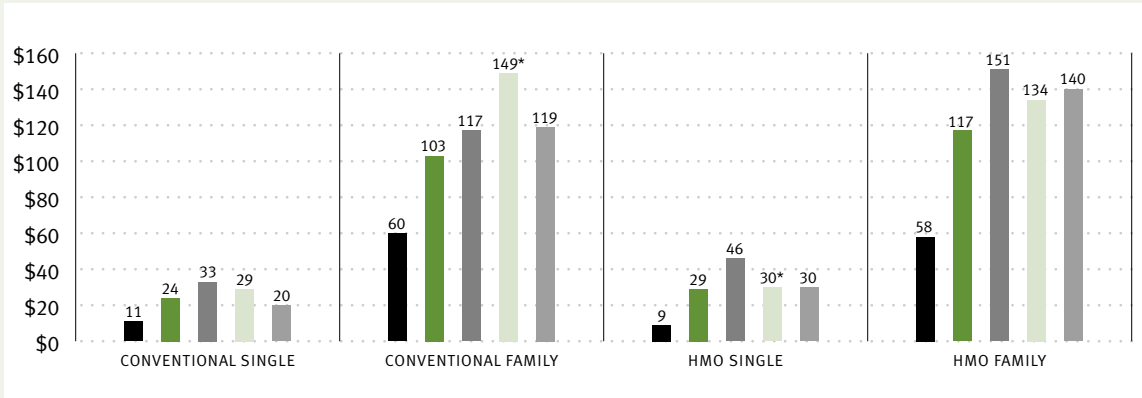
## SOURCE :

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

\* Region estimate is statistically different from All Regions within a plan type.

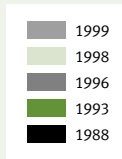
EXHIBIT 7.5

Monthly Worker Contributions for Single and Family Coverage in Conventional and HMO Plans, 1988-1999



SOURCE :

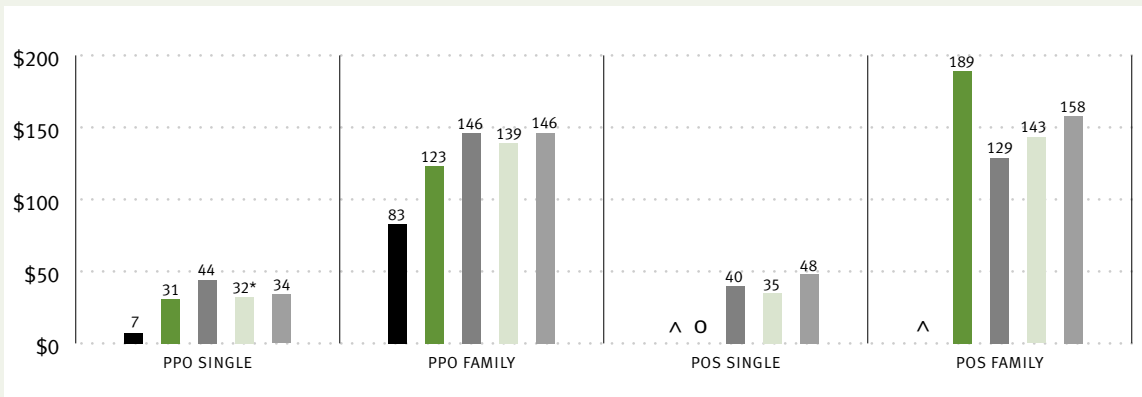
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

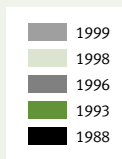
EXHIBIT 7.6

Monthly Worker Contributions for Single and Family Coverage in PPO and POS Plans, 1988-1999



SOURCE :

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



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

^ Information was not obtained for POS plans in 1988.

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

## EXHIBIT 7.7

## Percentage of Premium Paid by Firm for Typical Covered Worker in Conventional, HMO, PPO, and POS Plans, by Firm Size, 1999

	<i>Single Coverage</i>	<i>Family Coverage</i>
<b>CONVENTIONAL PLANS</b>		
Small (3-199 Workers)	90%	75%
Midsize (200-999 Workers)	90	79
Large (1,000-4,999 Workers)	92	80
Jumbo (5,000+ Workers)	91	67
<b>ALL FIRM SIZES</b>	<b>91</b>	<b>73</b>
<b>HMO PLANS</b>		
Small (3-199 Workers)	83%	67%
Midsize (200-999 Workers)	92*	55
Large (1,000-4,999 Workers)	75	67
Jumbo (5,000+ Workers)	82	73
<b>ALL FIRM SIZES</b>	<b>83</b>	<b>67</b>
<b>PPO PLANS</b>		
Small (3-199 Workers)	89%	67%
Midsize (200-999 Workers)	87	70
Large (1,000-4,999 Workers)	89	78
Jumbo (5,000+ Workers)	80	61
<b>ALL FIRM SIZES</b>	<b>86</b>	<b>68</b>
<b>POS PLANS</b>		
Small (3-199 Workers)	89%	69%
Midsize (200-999 Workers)	83	70
Large (1,000-4,999 Workers)	78	74
Jumbo (5,000+ Workers)	68	63
<b>ALL FIRM SIZES</b>	<b>78</b>	<b>68</b>
<b>ALL PLAN TYPES</b>		
Small (3-199 Workers)	88%	69%
Midsize (200-999 Workers)	88	66
Large (1,000-4,999 Workers)	84	75
Jumbo (5,000+ Workers)	79	67
<b>ALL FIRM SIZES</b>	<b>84</b>	<b>68</b>

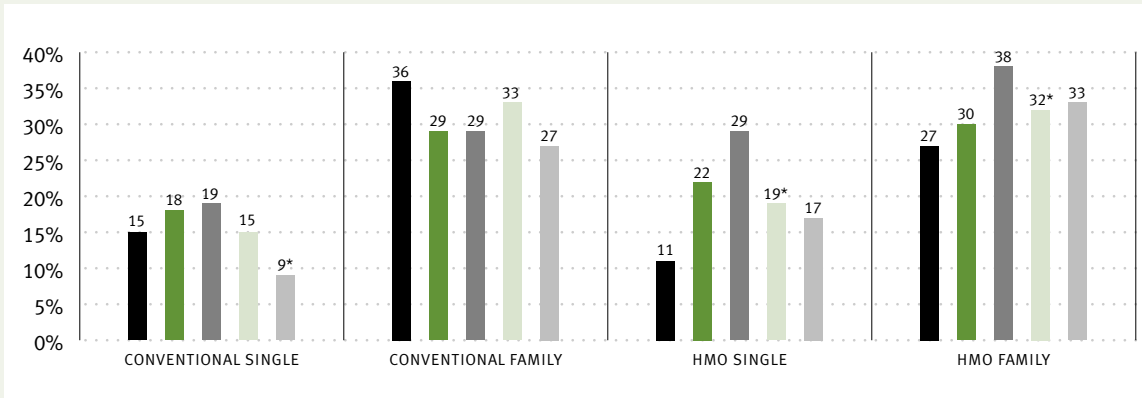
## SOURCE :

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

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

EXHIBIT 7.8

Percentage of Premium Paid by Workers in Conventional and HMO Plans, 1988-1999



SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

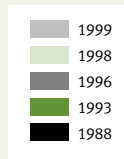
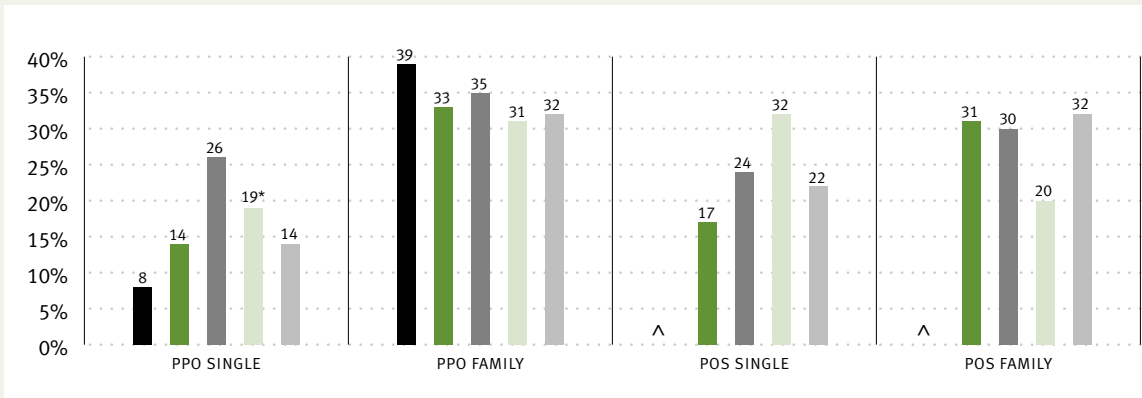


EXHIBIT 7.9

Percentage of Premium Paid by Workers in PPO and POS Plans, 1988-1999



SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

^ Information was not obtained for POS plans in 1988.

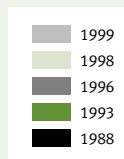
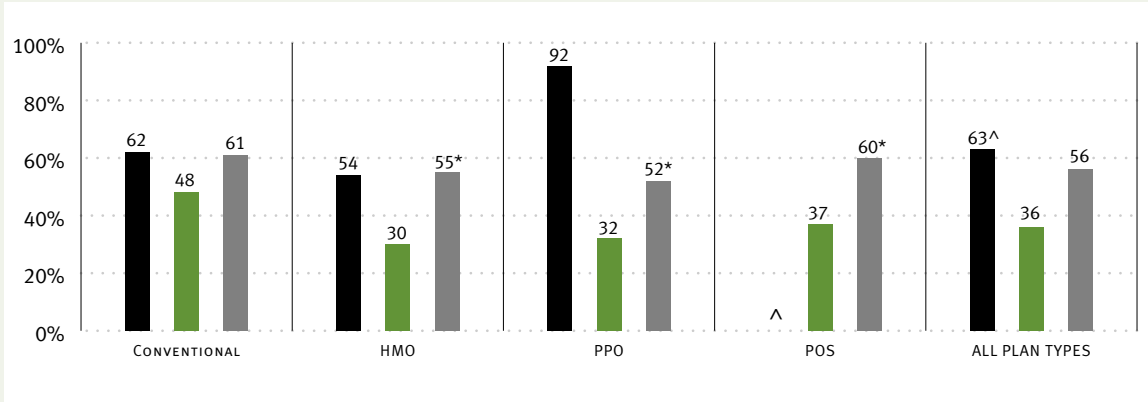


EXHIBIT 7.10

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Single Plan Coverage, All Small Firms (3-199 Workers), 1988, 1996, and 1999



SOURCE :

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

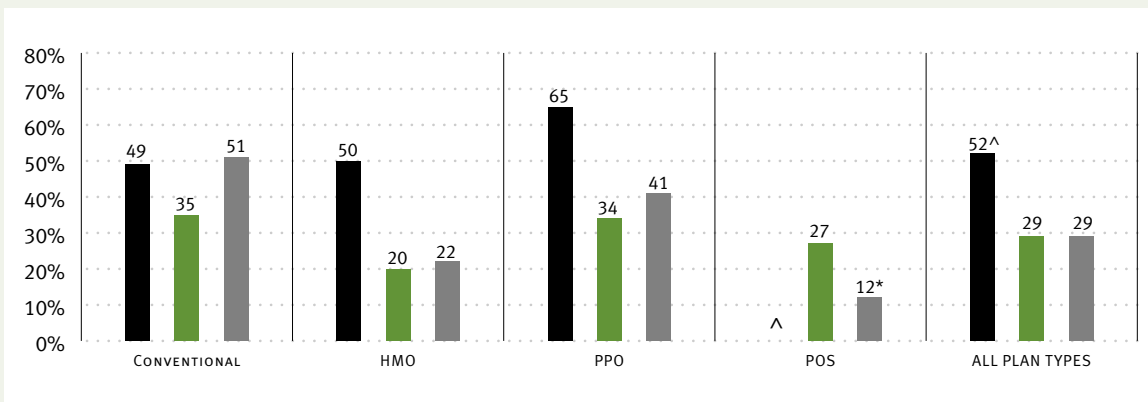
1999  
1996  
1988

\* Estimate is statistically different from 1996 to 1999. Unable to test All Plan Types.

^ Information was not obtained for POS plans in 1988.

EXHIBIT 7.11

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Single Plan Coverage, All Large Firms (200+ Workers), 1988, 1996, and 1999



SOURCE :

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

1999  
1996  
1988

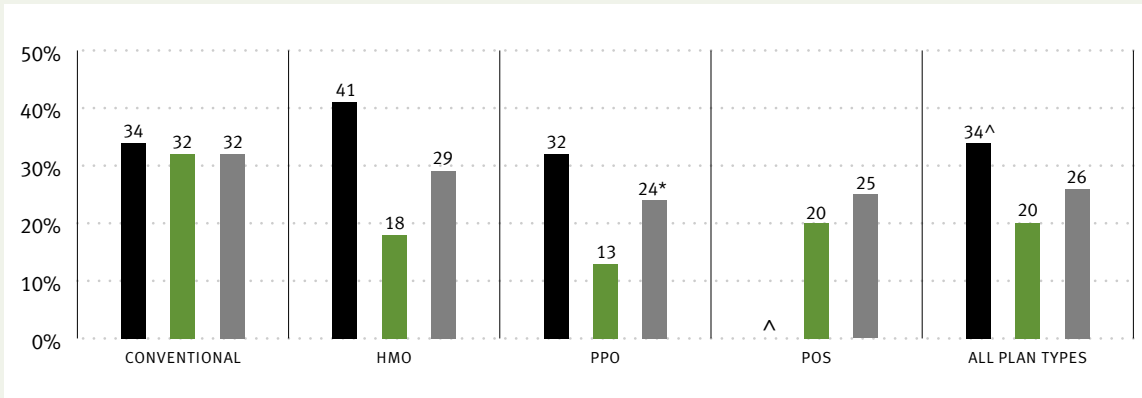
\* Estimate is statistically different from 1996 to 1999. Unable to test All Plan Types.

^ Information was not obtained for POS plans in 1988.



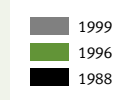
**EXHIBIT 7.12**

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Family Plan Coverage, All Small Firms (3-199 Workers), 1988, 1996, and 1999



SOURCE :

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

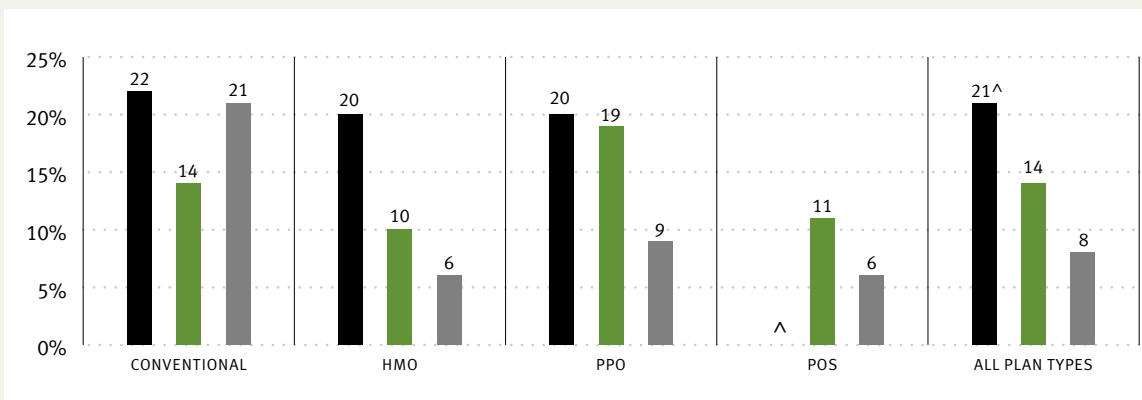


\* Estimate is statistically different from 1996 to 1999. Unable to test All Plan Types.

^ Information was not obtained for POS plans in 1988.

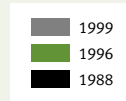
**EXHIBIT 7.13**

Percentage of Covered Workers in Plans Where Employer Pays Entire Cost of Family Plan Coverage, All Large Firms (200+ Workers), 1988, 1996, and 1999\*



SOURCE :

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



\* Tests found no statistically different estimates from the previous year for years 1996-1998, 1998-1999. Unable to test All Plan Types.

^ Information was not obtained for POS plans in 1988.

## EXHIBIT 7.14

## Percentage of Premium Paid by Firm for Typical Covered Worker in Conventional, HMO, PPO, and POS Plans, by Region, 1999

	<i>Single Coverage</i>	<i>Family Coverage</i>
<b>CONVENTIONAL PLANS</b>		
Northeast	91%	87%*
Midwest	88	78
South	91	57
West	95*	82
<b>ALL REGIONS</b>	<b>91</b>	<b>73</b>
<b>HMO PLANS</b>		
Northeast	85%	78%*
Midwest	90	64
South	83	63
West	77	67
<b>ALL REGIONS</b>	<b>83</b>	<b>67</b>
<b>PPO PLANS</b>		
Northeast	85%	82%*
Midwest	84	72
South	92	66
West	68	54
<b>ALL REGIONS</b>	<b>86</b>	<b>68</b>
<b>POS PLANS</b>		
Northeast	84%	79%*
Midwest	85	75
South	82	68
West	54	42
<b>ALL REGIONS</b>	<b>78</b>	<b>68</b>
<b>ALL PLANS</b>		
Northeast	85%	80%*
Midwest	86	73
South	88	65
West	69	57
<b>ALL REGIONS</b>	<b>84</b>	<b>68</b>

## SOURCE :

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

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

## EXHIBIT 7.15

## Percentage of Premium Paid by Firm for Typical Covered Worker in Conventional, HMO, PPO, and POS Plans, by Industry, 1999

	Single Coverage	Family Coverage
<b>CONVENTIONAL PLANS</b>		
Mining/Construction/Wholesale	89%	79%
Manufacturing	92	83
Transportation/Communication/Utility	89	88*
Retail	NSD	NSD
Finance	87	85
Service	91	72
State/Local Government	99*	58
Health Care	86	NSD
High Tech	82*	77
<b>ALL INDUSTRIES</b>	<b>91</b>	<b>73</b>
<b>HMO PLANS</b>		
Mining/Construction/Wholesale	78%	65%
Manufacturing	86	80*
Transportation/Communication/Utility	85	81*
Retail	76	59
Finance	81	76*
Service	84	63
State/Local Government	88	63
Health Care	82	70
High Tech	79	71
<b>ALL INDUSTRIES</b>	<b>83</b>	<b>67</b>
<b>PPO PLANS</b>		
Mining/Construction/Wholesale	86%	74%
Manufacturing	92	84*
Transportation/Communication/Utility	90	87*
Retail	73*	67
Finance	87	74
Service	80	59
State/Local Government	97*	58
Health Care	88	64
High Tech	86	78*
<b>ALL INDUSTRIES</b>	<b>86</b>	<b>68</b>
<b>POS PLANS</b>		
Mining/Construction/Wholesale	90%	82%
Manufacturing	86	78
Transportation/Communication/Utility	89	85*
Retail	73	69
Finance	84	73
Service	62	49
State/Local Government	96*	70
Health Care	84	63
High Tech	81	78
<b>ALL INDUSTRIES</b>	<b>78</b>	<b>68</b>
<b>ALL PLANS</b>		
Mining/Construction/Wholesale	87%	75%
Manufacturing	88	83*
Transportation/Communication/Utility	89	85*
Retail	74*	66
Finance	84	75*
Service	79	59
State/Local Government	94*	61
Health Care	85	66
High Tech	82	77*
<b>ALL INDUSTRIES</b>	<b>84</b>	<b>68</b>

## SOURCE :

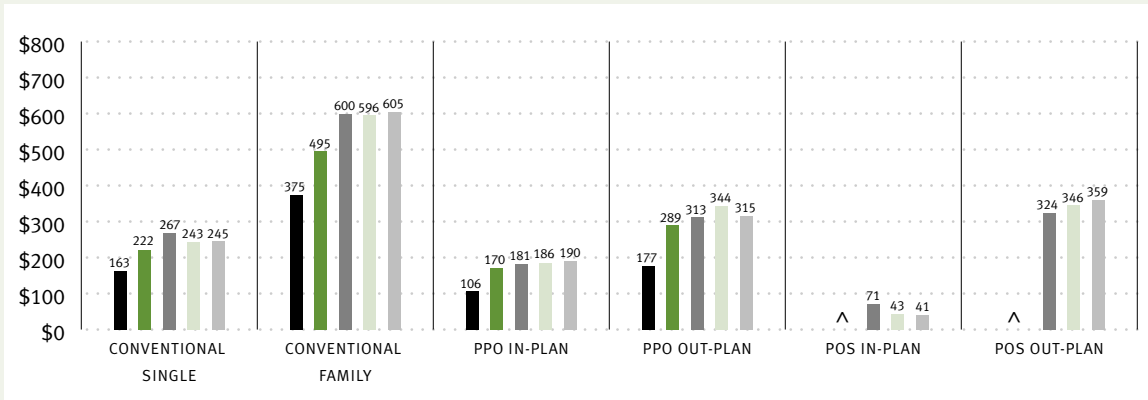
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NSD: Not sufficient data.

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

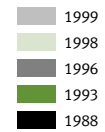
EXHIBIT 7.16

Average Annual Deductibles for Coverage in Conventional, PPO, and POS Plans, 1988-1999\*



SOURCE :

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

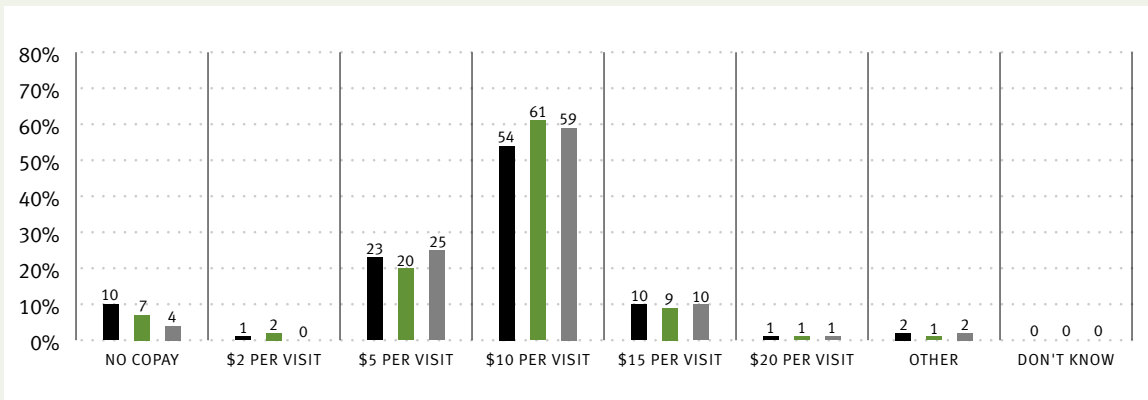


\* Tests found no statistically different distribution from the previous year for years 1996-1998, 1998-1999.

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

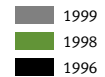
EXHIBIT 7.17

Percentage of Covered Workers Facing HMO Copayments for Physician Visits, 1996-1999\*



SOURCE :

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



\* Tests found no statistically different estimate from the previous year for years 1996-1998, 1998-1999.

## EXHIBIT 7.18

## Average Annual Deductible for Typical Covered Worker, by Firm Size, 1999

	<i>Single Coverage</i>	<i>Family Coverage</i>
<b>CONVENTIONAL PLANS</b>		
Small (3-9 Workers)	NSD	NSD
Small (10-24 Workers)	NSD	NSD
Small (25-49 Workers)	NSD	NSD
Small (50-199 Workers)	\$232	\$583
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>277</b>	<b>658</b>
Midsize (200-999 Workers)	201	502
Large (1,000-4,999 Workers)	201	460*
Jumbo (5,000+ Workers)	254	667
<b>ALL FIRM SIZES</b>	<b>245</b>	<b>605</b>
	<i>Single Coverage Preferred Provider</i>	<i>Single Coverage Non-Preferred Provider</i>
<b>PPO PLANS</b>		
Small (3-9 Workers)	\$304*	\$381
Small (10-24 Workers)	208	406
Small (25-49 Workers)	305	478
Small (50-199 Workers)	201	303
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>247</b>	<b>376</b>
Midsize (200-999 Workers)	167	295
Large (1,000-4,999 Workers)	172	329
Jumbo (5,000+ Workers)	175	272*
<b>ALL FIRM SIZES</b>	<b>190</b>	<b>315</b>
<b>POS PLANS</b>		
Small (3-9 Workers)	NSD	NSD
Small (10-24 Workers)	\$169	\$743*
Small (25-49 Workers)	14*	NSD
Small (50-199 Workers)	88	336
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>89*</b>	<b>418</b>
Midsize (200-999 Workers)	46	291*
Large (1,000-4,999 Workers)	35	312
Jumbo (5,000+ Workers)	12*	358
<b>ALL FIRM SIZES</b>	<b>41</b>	<b>359</b>

## SOURCE:

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

NSD: Not sufficient data.

\* Firm size estimate is statistically different from All Firm Sizes within a plan type.

## EXHIBIT 7.19

## Average Annual Deductible for Typical Covered Worker, by Region, 1999

	<i>Single Coverage</i>	<i>Family Coverage</i>
<b>CONVENTIONAL PLANS</b>		
Northeast	\$238	\$581
Midwest	205	452*
South	275	692
West	257	733
<b>ALL REGIONS</b>	<b>245</b>	<b>605</b>
	<i>Single Coverage Preferred Provider</i>	<i>Single Coverage Non-Preferred Provider</i>
<b>PPO PLANS</b>		
Northeast	\$94*	\$328
Midwest	201	324
South	210	316
West	192	276
<b>ALL REGIONS</b>	<b>190</b>	<b>315</b>
<b>POS PLANS</b>		
Northeast	\$21	\$323
Midwest	82	397
South	42	419
West	40	267*
<b>ALL REGIONS</b>	<b>41</b>	<b>359</b>

## SOURCE :

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

\* Region estimate is statistically different from All Regions within a plan type.

## EXHIBIT 7.20

## Percentage of Covered Workers Facing HMO Copayments for Physician Visits, by HMO Type, 1999

<i>Copayment Amount</i>	<i>All HMO Types</i>	<i>IPA</i>	<i>Staff/Group Model*</i>	<i>Mixed Model</i>
No Copayment	4%	2%	19%	1%
\$2 per visit	0	0	1	0
\$5 per visit	25	21	25	29
\$10 per visit	59	63	44	59
\$15 per visit	10	11	8	9
\$20 per visit	1	1	0	1
Other	2	2	3	1
Don't Know	0	1	0	0
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## SOURCE :

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

\* Distribution is statistically different from All HMO Types.

## EXHIBIT 7.21

## Percentage of Covered Workers Facing Various Coinsurance Rates in Conventional Plans, by Firm Size, 1999

<i>Coinsurance Rate Worker Pays:</i>	<i>Small (3-199 Workers)*</i>	<i>Midsize (200-999 Workers)*</i>	<i>Large (1,000-4,999 Workers)</i>	<i>Jumbo (5,000+ Workers)*</i>	<i>All Firm Sizes</i>
0%	4%	12%	4%	1%	4%
10%	7	13	7	2	6
15%	0	0	1	2	1
20%	60	63	80	89	75
25%	2	0	0	1	1
30%	4	0	0	0	1
Rate Varies	0	1	4	4	2
Other	21	5	3	2	9
Don't Know	2	6	0	0	1
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## SOURCE :

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

\* Distribution is statistically different from All Firm Sizes.



## EXHIBIT 7.22

## Percentage of Covered Workers Facing Coinsurance Rates and Copayments in PPO Plans, by Firm Size, 1999

	<i>Small (3-9 Workers)</i>	<i>Small (10-24 Workers)</i>	<i>Small (25-49 Workers)</i>	<i>Small (50-199 Workers)</i>	<i>Midsize (200-999 Workers)</i>	<i>Large (1,000- 4,999 Workers)</i>	<i>Jumbo (5,000+ Workers)</i>	<i>All Firm Sizes</i>
<i>Preferred Provider</i>								
<b>COINSURANCE RATE WORKER PAYS:</b>								
0%	6%	39%	2%	8%	12%	10%	7%	9%
10%	17	42	33	39	48	32	39	37
15%	0	0	0	0	2	10	1	4
20%	75	15	36	39	31	45	51	45
25%	0	0	0	0	0	0	0	0
30%	0	0	0	4	0	0	0	0
40%	0	0	0	0	0	0	0	0
Varies	0	0	7	0	5	3	0	2
Other	3	2	2	4	2	0	1	2
Don't Know	0	2	21	6	0	0	0	2
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>COPAYMENTS WORKER PAYS:</b>								
\$ 2	0%	0%	0%	0%	2%	0%	0%	0%
\$ 5	0	0	17	17	2	2	4	5
\$10	43	71	24	52	79	31	63	57
\$15	50	17	50	25	14	62	26	34
\$20	7	12	10	6	3	5	7	5
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<i>Non-Preferred Provider</i>								
<b>COINSURANCE RATE WORKER PAYS:</b>								
0%	0%	9%	0%	0%	1%	0%	6%	3%
10%	4	0	1	3	10	0	1	3
15%	0	0	0	2	0	1	0	1
20%	37	55	57	40	50	51	28	42
25%	0	0	1	1	2	0	1	1
30%	20	28	16	23	23	27	32	26
35%	0	0	1	1	0	2	2	1
40%	11	2	11	11	6	10	6	8
Varies	0	0	7	3	2	2	20	8
Other	6	2	2	3	4	4	5	4
Don't Know	22	4	4	12	1	1	0	3
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## SOURCE :

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

EXHIBIT 7.23

Percentage of Covered Workers Facing Coinsurance Rates and Copayments in POS Plans, by Firm Size, 1999

	Small (3-9 Workers)	Small (10-24 Workers)	Small (25-49 Workers)	Small (50-199 Workers)	Midsize (200-999 Workers)	Large (1,000- 4,999 Workers)	Jumbo (5,000+ Workers)	All Firm Sizes
<i>Preferred Provider</i>								
<b>COINSURANCE RATE WORKER PAYS:</b>								
0%	54%	22%	0%	0%	2%	8%	17%	13%
10%	0	0	0	39	61	16	37	34
15%	0	0	8	0	1	3	7	4
20%	46	78	25	61	22	66	27	40
25%	0	0	0	0	2	0	0	0
30%	0	0	0	0	0	0	7	3
40%	0	0	0	0	0	0	4	2
Varies	0	0	0	0	0	3	1	1
Other	0	0	67	0	11	0	1	4
Don't Know	0	0	0	0	0	3	0	1
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>COPAYMENTS WORKER PAYS:</b>								
\$5	2%	15%	4%	17%	21%	2%	21%	15%
\$10	55	49	54	58	51	85	58	61
\$15	27	21	33	17	24	8	20	19
\$20	16	14	7	5	4	3	0	4
Other	0	1	0	0	1	3	0	1
Don't Know	0	0	1	3	0	0	1	1
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<i>Non-Preferred Provider</i>								
<b>COINSURANCE RATE WORKER PAYS:</b>								
0%	0%	13%	0%	0%	0%	13%	0%	3%
10%	0	0	0	0	0	0	0	0
15%	0	0	3	0	2	0	0	1
20%	23	45	73	39	31	28	7	25
25%	0	0	0	0	1	0	0	0
30%	3	16	2	16	13	6	51	25
35%	0	0	0	4	0	0	0	0
40%	42	8	0	0	34	49	10	21
Varies	30	18	0	0	6	0	1	5
Other	0	0	0	18	12	2	17	11
Don't Know	3	0	23	23	2	3	14	10
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

SOURCE :

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

## EXHIBIT 7.24

## Percentage of Overall Single and Family Premiums Paid by Firm, by Percentage of Workforce that is High and Low Income, 1999

	<i>Single Coverage</i>	<i>Family Coverage</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>		
5% or less	87%	68%
More than 5% & less than 20%	70	64
20% or more	88	80*
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>		
10% or less	79%	73%
More than 10% & less than 35%	88	70
35% or more	82	60

## SOURCE :

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

\* Income estimate is statistically different from All Firm (All Firms data not shown).



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

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Health Benefits

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SECTION

8

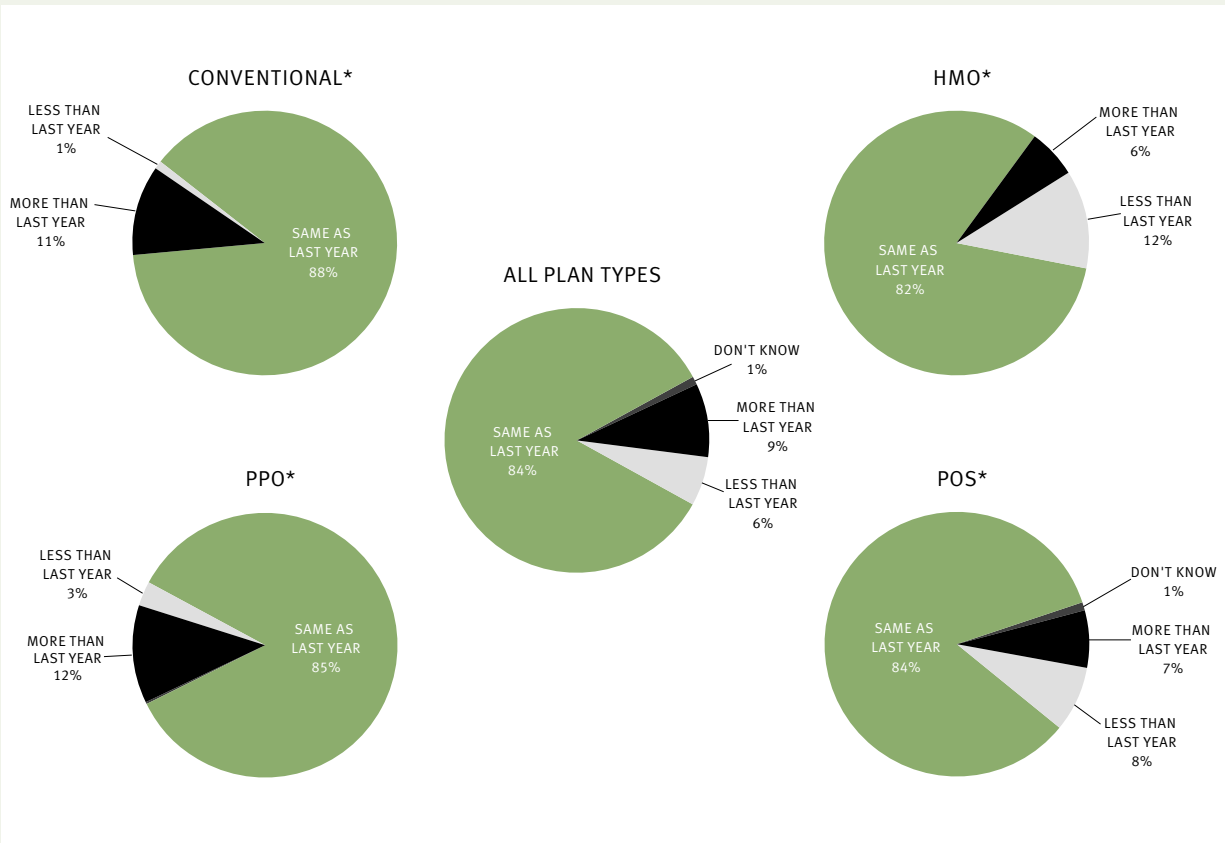
## HEALTH BENEFITS

ANOTHER WAY EMPLOYERS CAN RESPOND TO THE RISING COST OF HEALTH INSURANCE IS TO DECREASE THE SCOPE OF COVERED BENEFITS. ELIMINATING AN INFREQUENTLY USED BENEFIT MAY BE LESS BURDENSOME TO EMPLOYEES THAN INCREASING COST SHARING IN THE FORM OF PREMIUM CONTRIBUTIONS, DEDUCTIBLES, AND COINSURANCE. HEALTH PLANS HAVE ALSO DIFFERENTIATED THEMSELVES ON THE BASIS OF COVERED BENEFITS, WITH MANAGED CARE PLANS HISTORICALLY BEING MORE LIKELY TO COVER PREVENTIVE CARE SUCH AS PHYSICALS AND MAMMOGRAPHY SCREENINGS.

- ▶ Overall, 84% of employees did not experience a change in the level of covered benefits they were offered from one year ago (EXHIBIT 8.1). Of those workers who experienced a change, slightly more were likely to have experienced an increase in the level of benefits than a decrease – 9% versus 6%, respectively.
- ▶ HMO and POS plans continue to include preventive benefits such as adult physicals, well-baby care, and mammography screenings more frequently than conventional and PPO plans (EXHIBIT 8.2). 97% and 94% of HMO and POS plans, respectively, covered adult physicals, while 63% and 80% of conventional and PPO plans, respectively, did so.
- ▶ Employees in HMO and POS plans also benefit from family planning benefits more often than do employees in conventional or PPO plans (EXHIBIT 8.2). 58% of employees in HMO plans have coverage for reversible contraceptives and 80% have coverage for oral contraceptives. In comparison, 39% of employees in conventional plans have coverage for reversible contraceptives, and 54% have coverage for oral contraceptives. Nearly two-thirds of PPO plans offer coverage of oral contraceptives (64%), but fewer than half (44%) cover reversible methods.
- ▶ 37% of Americans with employer-based coverage are covered for abortion services. Coverage varies little across different types of plans, though all large employers (200 or more workers) are 3 to 4 times more likely to cover abortion services than are all small employers (3-199 workers) (EXHIBIT 8.2).
- ▶ Employees in all plan types are rarely covered for infertility benefits – employees in conventional plans are the least likely (24%) to have this benefit, while employees in POS plans are the most likely (37%) (EXHIBIT 8.2).
- ▶ Perhaps in response to state mandates, employees in all types of health plans receive consistent coverage for both inpatient and outpatient mental health care, with at least 95% of employees receiving some level of mental health benefits through their employer-sponsored health plans (EXHIBIT 8.2).
- ▶ In general, workers in all large firms (200 or more workers) enjoy more generous benefits than employees of all small firms (3-199 workers) do (EXHIBIT 8.2). Substantial disparities exist between employees of all small and all large firms with regards to coverage of reversible contraceptives, abortion, oral contraceptives, and infertility treatments.

EXHIBIT 8.1

How Do Levels of Benefits for Covered Workers Compare to Last Year, By Plan Type, 1999



SOURCE :

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

\* Distribution is statistically different from All Plan Types.

## EXHIBIT 8.2

## Covered Benefits for Covered Workers in Conventional, HMO, PPO, and POS Plans, by Firm Size, 1999

<i>Benefit</i>	<i>All Small Firms (3-199 workers)</i>	<i>All Large Firms (200 or more workers)</i>	<i>All Firms</i>
<b>CONVENTIONAL PLANS</b>			
Adult Physicals	70%	60%	63%
Well-Baby Care	75	77	76
Reversible Contraceptives	32	42	39
Prenatal Care	93	92	92
Mammography Screening	95*	93	94
Abortion Services	13	53	41
Oral Contraceptives	36	62	54
Outpatient Mental	88	99	96
Inpatient Mental	93	99	97
Chiropractic Care	80	89	86
Prescription Drugs	89	100	96
Infertility Treatments	10*	30	24
<b>HMO PLANS</b>			
Adult Physicals	95%	98%	97%
Well-Baby Care	97	100	99
Reversible Contraceptives	57	58	58
Prenatal Care	96	100	99
Mammography Screening	91	100	98
Abortion Services	13*	41	36
Oral Contraceptives	69	82	80
Outpatient Mental	94	99	99
Inpatient Mental	89*	99*	97
Chiropractic Care	43*	73	68
Prescription Drugs	92	100	99
Infertility Treatments	17*	35	32
<b>PPO PLANS</b>			
Adult Physicals	78%	81%	80%
Well-Baby Care	86	93	92
Reversible Contraceptives	32	49	44
Prenatal Care	92	99	97
Mammography Screening	88	98	95
Abortion Services	11*	44	36
Oral Contraceptives	46*	70	64
Outpatient Mental	92*	99*	97
Inpatient Mental	90*	99*	96
Chiropractic Care	71*	92	86
Prescription Drugs	97	100	99
Infertility Treatments	12*	44	36
<b>POS PLANS</b>			
Adult Physicals	85%*	98%*	94%
Well-Baby Care	89*	99*	96
Reversible Contraceptives	39*	68	60
Prenatal Care	92	97	96
Mammography Screening	95	99	98
Abortion Services	12*	51	39
Oral Contraceptives	47*	76	67
Outpatient Mental	89*	99*	96
Inpatient Mental	85	99*	95
Chiropractic Care	61*	87	79
Prescription Drugs	99	99	99
Infertility Treatments	14*	47	37

## SOURCE :

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

\* Firm size estimate is statistically different from All Firms within plan type.



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

COBRA  
Coverage

SECTION

9

## COBRA COVERAGE

SEEKING TO ADDRESS CONCERNS ABOUT THE PORTABILITY OF EMPLOYER-BASED COVERAGE, CONGRESS INCLUDED A PROVISION IN THE CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT OF 1985. THE ACT, COMMONLY REFERRED TO AS “COBRA,” ALLOWED EMPLOYEES (AND THEIR FAMILIES) TO KEEP THEIR COVERAGE FOR A PERIOD OF TIME AFTER LEAVING A FIRM. UNDER COBRA, WHICH APPLIES ONLY TO FIRMS WITH 20 OR MORE WORKERS, THE FORMER EMPLOYEE OR FAMILY PAYS FOR THE FULL COST OF COVERAGE, PLUS AN ADMINISTRATIVE FEE OF UP TO 2 PERCENT. THIS REPORT PROVIDES NEW NATIONAL ESTIMATES OF THE NUMBER OF PEOPLE WHO RECEIVE COVERAGE UNDER COBRA.

- ▶ At any given time, about 4.7 million former employees rely on COBRA for their coverage (EXHIBIT 9.1).
- ▶ The service industry represents the largest share of people covered by COBRA — about 1.6 million individuals, or 35% percent of the total — likely due in large part to high turnover among the workforce in service jobs.
- ▶ Over one-third of people covered by COBRA (about 1.7 million) were formerly covered by a firm with 5,000 or more workers.
- ▶ For every 100 active or former workers with job-based coverage, about 3 are former employees using COBRA to extend their coverage. Differences in this percentage across industry, region, and firm sizes are minor.
- ▶ In small, large, and jumbo firms, 3% of all workers covered by health benefits are COBRA enrollees, compared with 4% in midsize firms.
- ▶ In state and local government, 4% of covered workers are COBRA enrollees, in contrast with only 2% of retail workers.

## EXHIBIT 9.1

## Workers Covered By COBRA, by Firm Size, Region, and Industry, 1999

	<i>Average # of COBRA Workers per Firm</i>	<i>% of All Covered Workers with COBRA</i>	<i>Estimated Number of COBRA Enrollees</i>
<b>FIRM SIZE</b>			
Small (3-199 Workers)	1.1*	3%	854,225
Midsize (200-999 Workers)	12.5	4	1,147,608
Large (1,000-4,999 Workers)	34.0*	3	973,942
Jumbo (5,000+ Workers)	235.6*	3	1,678,990
<b>REGION</b>			
Northeast	4.9	2%	1,007,965
Midwest	5.4	4	1,439,179
South	4.2	3	1,371,127
West	4.9	3	836,495
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	2.6*	2%	344,167
Manufacturing	4.6	2	481,219
Transportation/Communication/Utility	6.3	3	160,552
Retail	3.2	2	768,197
Finance	10.6	3	512,318
Service	5.6	4	1,623,519
State/Local Government	8.5	4	314,180
Health Care	3.1	2	316,708
High Tech	6.5	3	133,905
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>4.8</b>	<b>3%</b>	<b>4,654,766</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Prescription  
Drug and  
Mental Health  
Carve-out Plans

SECTION

10

## PRESCRIPTION DRUG AND MENTAL HEALTH CARVE-OUT PLANS

EMPLOYERS CARVE OUT PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS FROM THEIR BASIC BENEFITS PACKAGES FOR A VARIETY OF REASONS. MANY EMPLOYERS SEE PHARMACY BENEFIT MANAGERS (PBMS) AND MENTAL HEALTH MANAGED CARE PLANS REALIZING ECONOMIES OF MASS PURCHASING, AND THEREFORE OBTAINING DEEPER DISCOUNTS FROM PROVIDERS. IN ADDITION, CARVE-OUT PLANS OFTEN PROVIDE EMPLOYERS WITH BETTER UTILIZATION DATA TO MANAGE COSTS THAN THEY MIGHT RECEIVE FROM THEIR HEALTH PLANS. LASTLY, CARVING OUT PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS FREQUENTLY ELIMINATES THE HEALTH PLAN “MIDDLE MAN,” WHO IS LIKELY TO SUB-CONTRACT WITH THE SAME VENDOR WITH WHOM THE EMPLOYER CAN DIRECTLY CONTRACT.

PRESCRIPTION DRUGS AND MENTAL HEALTH SERVICES ARE TWO BENEFITS HEADED IN THE OPPOSITE DIRECTION. SINCE 1990, MENTAL HEALTH SERVICES’ SHARE OF CLAIMS EXPENSES HAS FALLEN FROM 9% TO 5%<sup>7</sup> WHILE PRESCRIPTION DRUG COSTS ARE THE MOST RAPIDLY INCREASING MEDICAL CARE EXPENSE FOR JOB-BASED INSURANCE. SOME ANALYSTS HAVE ESTIMATED THAT RISING PRESCRIPTION DRUG EXPENSES NOW CONSTITUTE 35 PERCENT OF THE ANNUAL INCREASE IN MEDICAL EXPENSES.<sup>8</sup>

### PRESCRIPTION DRUG CARVE-OUT PLANS

- ▶ The popularity of prescription drug carve-outs in 1999 remains little changed from 1998 (EXHIBIT 10.1). Employees in PPO plans continue to be the most likely to receive their prescription drug benefits through a carve-out plan (45%) while employees in HMO plans continue to be the least likely (21%). Employers generally self-fund carve-out plans because pharmacy benefit managers are averse to taking on insurance risks. Given that HMOs are more likely to be fully-insured than the other plans, it is therefore not surprising that they are less likely to be coupled with a carve-out plan.
- ▶ More carve-out plans are offering mail order discounts. 74% of employees in HMOs with carve-out plans had a mail order discount, up from 59% last year (a statistically significant change), while the percentage of workers in POS plans with discounts rose from 66% to 78% (EXHIBIT 10.2). Employees in PPO and conventional plans with prescription drug carve-outs were about as likely to be offered a mail order drug discount plan in 1999 as they were in 1998 – 73% and 52%, respectively.
- ▶ Employees in HMO plans with prescription drug carve-outs were less likely to be required to use generic drugs in 1999 than in 1998 (28% versus 37%), although the change was not significant. Trends were fairly stable for workers in other plan types (EXHIBIT 10.3).

- ▶ Not surprisingly, employees in jumbo firms are more likely to be in health plans with prescription drugs carved out than their counterparts in all other firm sizes (EXHIBIT 10.4). This outcome results from the fact that larger firms are more likely to have sufficient numbers of employees to generate the claims experience necessary to be credible for self-funding purposes.
- ▶ In general, mental health carve-out plans proved to be less common than prescription drug carve-out plans in 1999 (EXHIBITS 10.1, 10.5), perhaps in part because prescription drug costs represent a greater and growing portion of total medical expenditures than do mental health benefits.
- ▶ Overall, employees in the West were considerably more likely to work for firms that carved out mental health benefits – 45% in the West, for example, versus 17% in the South (EXHIBIT 10.6). Again, employees in jumbo firms were much more likely to be in a mental health carve-out than were workers in small firms. Mental health carve-outs were more prevalent for employees in POS plans than in the other plan types.
- ▶ The Mental Health Parity Act, passed in 1996, prevented health plans from setting annual or lifetime dollar limits on a member's mental health care benefits that are less than any such limits for general medical and surgical services. However, many employers have simply replaced dollar limits with limits on the number of visits for outpatient sessions or days in the hospital.<sup>9</sup> Exhibit 10.7 shows that 63% of employees in HMO plans with mental health benefits were allowed 30 visits or fewer for outpatient mental health care per year, and nearly 40% were allowed 20 visits or fewer. HMO plans are statistically significantly more restrictive while PPO plans are more generous – 39% of employees in PPO plans with mental health benefits were allowed 30 or fewer outpatient mental health visits per year. In 1991, approximately 36% of covered workers in large firms (200 or more workers) were in plans with no limits on outpatient mental health visits. By 1999, this figure fell to 21% across plan types.

#### MENTAL HEALTH BENEFITS AND CARVE-OUT PLANS

- ▶ The percentage of employees in firms with mental health carve-out plans increased across all plan types from 1998 to 1999, with the greatest increases occurring among employees in HMO and POS plans (EXHIBIT 10.5). Employees in POS plans are the most likely (31%) to have a mental health carve-out.

#### NOTES:

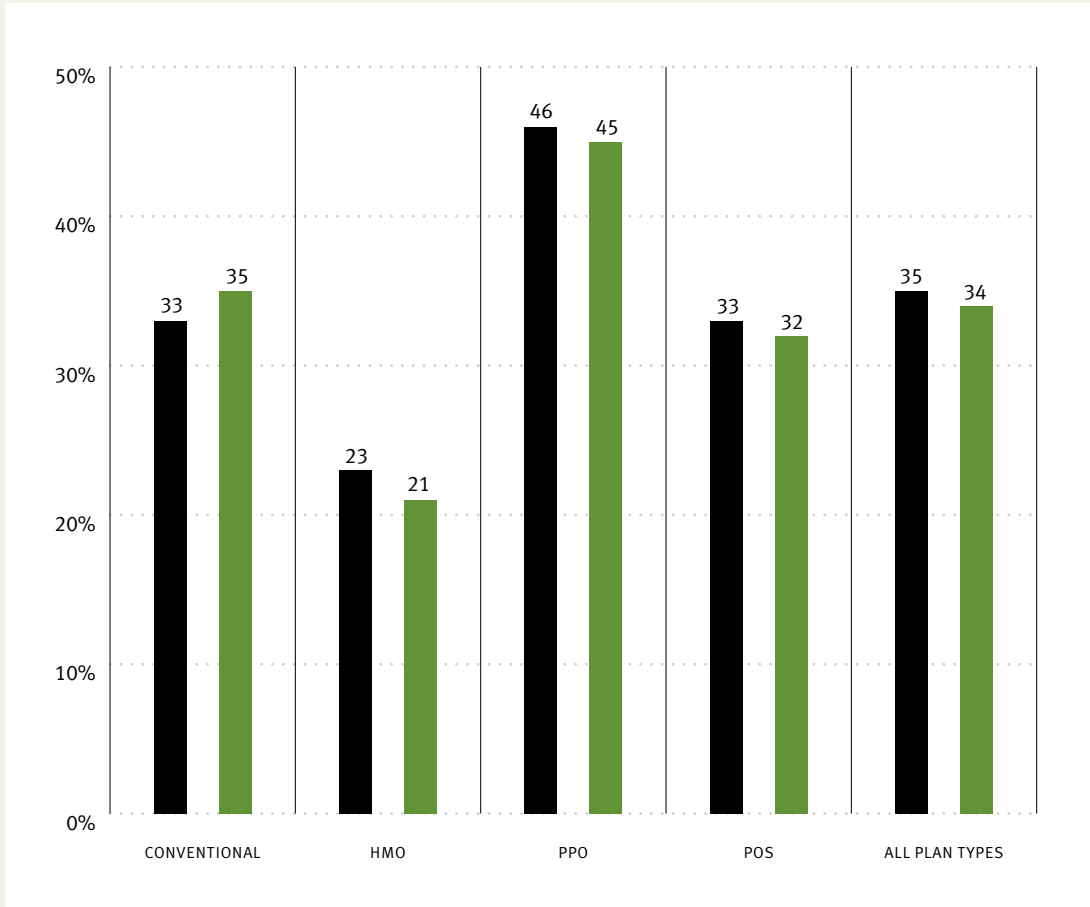
<sup>7</sup> J. Buck and B. Umland, "Covering Mental Health and Substance Abuse Services," *Health Affairs* (July/August, 1997): pp 120-126.

<sup>8</sup> Calculated from data on Health Care Financing Administration website ([www.hcfa.gov/stats/nhe-oact/nhe.htm](http://www.hcfa.gov/stats/nhe-oact/nhe.htm)).

<sup>9</sup> Pear, Robert, "Insurance Plans Skirt Requirement on Mental Health," *The New York Times*, Section A, Page 1, December 25, 1998.

EXHIBIT 10.1

Percentage of Covered Workers with Prescription Drug Carve-outs, by Plan Type, 1998 and 1999\*



1999  
1998

SOURCE :

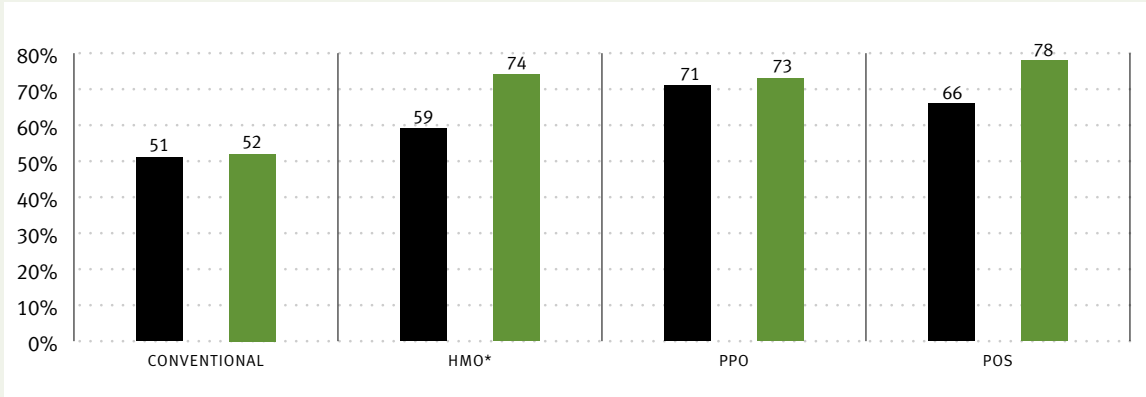
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999; KPMG Survey of Employer-Sponsored Health Benefits: 1998.

\* Tests found no statistically different estimates from 1998 to 1999.



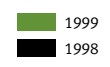
**EXHIBIT 10.2**

Percentage of Those Covered Workers in Prescription Drug Carve-out Plans with Mail Order Discount Plans, 1998 and 1999



**SOURCE :**

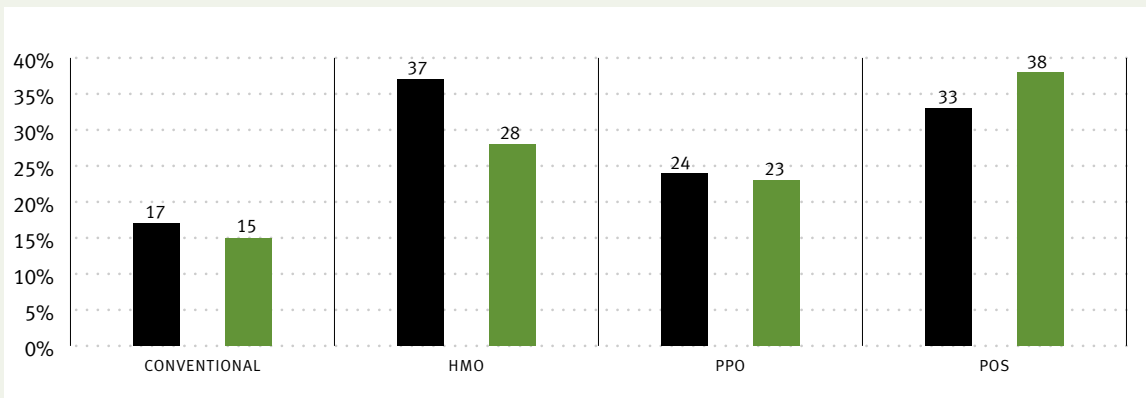
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1998.



\* Estimates are statistically different from 1998 to 1999.

**EXHIBIT 10.3**

Percentage of Those Covered Workers in Prescription Carve-out Plans with Mandatory Use of Generic Drugs, 1998 and 1999\*



**SOURCE :**

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



\* Tests found no statistically different estimates from 1998 to 1999.

## EXHIBIT 10.4

## Percentage of Covered Workers in Firms that Carve Out Their Prescription Drug Benefits, by Region and Firm Size, 1999

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plan Types</i>
<b>REGION</b>					
Northeast	57%	26%	46%	35%	37%
Midwest	47*	10*	45*	30	33
South	21	15*	42	20	29
West	16* ^	32	56	51	43
<b>FIRM SIZE</b>					
Small (3-199 Workers)	20%	13%*	25% ^	19%	20%
Midsize (200-999 Workers)	32	8*	41	16* ^	28
Large (1,000-4,999 Workers)	33	16*	67*	14*	39
Jumbo (5,000+ Workers)	52	29	51	50	43
<b>ALL REGIONS AND FIRM SIZES</b>	<b>35%</b>	<b>21%*</b>	<b>45%</b>	<b>32%</b>	<b>34%</b>

## SOURCE :

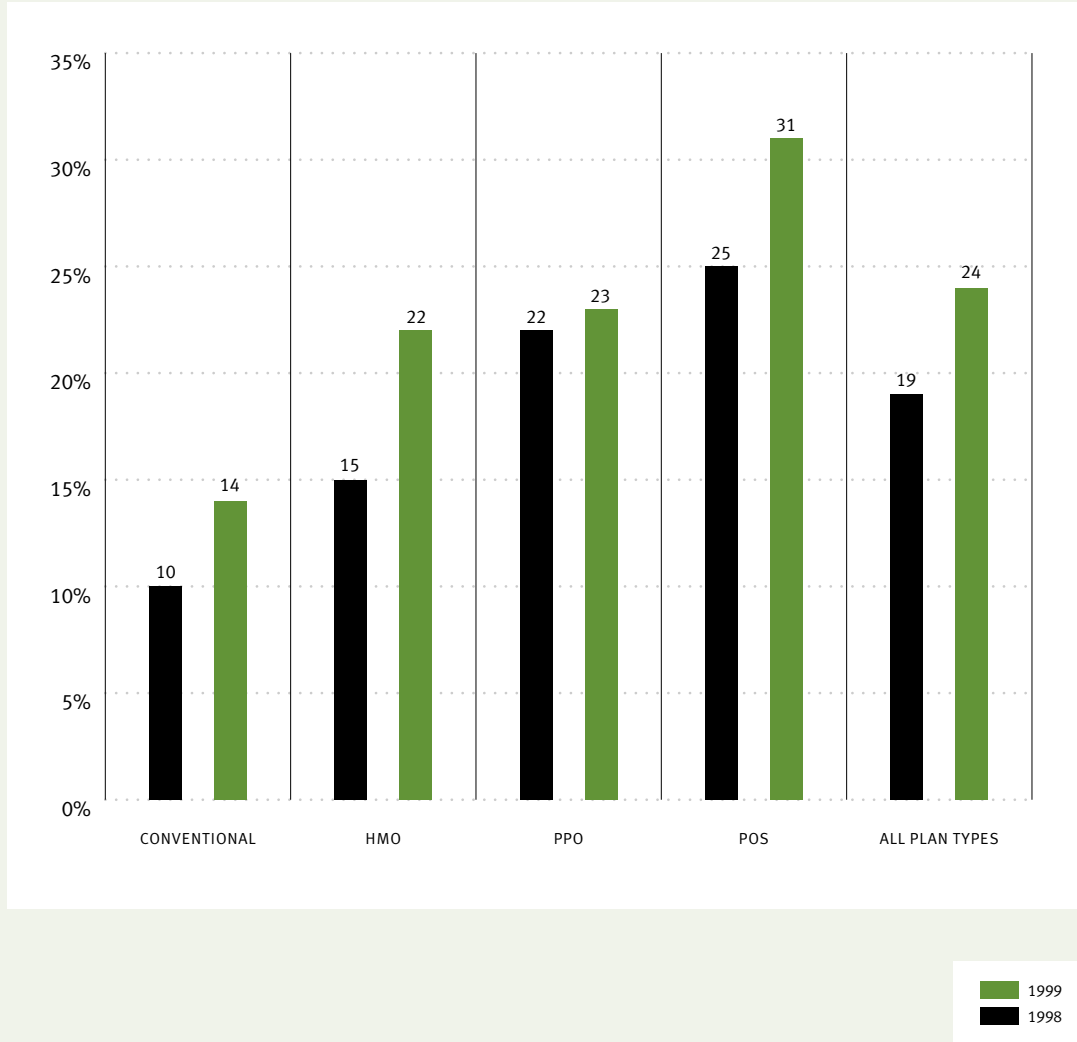
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

\* Estimate is statistically different from All Plan Types within a plan type.

^ Estimate is statistically different from All Regions and Firms Sizes within a plan type.

EXHIBIT 10.5

Percentage of Covered Workers in Firms that Carve Out Mental Health Benefits, by Plan Type, 1998 and 1999\*



SOURCE :

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

\* Tests found no statistically different estimates from 1998 to 1999.

## EXHIBIT 10.6

## Percentage of Covered Workers in Firms that Carve Out Their Mental Health Benefits, by Region and Firm Size, 1999

	<i>Conventional</i>	<i>HMO</i>	<i>PPO</i>	<i>POS</i>	<i>All Plan Types</i>
<b>REGION</b>					
Northeast	21%	13%	18%	26%	20%
Midwest	16	16	27	25	23
South	8*	17	14	27	17
West	15*	40	50	57	45
<b>FIRM SIZE</b>					
Small (3-199 Workers)	17%	13%	15%	14%	14%
Midsize (200-999 Workers)	11	11	30	14	21
Large (1,000-4,999 Workers)	10	15	15	12	14
Jumbo (5,000+ Workers)	16*	31	29	52	35
<b>ALL REGIONS AND FIRM SIZES</b>	<b>14%*</b>	<b>22%</b>	<b>23%</b>	<b>31%</b>	<b>24%</b>

## SOURCE :

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

\* Estimate is statistically different from All Plan Types within a plan type.

## EXHIBIT 10.7

## Percentage of Covered Workers with Various Outpatient Mental Health Visit Maximums, 1999

	<i>Conventional</i>	<i>HMO*</i>	<i>PPO*</i>	<i>POS</i>	<i>All Plan Types</i>
20 Visits or Less	22%	39%	20%	20%	25%
21 to 30 Visits	9	24	19	28	22
31 to 50 Visits	13	5	11	18	11
More than 50 Visits	11	6	4	6	6
Unlimited Visits	16	16	20	14	17
Don't Know	30	11	26	15	19

## SOURCE :

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

\* Distribution is statistically different from All Plan Types.



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

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Plan Funding,  
Direct Contracting,  
and the Use of  
Pre-existing  
Condition Clauses

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SECTION

11

## PLAN FUNDING, DIRECT CONTRACTING, AND THE USE OF PRE-EXISTING CONDITION CLAUSES

SELF-INSURANCE REMAINS ATTRACTIVE TO LARGE EMPLOYERS. THE EMPLOYEE RETIREMENT INCOME AND SECURITY ACT OF 1974 (ERISA), AS INTERPRETED BY THE COURTS, EXEMPTS SELF-INSURED PLANS FROM STATE REGULATION INCLUDING RESERVE REQUIREMENTS, MANDATED BENEFITS, PREMIUM TAXES, AND CONSUMER PROTECTION REGULATIONS. HOWEVER, SELF-INSURANCE IS A FAR RISKIER UNDERTAKING FOR SMALLER FIRMS, BECAUSE THEY HAVE FEWER EMPLOYEES OVER WHICH TO SPREAD THE COSTS OF ONE VERY COSTLY CLAIM.

HOWEVER, THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (HIPAA) IMPOSES FEDERAL REQUIREMENTS ON SELF-INSURED PLANS AND INSURED PLANS ALIKE, AND MAY HAVE ALTERED THE EQUATION SOMEWHAT. SOME OF THE BENEFITS OF SELF-INSURING HAVE BEEN ELIMINATED, PARTICULARLY WITH REGARDS TO THE USE OF PRE-EXISTING CONDITION EXCLUSIONS. CHANGES IN THE PREVALENCE OF PRE-EXISTING CONDITION CLAUSES ARE MOST LIKELY A RESULT OF THE CONTINUING EFFECTS OF HIPAA, WHICH PRECLUDES HEALTH PLANS FROM IMPOSING SUCH CLAUSES ON NEW EMPLOYEES IF THEY HAVE NOT HAD A SUBSTANTIAL GAP IN COVERAGE. IN ADDITION, MODEST PREMIUM INCREASES AMONG INSURED PLANS OVER THE LAST SEVERAL YEARS MAY HAVE INDUCED SOME EMPLOYERS TO PURCHASE INSURANCE RATHER THAN SELF-INSURE.

DURING THE MID-1990S, MANY BENEFITS CONSULTANTS SUGGESTED THAT DIRECT CONTRACTING BETWEEN EMPLOYERS AND PROVIDERS WAS THE WAVE OF THE FUTURE. DIRECT CONTRACTING REPRESENTS AN EFFORT TO REDUCE COSTS BY ELIMINATING THE HEALTH PLAN "MIDDLE MAN." FIRMS DIRECTLY CONTRACT WITH PHYSICIANS AND HOSPITALS TO PROVIDE CARE TO THEIR WORKERS, AND DIRECTLY REIMBURSE THESE PROVIDERS FOR CARE DELIVERED. BY 1999, IT IS CLEAR THAT DIRECT CONTRACTING HAS NOT YET TAKEN OFF, AND IN FACT IS ON THE DECLINE.

### SELF INSURANCE

▶ Since the passage of HIPAA, there has been an 8 percentage point decline in the percentage of workers enrolled in a self-insured plan (EXHIBIT 11.1).

▶ With the exception of HMO plans — which are unlikely to self-insure to begin with — all types of plans show a noticeable drop from 1996 in the percentage of employees covered in self-insured plans (EXHIBIT 11.1). PPO plans show the smallest drop of 3 percentage points while POS

plans show the most dramatic drop of 34 percentage points (only the POS results were statistically significant). Workers in conventional plans experienced a decline, from 74% to 62%. Conventional plans remain the most likely to be self-insured.



- ▶ The total percentage of workers enrolled in self-insured HMO plans has changed little since 1996 due to two countervailing trends. Self-insurance has grown among jumbo firms from 16% in 1996 to 28% in 1999, while the numbers among the remaining firm sizes have experienced decreases (EXHIBIT 11.3).
- ▶ A slight decline in self-insurance since 1996 among PPO plans reflects two offsetting trends – declines among small and midsize employers and growth among large and jumbo firms (EXHIBIT 11.4). Among all small firms, self-insurance in PPOs declined from 36% in 1996 to 17% in 1999.
- ▶ The overall percentage of employees in self-insured POS plans has declined substantially since 1996, with jumbo firms showing the smallest drop at 17 percentage points and large firms showing the largest drop at 50 percentage points. Between 1998 and 1999 there was little change overall. (EXHIBIT 11.5)
- ▶ Exhibit 11.6 highlights how self-insurance increases with firm size. Across plan types, 86% of employees in the smallest firms with 3-9 employees had coverage underwritten by an insurer, compared with only 33% of employees in jumbo firms. Industry variations are similarly pronounced, likely due in large part to variations in the number of small firms across industries. In 1999, the retail industry had the smallest pro-

portion of covered workers in a self-insured plan overall – only 28%, compared with a high of 75% in the high tech industry (EXHIBIT 11.7).

- ▶ With premium costs again rising more rapidly among fully-insured plans – as highlighted in Section 2 – many companies may consider switching to a self-insured alternative. This trend is another aspect of the underwriting cycle. In the 1990s, the increased market share of managed care plans combined with stable premium costs enabled employers to purchase fully-insured health plans at a competitive price.

#### DIRECT CONTRACTING

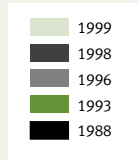
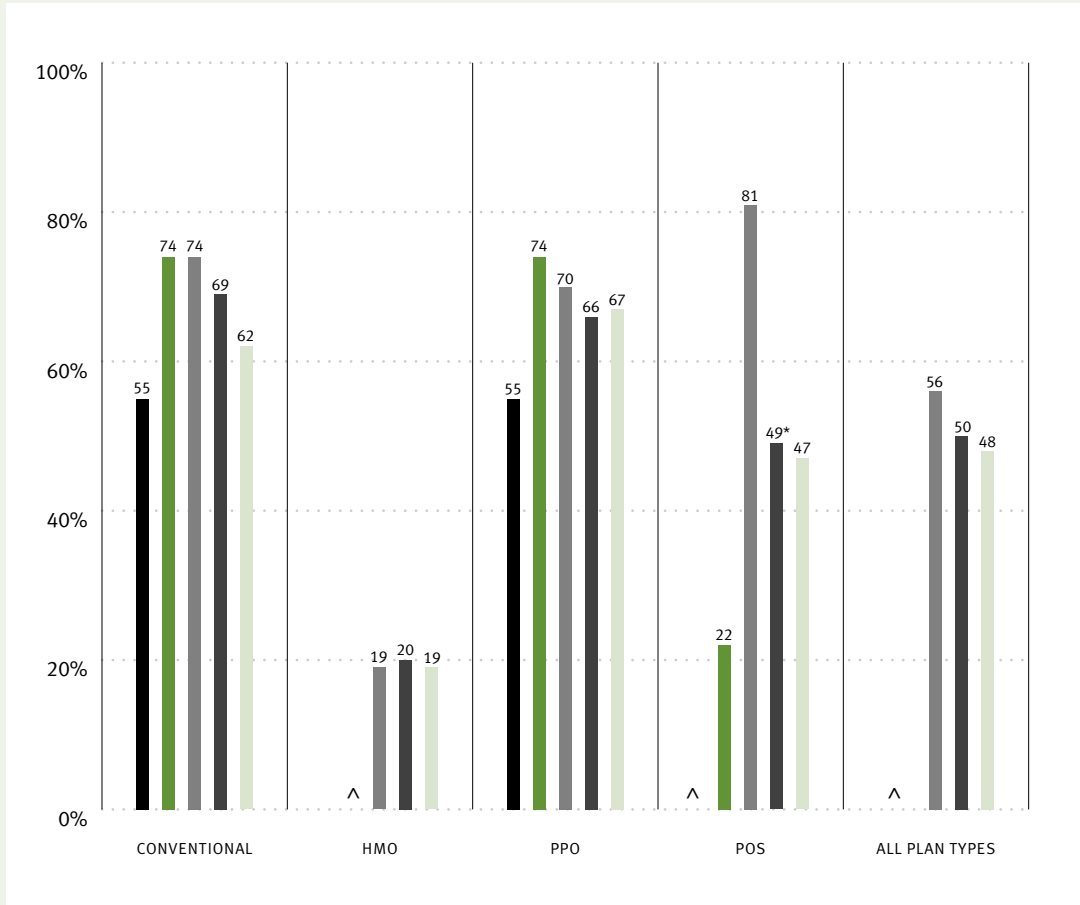
- ▶ Between 1998 and 1999, employers with 200 or more workers experienced a considerable decline in direct contracting with hospitals and doctors – the percentage of covered workers in HMOs in which the firm contracts directly fell from 12% in 1998 to only 3% percent in 1999, a statistically significant change (EXHIBIT 11.8). By size, 5% percent of workers in HMO plans in large firms are in plans that contract directly, while virtually no covered workers in small firms are in plans that contract directly, significantly different from all firm sizes. (EXHIBIT 11.10).

#### PRE-EXISTING CONDITIONS

- ▶ Since the passage of HIPAA in 1996, the use of pre-existing condition clauses has declined considerably among conventional, PPO, and POS plans (at statistically significant levels from 1996 to 1998) (EXHIBIT 11.11). During the past year, the percentage of covered workers in plans with pre-existing condition clauses was statistically unchanged for conventional, PPO, and POS plans. (The survey did not ask about pre-existing condition clauses in HMOs since they are rarely used in that context, and in some cases are prohibited by law.)
- ▶ Jumbo firms are the least likely to use pre-existing condition clauses, and large firms are the most likely (EXHIBIT 11.12). Perhaps as a result of state small group reforms that limit the length of pre-existing condition exclusions, small firms are less likely to impose pre-existing condition clauses than are midsize and large employers. Nationally, 42% of employees in PPO plans are subject to pre-existing condition clauses, compared with 30% for POS plans (EXHIBIT 11.11).
- ▶ Waiting periods for pre-existing condition clauses remain long. Two-thirds of conventional plan members, 84% of PPO, and 79% of POS enrollees subject to these clauses must wait 12 months before their plan will cover their pre-existing condition (EXHIBITS 11.14–11.16).

EXHIBIT 11.1

Percentage of Covered Workers in Partly or Completely Self-Insured Plans, by Plan Type, 1988-1999



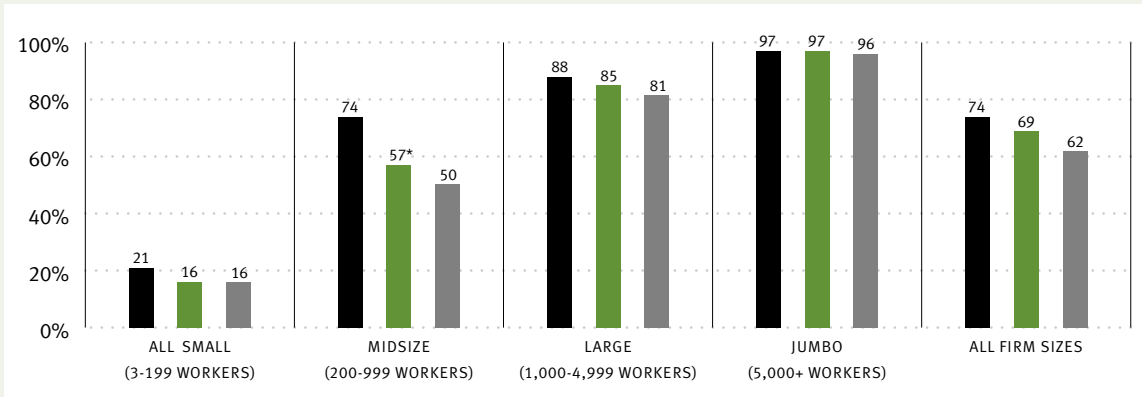
SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999. Unable to test All Plans.  
 ^ Information was not obtained for HMO plans in 1988 and 1993, and POS plans in 1988.

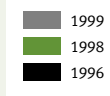
**EXHIBIT 11.2**

Percentage of Covered Workers in Partly or Completely Self-Insured Conventional Plans, by Firm Size, 1996, 1998, and 1999



SOURCE :

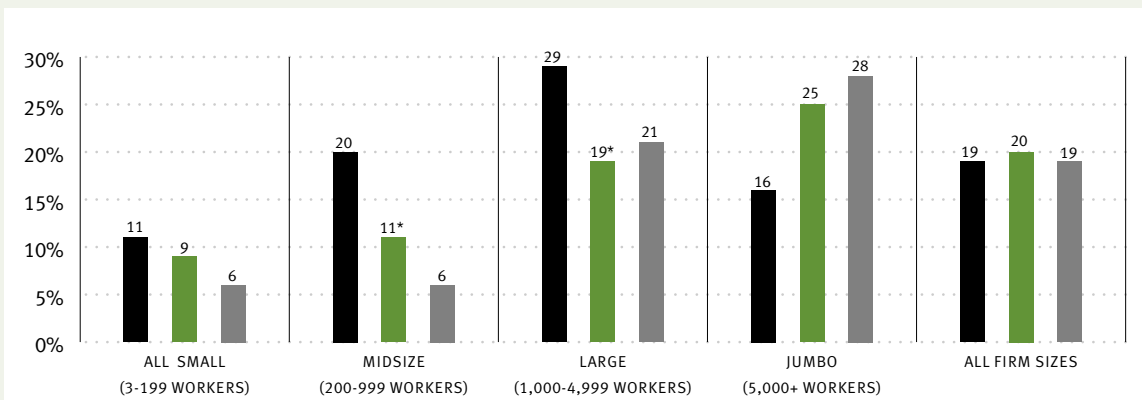
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

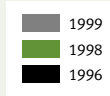
**EXHIBIT 11.3**

Percentage of Covered Workers in Partly or Completely Self-Insured HMO Plans, by Firm Size, 1996, 1998, and 1999



SOURCE :

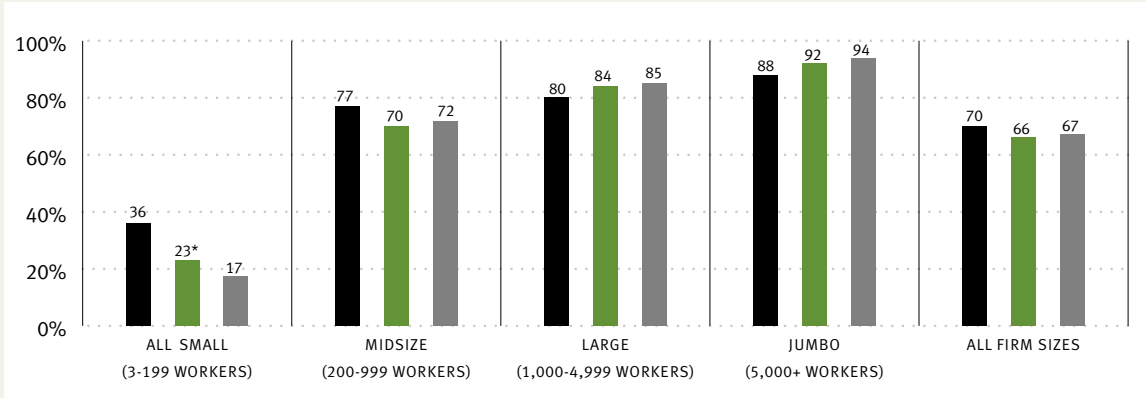
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

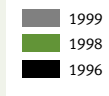
EXHIBIT 11.4

Percentage of Covered Workers in Partly or Completely Self-Insured PPO Plans, by Firm Size, 1996, 1998, and 1999



SOURCE :

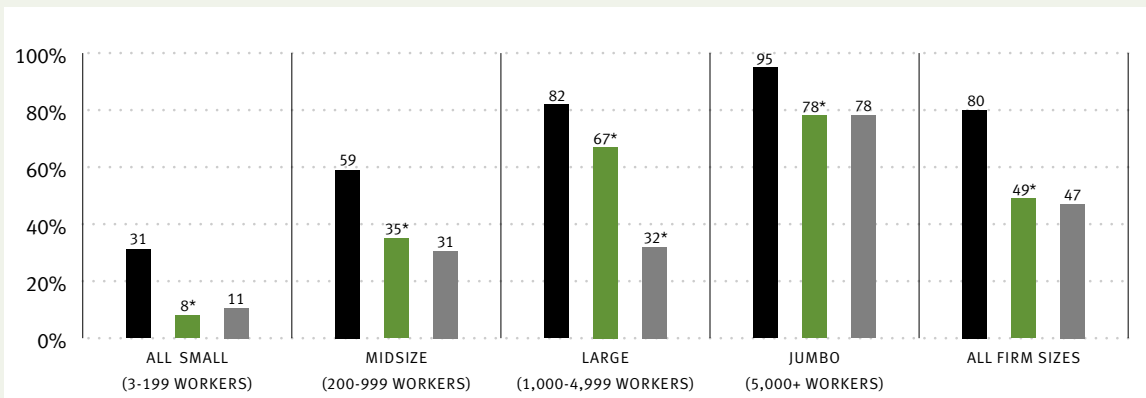
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998.



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

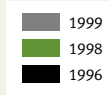
EXHIBIT 11.5

Percentage of Covered Workers in Partly or Completely Self-Insured POS Plans, by Firm Size, 1996, 1998, and 1999



SOURCE :

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



\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

EXHIBIT 11.6 *Continued on page 106*Percentage of Covered Workers Under Different Funding Arrangements  
in Conventional, HMO, PPO, and POS Plans, by Firm Size, 1999

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
<b>CONVENTIONAL PLANS</b>			
Small (3-9 Workers)	NSD	NSD	NSD
Small (10-24 Workers)	NSD	NSD	NSD
Small (25-49 Workers)–	NSD	NSD	NSD
Small (50-199 Workers)*	75	25	0
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>80</b>	<b>16</b>	<b>4</b>
Midsize (200-999 Workers)*	50	50	0
Large (1,000-4,999 Workers)*	19	81	0
Jumbo (5,000+ Workers)*	4	96	0
<b>ALL FIRM SIZES</b>	<b>37</b>	<b>62</b>	<b>1</b>
<b>HMO PLANS</b>			
Small (3-9 Workers)	NSD	NSD	NSD
Small (10-24 Workers)	NSD	NSD	NSD
Small (25-49 Workers)	NSD	NSD	NSD
Small (50-199 Workers)*	91	2	7
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>90</b>	<b>6</b>	<b>4</b>
Midsize (200-999 Workers)*	93	6	1
Large (1,000-4,999 Workers)	78	21	1
Jumbo (5,000+ Workers)*	72	28	0
<b>ALL FIRM SIZES</b>	<b>80</b>	<b>19</b>	<b>1</b>
<b>PPO PLANS</b>			
Small (3-9 Workers)*	88%	8%	4%
Small (10-24 Workers)*	88	4	8
Small (25-49 Workers)*	89	11	0
Small (50-199 Workers)*	67	32	1
<b>ALL SMALL FIRMS (3-199 WORKERS)*</b>	<b>80</b>	<b>17</b>	<b>3</b>
Midsize (200-999 Workers)*	28	72	0
Large (1,000-4,999 Workers)*	12	85	3
Jumbo (5,000+ Workers)*	6	94	0
<b>ALL FIRM SIZES</b>	<b>32</b>	<b>67</b>	<b>1</b>

EXHIBIT 11.6 *Continued from page 105*Percentage of Covered Workers Under Different Funding Arrangements  
in Conventional, HMO, PPO, and POS Plans, by Firm Size, 1999

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
<b>POS PLANS</b>			
Small (3-9 Workers)	NSD	NSD	NSD
Small (10-24 Workers) *	100	0	0
Small (25-49 Workers) *	84	15	1
Small (50-199 Workers) *	85	12	3
<b>ALL SMALL FIRMS (3-199 WORKERS) *</b>	<b>88</b>	<b>11</b>	<b>2</b>
Midsize (200-999 Workers) *	68	31	1
Large (1,000-4,999 Workers) *	68	32	0
Jumbo (5,000+ Workers) *	21	78	1
<b>ALL FIRM SIZES</b>	<b>53</b>	<b>47</b>	<b>1</b>
<b>ALL PLANS</b>			
Small (3-9 Workers) *	86%	10%	4%
Small (10-24 Workers) *	94	3	3
Small (25-49 Workers) *	87	12	1
Small (50-199 Workers) *	77	20	3
<b>ALL SMALL FIRMS (3-199 WORKERS) *</b>	<b>84</b>	<b>13</b>	<b>3</b>
Midsize (200-999 Workers)	53	46	1
Large (1,000-4,999 Workers) *	42	57	1
Jumbo (5,000+ Workers) *	33	67	0
<b>ALL FIRM SIZES</b>	<b>51</b>	<b>48</b>	<b>1</b>

## SOURCE :

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

NSD: Not sufficient data.

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

EXHIBIT 11.7 *Continued on page 108*Percentage of Covered Workers Under Different Funding Arrangements  
in Conventional, HMO, PPO, and POS Plans, by Industry, 1999

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
<b>CONVENTIONAL PLANS</b>			
Mining/Construction/Wholesale*	59	41	0
Manufacturing*	16	84	0
Transportation/Communication/Utility*	8	92	0
Retail	NSD	NSD	NSD
Finance	41	59	0
Service*	50	49	0
State/Local Government*	4	96	0
Health Care*	42	43	15
High-Tech	29	72	0
<b>ALL INDUSTRIES</b>	<b>37%</b>	<b>62%</b>	<b>1%</b>
<b>HMO PLANS</b>			
Mining/Construction/Wholesale	86	14	0
Manufacturing*	66	34	0
Transportation/Communication/Utility	88	12	0
Retail	94	7	0
Finance	83	15	2
Service	77	22	1
State/Local Government*	93	7	0
Health Care	82	17	2
High-Tech*	49	47	4
<b>ALL INDUSTRIES</b>	<b>80%</b>	<b>19%</b>	<b>1%</b>
<b>PPO PLANS</b>			
Mining/Construction/Wholesale*	56	41	3
Manufacturing*	20	79	1
Transportation/Communication/Utility*	12	88	0
Retail	40	60	0
Finance*	49	50	1
Service	35	64	2
State/Local Government*	15	86	0
Health Care	34	65	1
High-Tech*	22	77	0
<b>ALL INDUSTRIES</b>	<b>32%</b>	<b>67%</b>	<b>1%</b>

EXHIBIT 11.7 *Continued from page 107*

## Percentage of Covered Workers Under Different Funding Arrangements in Conventional, HMO, PPO, and POS Plans, by Industry, 1999

	<i>Coverage Underwritten by an Insurer</i>	<i>Self-Insured (Employer bears all or any of financial risk)</i>	<i>Don't Know</i>
<b>POS PLANS</b>			
Mining/Construction/Wholesale	66	34	0
Manufacturing	43	56	1
Transportation/Communication/Utility*	23	77	0
Retail*	83	14	3
Finance*	29	71	0
Service	59	40	1
State/Local Government*	67	31	2
Health Care	49	51	0
High-Tech*	12	88	0
<b>ALL INDUSTRIES</b>	<b>53%</b>	<b>47%</b>	<b>1%</b>
<b>ALL PLANS</b>			
Mining/Construction/Wholesale*	64	35	1
Manufacturing*	33	66	1
Transportation/Communication/Utility*	37	63	0
Retail*	71	28	1
Finance	54	45	1
Service*	55	43	2
State/Local Government*	41	58	1
Health Care	51	47	2
High-Tech*	23	75	2
<b>ALL INDUSTRIES</b>	<b>51%</b>	<b>48%</b>	<b>1%</b>

## SOURCE :

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

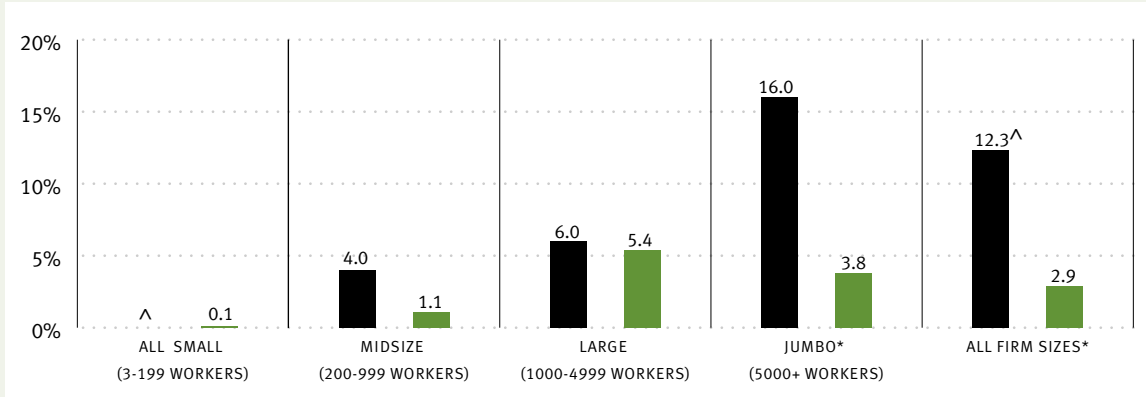
NSD: Not sufficient data.

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



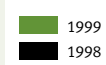
**EXHIBIT 11.8**

Percentage of Covered Workers in HMO Plans Where Firm Contracts Directly with Doctors and Hospitals, by Firm Size, 1998 and 1999



SOURCE :

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

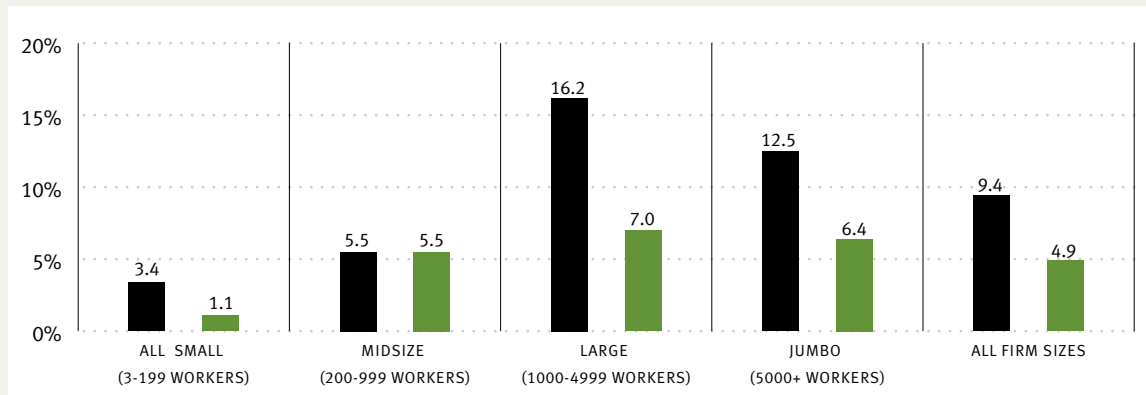


\* Statistically different from the previous year for years 1998 to 1999.

<sup>^</sup> Data not collected for small firms in 1998.

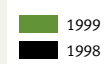
**EXHIBIT 11.9**

Percentage of Covered Workers in POS Plans Where Firm Contracts Directly with Doctors and Hospitals, by Firm Size, 1998 and 1999\*



SOURCE :

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



\* Tests found no statistically different estimates from the previous year for years 1998-1999.

## EXHIBIT 11.10

## Percentage of Covered Workers in Firms That Contract Directly with Doctors and Hospitals in their HMO and POS Plans, by Region and Firm Size, 1999

	<i>% of Workers in Firms That Contract Directly with HMOs</i>	<i>% of Workers in Firms That Contract Directly with POS Plans</i>
<b>REGION</b>		
Northeast	1%	4%
Midwest	2	6
South	5	7
West	2	2
<b>FIRM SIZE</b>		
Small (3-199 Workers)	0%*	1%*
Midsize (200-999 Workers)	1	6
Large (1,000-4,999 Workers)	5	7
Jumbo (5,000+ Workers)	4	6
<b>ALL REGIONS AND FIRM SIZES</b>	<b>3%</b>	<b>5%</b>

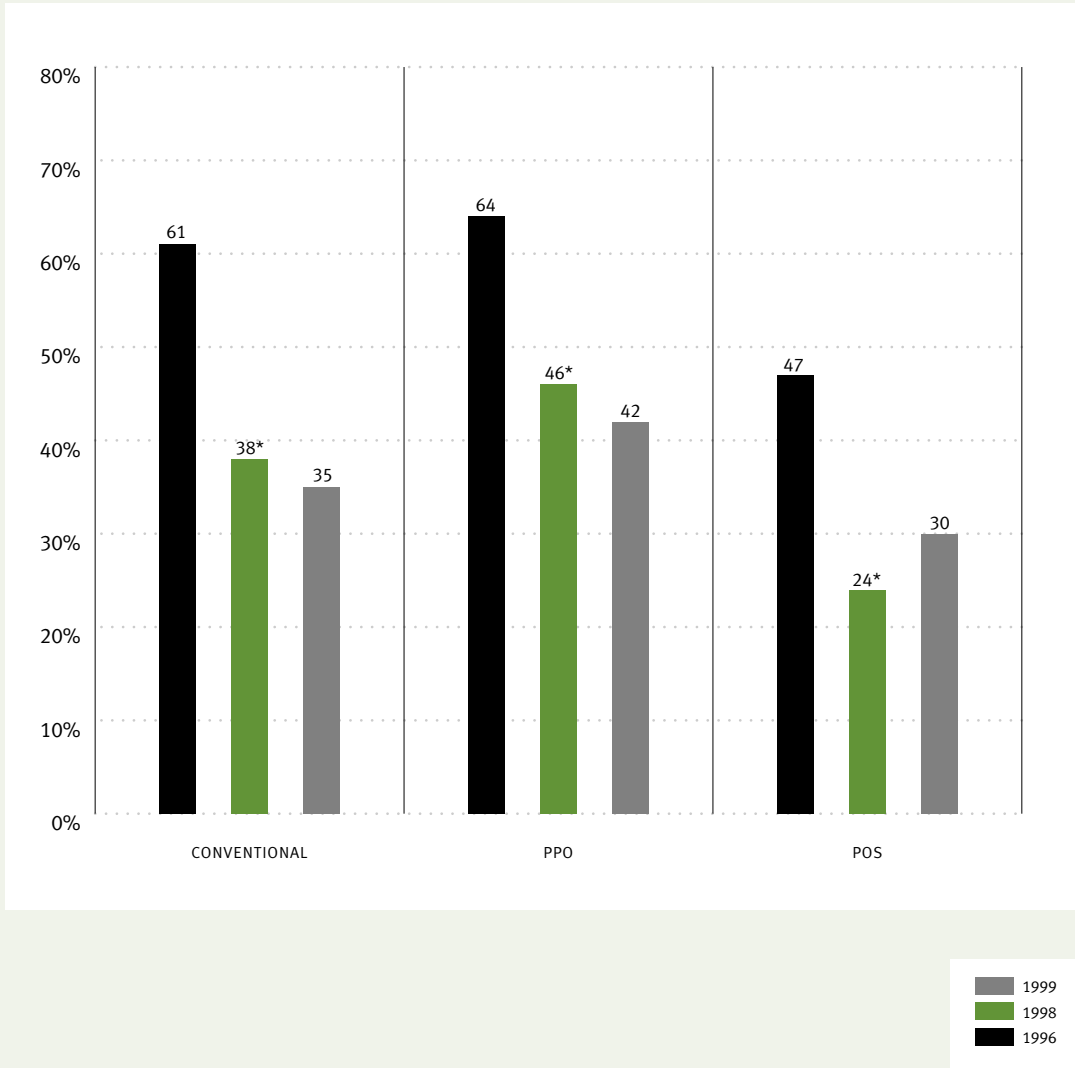
## SOURCE :

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

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

EXHIBIT 11.11

Percentage of Covered Workers With Pre-existing Condition Clauses, by Plan Type, 1996, 1998, and 1999



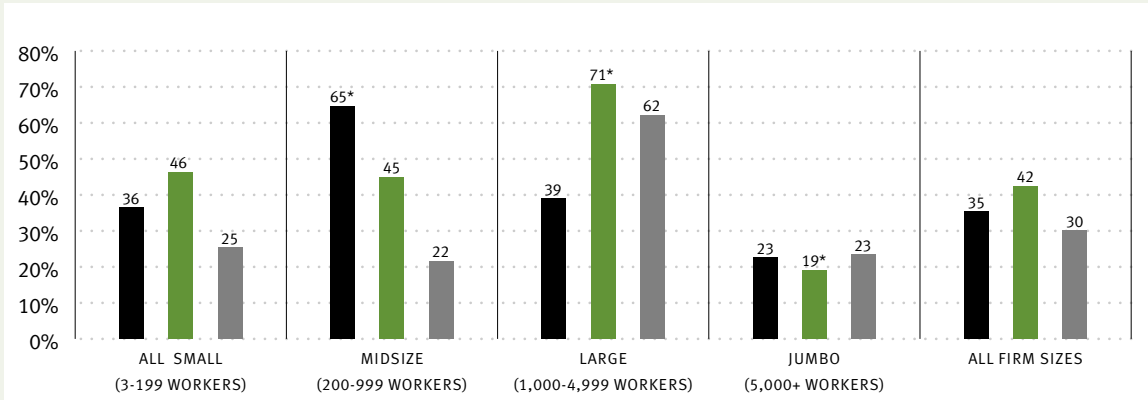
SOURCE :

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

\* Estimate is statistically different from the previous year for years 1996-1998, 1998-1999.

EXHIBIT 11.12

Percentage of Covered Workers With Pre-existing Condition Clauses, by Firm Size, 1999



SOURCE :

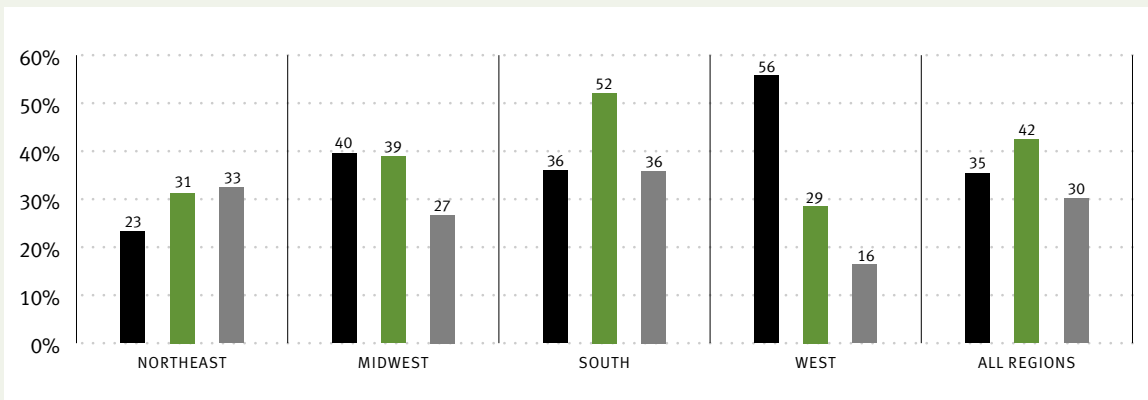
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.



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

EXHIBIT 11.13

Percentage of Covered Workers With Pre-existing Condition Clauses, by Region, 1999\*



SOURCE :

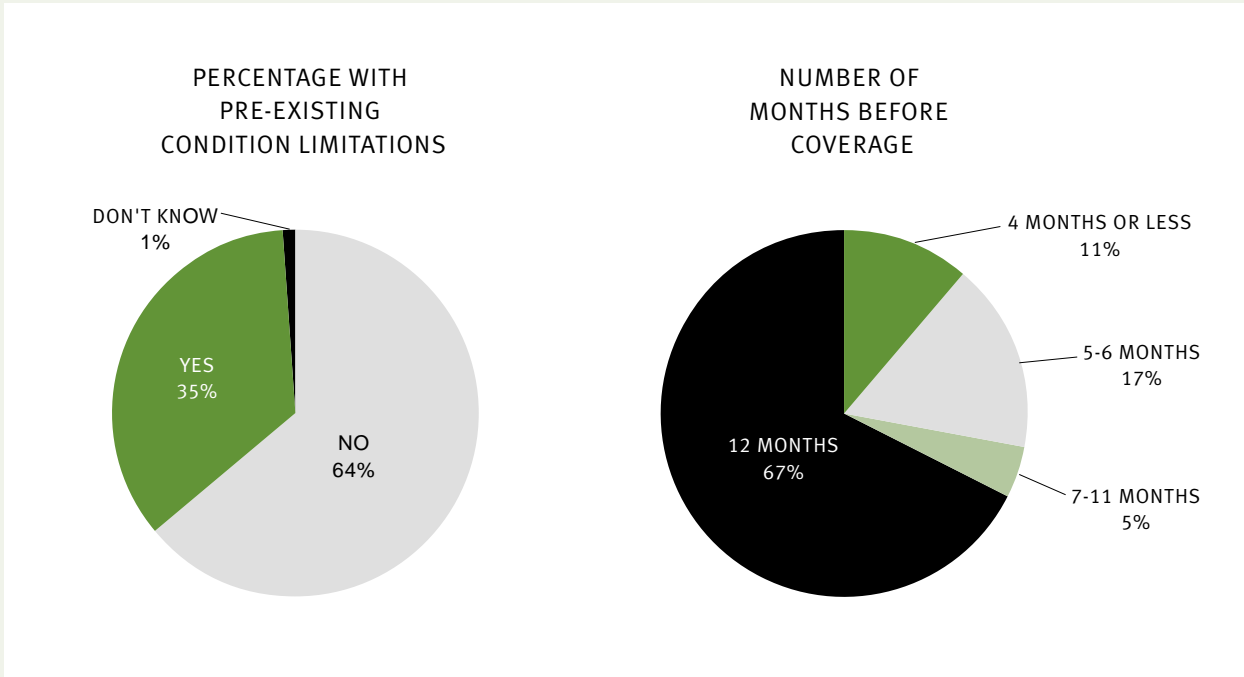
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.



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

EXHIBIT 11.14

Percentage of Covered Workers in Conventional Plans with Pre-existing Condition Limitations and Months to Wait Before Coverage, 1999

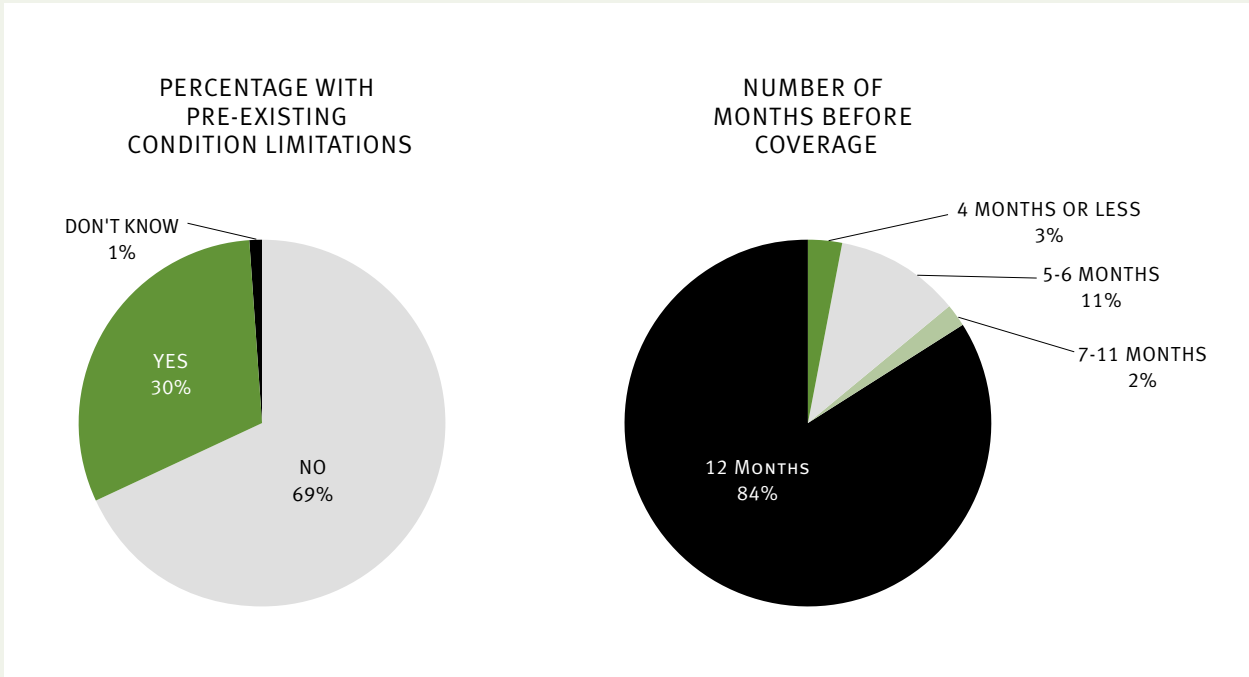


SOURCE :

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

EXHIBIT 11.15

Percentage of Covered Workers in POS Plans with Pre-existing Condition Limitations and Months to Wait Before Coverage, 1999

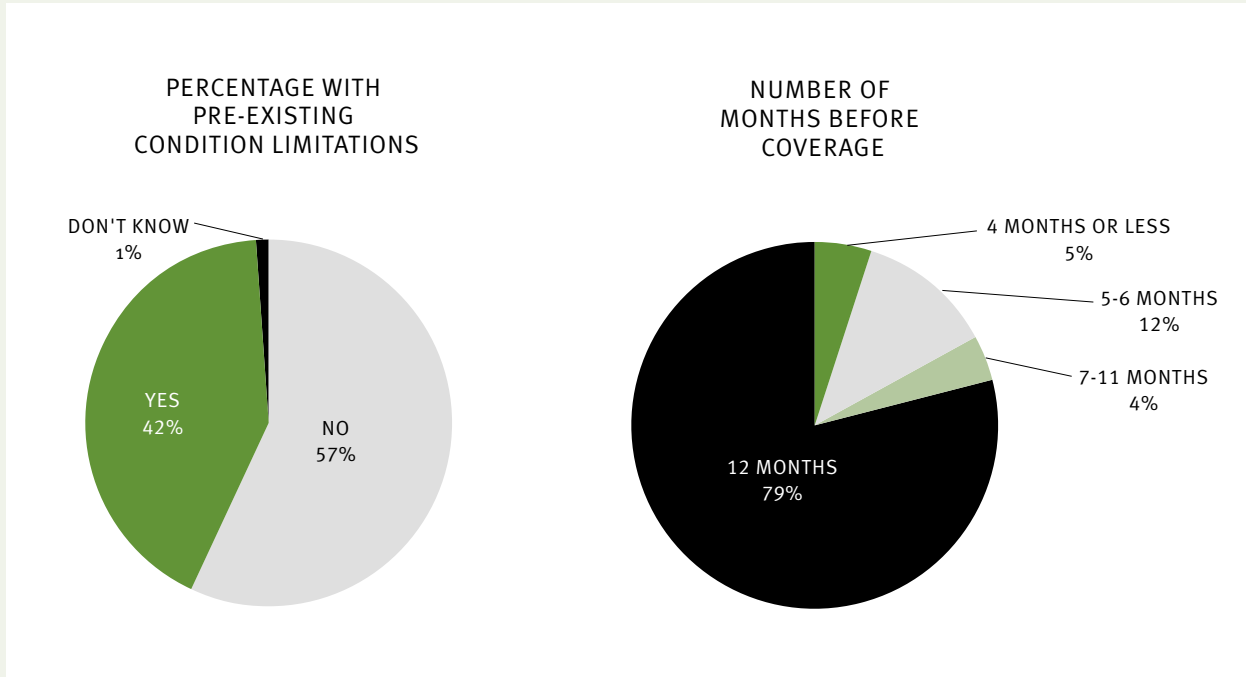


SOURCE :

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

EXHIBIT 11.16

Percentage of Covered Workers in PPO Plans with Pre-existing Condition Limitations and Months to Wait Before Coverage, 1999



SOURCE :

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





EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Retiree  
Health  
Benefits

SECTION

12

## RETIREE HEALTH BENEFITS

ONCE PART OF THE IMPLICIT SOCIAL CONTRACT BETWEEN EMPLOYERS AND EMPLOYEES, RETIREE HEALTH BENEFITS HAVE DECLINED OVER THE PAST 15 YEARS. THE DECLINE OF RETIREE HEALTH BENEFITS, LIKE JOB SECURITY, ILLUSTRATES MAJOR CHANGES OCCURRING IN THE AMERICAN WORKPLACE. THIS DECLINE IS A SIGNIFICANT DEVELOPMENT, AND HAS IMPORTANT IMPLICATIONS FOR MEDICARE POLICY ISSUES NOW UNDER DISCUSSION. ABOUT 13 MILLION MEDICARE BENEFICIARIES AND TENS OF MILLIONS OF ACTIVE WORKERS LOOKING FORWARD TO RETIREMENT DEPEND ON EMPLOYER-SPONSORED HEALTH BENEFITS TO PROTECT THEM AGAINST THE COST OF HEALTH CARE.<sup>10</sup> RESEARCHERS HAVE FOUND THAT RETIREE HEALTH BENEFITS ARE ONE OF THE MOST IMPORTANT CONSIDERATIONS IN THE RETIREMENT DECISION OF EARLY RETIREES. FOR EMPLOYERS, RETIREE HEALTH BENEFITS REPRESENT A RAPIDLY RISING COST COMPONENT, AND SINCE ACCOUNTING CHANGES PUT IN PLACE IN 1992, RETIREE HEALTH COSTS MUST NOW BE INCORPORATED AS FUTURE LIABILITIES ON BALANCE SHEETS. THE 1999 SURVEY FINDS THAT DURING A PERIOD OF UNPRECEDENTED PROSPERITY, MANY LARGE EMPLOYERS REDUCED THE GENEROSITY OF THEIR RETIREE BENEFITS.

- ▶ The percentage of employers offering retiree health benefits in all large firms (200 or more workers) remained essentially unchanged (EXHIBIT 12.1).
- ▶ On average, 41% of all large firms (200 or more workers) offered retiree health benefits in 1999, in sharp contrast with only 8% of all small firms (3-199 workers) (EXHIBIT 12.2). Variations by industry are substantial. For example, 78% of large government employers offered retiree health benefits, compared with only 3% of large retail firms.
- ▶ Among all small firms (3-199 workers) offering retiree health benefits, 71% offer them to early retirees and 85% to Medicare-eligible retirees (data not shown).

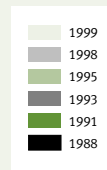
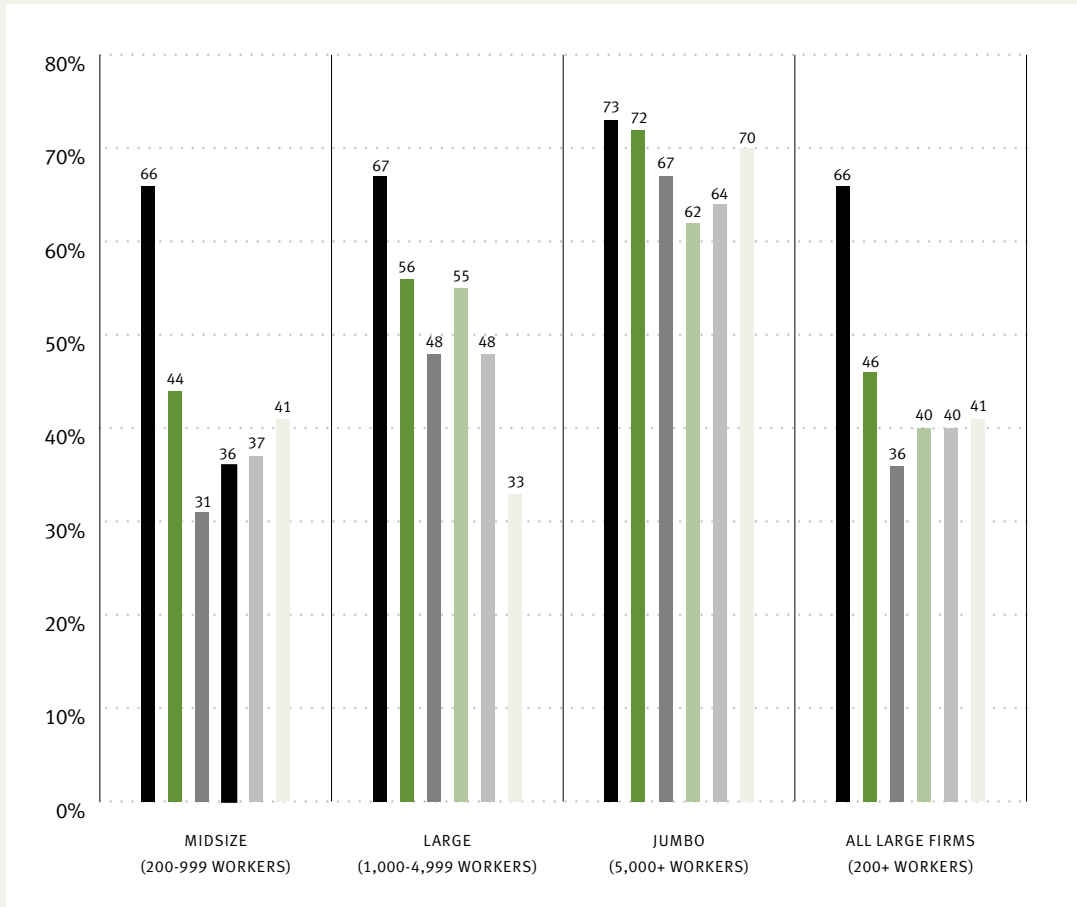
- ▶ Among all large firms (200 or more employees) offering retiree health benefits, 95% offer them to early retirees, and 80% to Medicare-eligible retirees (EXHIBIT 12.3). Almost all employers in the transportation, communication, and utility industries offer health benefits to early retirees (significantly different from all firms), but only 51% of employers in the transportation/communications/utility industries offer health benefits to Medicare-eligible retirees.
- ▶ Over the past 2 years, employers offering retiree benefits have altered them to control costs.
  - 35% of all large employers (200 or more workers) offering retiree benefits capped the maximum employer contribution for retiree health coverage (EXHIBIT 12.4). By firm size, 52% of jumbo (5,000+ workers) employers capped the maximum employer contribution while 8% of large (1,000 – 4,999 workers) employers did the same. By region, 64% of firms in the South capped the maximum employer contribution, while only 6% in the Midwest and 9% in the Northeast did so (regional variations were statistically significant).
  - Overall, 7% of all large employers (200 or more workers) offering retiree coverage terminated conventional coverage for retiree health benefits in the past two years, though almost half of jumbo firms (5,000 or more workers) and 20% of firms in the West reported doing so (both statistically significant) (EXHIBIT 12.5). Similarly, 8% of all large employers (200 or more workers) introduced a Medicare Risk HMO to retirees in the past two years (EXHIBIT 12.6), though many more jumbo firms and firms in the West say they did so (both statistically significant).
  - Retiree cost-sharing is on the rise as well. In the past two years, 16% of all large employers (200 or more workers) offering retiree benefits increased the share of premiums paid by retirees (EXHIBIT 12.7), and 66% of jumbo firms did so. One-third of firms in the West increased the retiree contribution, while the manufacturing sector led the way among industries at 40% (all statistically significant).
- ▶ Employers with high percentages of low-income workers are considerably less likely to offer retiree health benefits. 45% of firms with 10% or less of employees earning less than \$20,000 per year offered retiree health benefits in 1999, in comparison with only 18% of firms with 35% or more of employees earning the same amount, significantly different from all firms (EXHIBIT 12.8).

**NOTES:**

<sup>10</sup> Estimates for Medicare retirees are based on Eppig, Franklin, and Chulis, George, "Trends in Medicare Supplementary Insurance: 1992-1996," Health Care Financing Review, Fall 1997.

EXHIBIT 12.1

Percentage of Employers Offering Retiree Health Benefits, by Firm Size, 1988-1999\*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1991, 1993, 1995, 1998.

\* Tests found no statistically different estimates from 1998 to 1999.

## EXHIBIT 12.2

## Percentage of Employers Offering Retiree Health Benefits, by Region, Firm Size, and Industry, 1999

	<i>All Small Firms (3-199 Workers)</i>	<i>All Large Firms (200 or more Workers)</i>
<b>REGION</b>		
Northeast	13%	42%
Midwest	12	29
South	8	47
West	2*	44
<b>FIRM SIZE</b>		
Small (3-9 workers)	6%	--
Small (10-24 workers)	8	--
Small (25-49 workers)	21	--
Small (50-199 workers)	17*	--
Midsize (200-999 workers)	--	41%
Large (1,000-4,999 workers)	--	33
Jumbo (5,000+ workers)	--	70*
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	2%*	22%
Manufacturing	7	27
Transportation/Communication/Utility	NSD	70*
Retail	1*	3*
Finance	8	46
Service	14	57
State/Local Government	24*	78*
Health Care	10	21*
High Tech	1*	10*
<b>ALL REGIONS, SMALL AND LARGE FIRM SIZES, AND INDUSTRIES</b>	<b>8%</b>	<b>41%</b>

## SOURCE:

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

NSD: Not sufficient data.

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

## EXHIBIT 12.3

Percentage of Large Employers Offering Retiree Health Benefits to Early<sup>^</sup> and Medicare-Eligible Retirees, Among Large Firms Offering Retiree Coverage, by Firm Size, Region, and Industry, 1999

	<i>% of Large Employers Offering Retiree Health Benefits to Early<sup>^</sup> Retirees</i>	<i>% of Large Employers Offering Retiree Health Benefits to Medicare- Eligible Retirees</i>
<b>FIRM SIZE (LARGE FIRMS)</b>		
Midsize (200-999 workers)	95%	78%
Large (1000-4999 workers)	97	85
Jumbo (5000+ workers)	99	93
<b>REGION</b>		
Northeast	89%	89%
Midwest	93	52*
South	99	88
West	97	81
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	NSD	NSD
Manufacturing	95	86
Transportation/Communication/Utility	100*	51
Retail	NSD	NSD
Finance	73	88
Service	98	83
State/Local Government	97	78
Health Care	79	73
High Tech	NSD	NSD
<b>ALL LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>95%</b>	<b>80%</b>

## SOURCE :

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

NSD: Not sufficient data.

<sup>^</sup> Early retiree means those retiring before age 65.

\* Estimate is statistically different from All Firms.

## EXHIBIT 12.4

In Firms Offering Retiree Benefits, Changes Made in Past Two Years to Retiree Health Coverage: Capped the Maximum Employer Contribution For Retirees, in Large Firms, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE (LARGE FIRMS)</b>			
Midsize (200-999 Workers)	38%	61%	1%
Large (1,000-4,999 Workers)*	8	89	3
Jumbo (5,000+ Workers)*	52	47	1
<b>REGION</b>			
Northeast*	9%	89%	2%
Midwest*	6	91	3
South*	64	35	1
West	24	76	0
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	NSD	NSD	NSD
Manufacturing*	16	81	3
Transportation/Communication/Utility*	5	95	0
Retail	NSD	NSD	NSD
Finance*	10	88	2
Service*	48	50	2
State/Local Government*	10	88	2
Health Care*	8	92	0
High Tech	NSD	NSD	NSD
<b>ALL LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>35%</b>	<b>64%</b>	<b>2%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 12.5

In Firms Offering Retiree Benefits, Changes Made in Past Two Years to Retiree Health Coverage: Terminated Conventional Plan Coverage For Retirees in Large Firms, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE (LARGE FIRMS)</b>			
Midsize (200-999 Workers)	4%	95%	1%
Large (1,000-4,999 Workers)	5	95	0
Jumbo (5,000+ Workers)*	46	54	0
<b>REGION</b>			
Northeast*	13%	86%	1%
Midwest	3	96	1
South*	2	97	1
West*	20	80	0
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	NSD	NSD	NSD
Manufacturing	4	96	0
Transportation/Communication/Utility	4	96	0
Retail	NSD	NSD	NSD
Finance*	30	68	2
Service	7	93	0
State/Local Government	1	96	3
Health Care*	1	93	6
High Tech	NSD	NSD	NSD
<b>ALL LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>7%</b>	<b>92%</b>	<b>1%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.



## EXHIBIT 12.6

In Firms Offering Retiree Benefits, Changes Made in Past Two Years to Retiree Health Coverage: Introduced Medicare Risk HMO To Retirees in Large Firms, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE (LARGE FIRMS)</b>			
Midsized (200-999 Workers)*	3%	96%	1%
Large (1,000-4,999 Workers)	11	89	0
Jumbo (5,000+ Workers)*	62	38	0
<b>REGION</b>			
Northeast	10%	88%	2%
Midwest*	2	98	0
South	4	96	0
West*	26	71	3
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	NSD	NSD	NSD
Manufacturing*	9	86	5
Transportation/Communication/Utility	8	92	0
Retail	NSD	NSD	NSD
Finance*	20	80	0
Service	8	92	0
State/Local Government	9	89	2
Health Care*	6	88	6
High Tech	NSD	NSD	NSD
<b>ALL LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>8%</b>	<b>91%</b>	<b>1%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 12.7

In Firms Offering Retiree Benefits, Changes Made in Past Two Years to Retiree Health Coverage: Increased the Share of Contributions for Premiums Required by Retirees in Large Firms, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE (LARGE FIRMS)</b>			
Midsize (200-999 Workers)*	10%	90%	0%
Large (1,000-4,999 Workers)*	27	72	1
Jumbo (5,000+ Workers)*	66	32	2
<b>REGION</b>			
Northeast	11%	88%	1%
Midwest*	25	75	0
South*	9	91	0
West*	33	67	0
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	NSD	NSD	NSD
Manufacturing*	40	59	1
Transportation/Communication/Utility	12	88	0
Retail	NSD	NSD	NSD
Finance	21	79	0
Service	11	89	0
State/Local Government*	30	68	2
Health Care	17	83	0
High Tech	NSD	NSD	NSD
<b>LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>16%</b>	<b>83%</b>	<b>1%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 12.8

Percentage of all Large Firms (200 or more Workers) Offering Retiree Benefits, by Percentage of Workforce that is High and Low Income, 1999

	Yes	No	Don't Know
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>			
5% or less	42%	57%	1%
More than 5% & less than 20%	30	70	0
20% or more	47	53	0
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>			
10% or less	45%	55%	0%
More than 10% & less than 35%	66	34	0
35% or more	18*	82	0

## SOURCE :

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

\* Income estimate is statistically different from All Firms (All Firms data not shown).



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

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The Role of NCQA  
Accreditation  
and HEDIS  
Performance  
Measures

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SECTION

13

## THE ROLE OF NCQA ACCREDITATION AND HEDIS PERFORMANCE MEASURES

AS MAJOR PURCHASERS OF HEALTH COVERAGE, EMPLOYERS HAVE THE POTENTIAL TO USE THEIR PURCHASING DECISIONS TO SHAPE THE QUALITY OF CARE IN THE AMERICAN HEALTH CARE SYSTEM. TO ELEVATE THE IMPORTANCE OF OBJECTIVE QUALITY MEASURES IN EMPLOYERS' HEALTH PLAN SELECTION PROCESS, THE NATIONAL COMMITTEE FOR QUALITY ASSURANCE (NCQA), A PRIVATE NON-PROFIT ORGANIZATION, EVALUATES HOW WELL HMO AND POS PLANS ARE MANAGING THEIR DELIVERY SYSTEMS. NCQA EXAMINES HEALTH PLANS' CLINICAL AND ADMINISTRATIVE SYSTEMS, PHYSICIAN CREDENTIALS, UTILIZATION MANAGEMENT, PATIENT SATISFACTION, AND MANY OTHER ASPECTS OF A HEALTH PLAN'S OPERATIONS. NCQA ALSO COLLECTS DATA FROM HEALTH PLANS ON NUMEROUS MEASURES OF PERFORMANCE, SUCH AS IMMUNIZATION RATES, TERMED THE HEALTH PLAN EMPLOYER DATA AND INFORMATION SET (HEDIS). HOWEVER, NCQA ACCREDITATION AND HEDIS DATA CONTINUE TO PLAY A RELATIVELY MINOR ROLE IN EMPLOYERS' SELECTION OF HEALTH PLANS.

### NCQA ACCREDITATION AND HEDIS

► Familiarity with NCQA accreditation has decreased across all firm sizes except for small firms (EXHIBIT 13.1), with a substantial decrease among large and jumbo firms (the decline across all firms was statistically significant from the previous year.) Among the latter, for example, the percentage of workers in firms familiar with accreditation declined from 90% in 1998 to 76% in 1999. In small and midsize firms, the figures remained relatively stable. This trend occurs in striking contrast to the developments from 1996 to 1998 and, should it continue, has worrisome implications

for the drive to bring rigorous quality measurement to the health plan selection process.

► The contrast between small and large firms with regards to NCQA familiarity is substantial – 13% among employees in the smallest firms, in comparison with 76% of the largest. This gap suggests the presence of a two-tiered plan selection process: one for the health plans offered to workers in smaller firms that largely does not use objective quality measures, and another for workers in large firms.

► The percentage of employees in firms that are familiar with HEDIS again varies greatly by firm size – only 7% among small firms, compared with 76% among jumbo firms (both statistically significant distributions) (EXHIBIT 13.2). Only firms with 5,000 or more workers have any appreciable familiarity with HEDIS performance measures. Among state and local governments, 76% of employees are in firms familiar with HEDIS; in contrast, the same is true for only 20% in the retail industry, as well as in the mining/construction/wholesale industries. Again, a two-tiered system appears to exist: workers in certain skilled,

white-collar professions are much more likely to have their health plans chosen at least in part on the basis of standardized quality measures than workers in the trades and other industries.

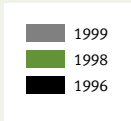
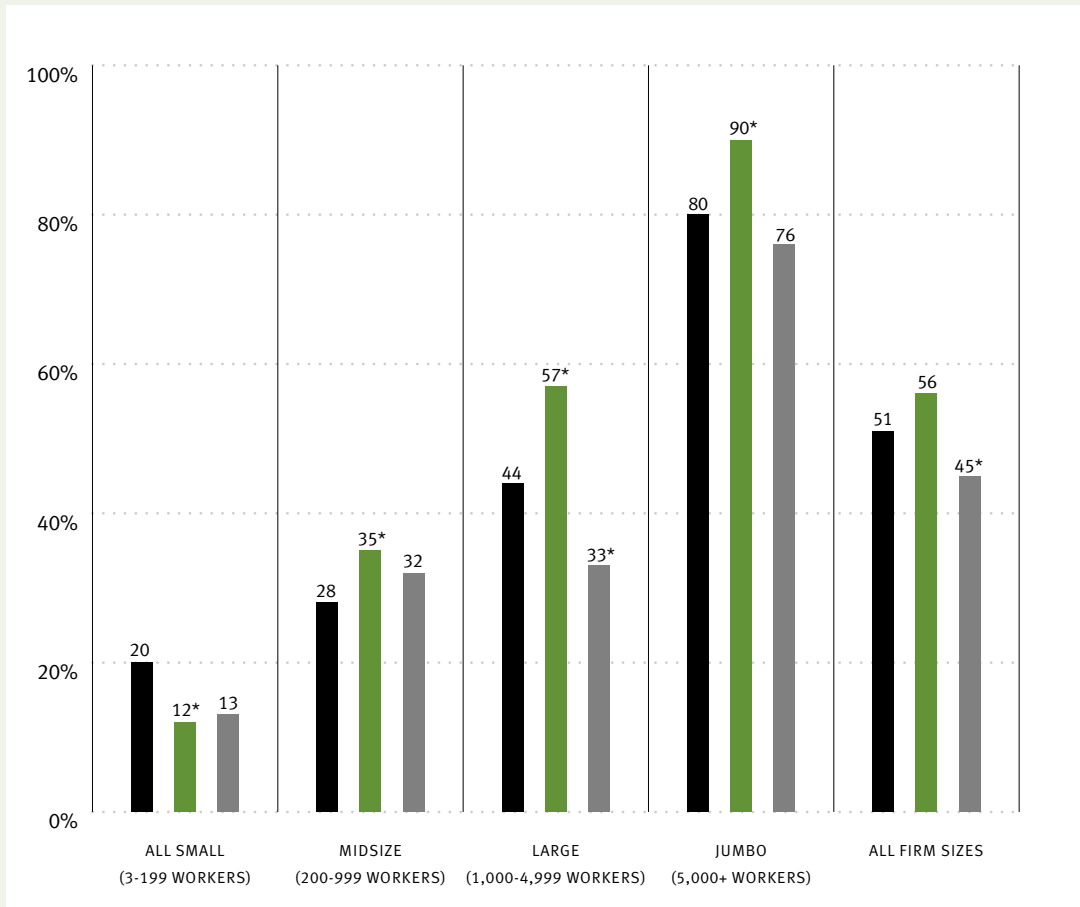
- ▶ Among firms offering an HMO or POS plan, the percentage of workers in firms where NCQA accreditation is mandatory for these plan types is negligible, except for the largest firms – 26% for workers in jumbo firms, versus single digits for all the rest (all statistically significant distributions) (EXHIBIT 13.3). Workers in the West are far more likely to work for a firm where accreditation is mandatory – 34%, versus single digits for all other regions. Seemingly the high level of managed care penetration in the West comes along with a commensurate increase in firms' requiring health plans to be NCQA accredited.
- ▶ Only jumbo firms have any propensity to contribute more to accredited plans, and even this percentage is small – 13% of workers in jumbo firms (a statistically significant difference) (EXHIBIT 13.4). Again, the West is significantly more likely to have workers in firms contributing more to accredited plans (30%), as are workers in the service sector (14%).

#### EMPLOYERS' CRITERIA FOR CHOOSING HEALTH PLANS

- ▶ When choosing a health plan, employers rated the number of physicians in the network, the reputation and credentials of the physicians, and the cost of the plan most highly – approximately two-thirds of covered workers were in firms that rated these criteria as “very important” (EXHIBIT 13.5). On the other end of the spectrum, few workers were in firms that rated HEDIS data and NCQA accreditation as “very important” – 10% and 18% of the time, respectively.
- ▶ Surprisingly, the cost of the plan is less important among small firms than among mid-size and large firms, contrary to what one might expect given the higher rates that small firms pay for health benefits (EXHIBIT 13.5). Perhaps small firms that find cost to be a major issue simply opt not to offer coverage. Jumbo firms are considerably less likely to rate cost as “very important” than all other firm sizes, with only 52% of covered workers in firms doing so, and are much more likely to rate HEDIS data and NCQA accreditation as “very important.”
- ▶ Firms in the West, with its well established tradition of managed care, are more likely to rate both cost and most measures of access/quality as “very important” than are firms in other regions, but less likely to do so with regards to the number of physicians in the network (EXHIBIT 13.6). These firms appear to have devalued provider choice in favor of other criteria. Employers in the South are much less likely to rate plan cost as “very important” – 56% of covered workers in this region versus a range of 72% to 79% in the other regions.
- ▶ Covered workers in firms with the highest percentage of high-income workers were far more likely to have their firms cite NCQA accreditation as “very important” in the plan selection process (23%) than workers in firms with the smallest percentage of such workers – 7% (EXHIBIT 13.7). Similarly, the corresponding figures for HEDIS data were 17% and 3%, respectively (EXHIBIT 13.8).

EXHIBIT 13.1

Percentage of Covered Workers in Firms that are Familiar with NCQA Accreditation, by Firm Size, 1996, 1998, and 1999



SOURCE :

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

\* Estimate is statistically different from previous year for years 1996-1998, 1998-1999.



## EXHIBIT 13.2

## Percentage of Covered Workers in Firms That Are Familiar With HEDIS, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE</b>			
All Small (3-199 Workers)*	7%	93%	0%
Midsized (200-999 Workers)*	10	89	1
Large (1,000-4,999 Workers)*	27	73	0
Jumbo (5,000+ Workers)*	76	24	0
<b>REGION</b>			
Northeast	41%	59%	0%
Midwest	35	64	1
South	36	64	0
West*	46	54	0
<b>INDUSTRY</b>			
Mining/Construction/Wholesale*	20%	80%	0%
Manufacturing	38	61	1
Transportation/Communication/Utility*	57	43	0
Retail*	20	80	0
Finance	45	55	0
Service	34	66	0
State/Local Government*	76	24	0
Health Care*	27	72	1
High Tech*	66	34	0
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>39%</b>	<b>61%</b>	<b>0%</b>

## SOURCE:

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

\* Distribution is statistically different from All Firms.

## EXHIBIT 13.3

Percentage of Covered Workers in Firms Where NCQA Accreditation is a Mandatory Requirement, for Firms Offering an HMO or POS Plan, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE</b>			
All Small (3-199 Workers)*	1%	98%	1%
Midsized (200-999 Workers)*	2	97	1
Large (1,000-4,999 Workers)*	5	91	4
Jumbo (5,000+ Workers)*	26	74	0
<b>REGION</b>			
Northeast	9%	89%	2%
Midwest	9	90	1
South*	5	94	1
West*	34	64	2
<b>INDUSTRY</b>			
Mining/Construction/Wholesale*	1%	98%	0%
Manufacturing	13	87	0
Transportation/Communication/Utility	8	89	3
Retail	8	92	0
Finance	12	87	1
Service*	17	82	1
State/Local Government	7	92	1
Health Care*	6	90	4
High Tech	15	83	2
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>12%</b>	<b>87%</b>	<b>1%</b>

## SOURCE :

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

\* Distribution is statistically different from All Firms.

## EXHIBIT 13.4

Percentage of Covered Workers in Firms Where Firm Contributes More to NCQA-Accredited Plans, for Firms Offering an HMO or POS Plan, by Firm Size, Region, and Industry, 1999

	Yes	No	Don't Know
<b>FIRM SIZE</b>			
All Small (3-199 Workers)*	1%	98%	0%
Midsize (200-999 Workers)*	1	98	1
Large (1,000-4,999 Workers)*	0	97	3
Jumbo (5,000+ Workers)*	13	86	1
<b>REGION</b>			
Northeast*	1%	96%	3%
Midwest*	1	98	1
South*	0	99	1
West*	30	70	0
<b>INDUSTRY</b>			
Mining/Construction/Wholesale	2%	98%	0%
Manufacturing*	0	97	3
Transportation/Communication/Utility*	0	100	0
Retail*	1	99	0
Finance	1	97	2
Service*	14	85	1
State/Local Government*	0	99	1
Health Care*	0	95	5
High Tech	2	97	1
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>5%</b>	<b>93%</b>	<b>2%</b>

## SOURCE :

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

\* Distribution is statistically different from All Firms.

EXHIBIT 13.5 *Continued on page 137*

## Percentage of Covered Workers in Firms Citing the Importance of Features When Choosing a Health Plan, by Firm Size, 1999

	<i>All Firm Sizes</i>	<i>Small (3-199 Workers)</i>	<i>Midsize (200-999 Workers)</i>	<i>Large (1,000- 4,999 Workers)</i>	<i>Jumbo (5,000+ Workers)</i>
<b>NUMBER OF PHYSICIANS</b>					
Very Important	68%	62%	78%	79%	63%
Somewhat Important	26	25	17	17	35
Somewhat Unimportant	1	2	1	1	1
Not At All Important	2	5	3	0	0
Criteria Not Used	2	6	1	2	1
Don't Know	1	1	1	1	0
<b>REPUTATION AND CREDENTIALS OF THE PHYSICIANS</b>					
Very Important	67%	63%	72%	65%	67%
Somewhat Important	28	28	23	31	29
Somewhat Unimportant	2	2	2	1	2
Not At All Important	1	3	0	0	0
Criteria Not Used	2	3	2	2	1
Don't Know	1	1	1	1	0
<b>COST OF THE PLAN</b>					
Very Important	67%	73%	82%	78%	52%
Somewhat Important	28	24	17	20	39
Somewhat Unimportant	1	1	0	1	1
Not At All Important	3	1	0	0	8
Criteria Not Used	0	0	0	0	0
Don't Know	1	0	1	1	0
<b>EASE OF MAKING APPOINTMENTS WITH PHYSICIANS</b>					
Very Important	34%	41%	41%	32%	26%
Somewhat Important	51	41	35	59	61
Somewhat Unimportant	9	6	13	5	10
Not At All Important	1	4	1	1	0
Criteria Not Used	4	7	9	2	2
Don't Know	1	0	1	2	0
<b>EASE OF GAINING ACCESS TO SPECIALISTS</b>					
Very Important	49%	55%	66%	42%	39%
Somewhat Important	46	34	30	54	56
Somewhat Unimportant	2	3	1	1	2
Not At All Important	1	3	1	0	0
Criteria Not Used	3	5	2	2	2
Don't Know	1	0	1	1	0

EXHIBIT 13.5 *Continued from page 136*

## Percentage of Covered Workers in Firms Citing the Importance of Features When Choosing a Health Plan, by Firm Size, 1999

	<i>All Firm Sizes</i>	<i>Small (3-199 Workers)</i>	<i>Midsize (200-999 Workers)</i>	<i>Large (1,000- 4,999 Workers)</i>	<i>Jumbo (5,000+ Workers)</i>
<b>MEASURABLE EMPLOYEE SATISFACTION</b>					
Very Important	64%	63%	75%	68%	58%
Somewhat Important	29	31	22	29	32
Somewhat Unimportant	5	4	2	1	10
Not At All Important	0	0	0	0	0
Criteria Not Used	1	2	1	2	0
Don't Know	0	0	1	1	0
<b>NCQA ACCREDITATION</b>					
Very Important	18%	2%	9%	10%	35%
Somewhat Important	11	3	6	12	19
Somewhat Unimportant	7	1	2	2	16
Not At All Important	63	94	83	73	29
Criteria Not Used	1	0	0	1	1
Don't Know	0	0	0	2	0
<b>HEDIS DATA AND INFORMATION</b>					
Very Important	10%	1%	1%	7%	22%
Somewhat Important	22	3	4	13	45
Somewhat Unimportant	4	2	2	2	6
Not At All Important	62	93	90	74	25
Criteria Not Used	2	1	2	3	2
Don't Know	0	0	1	1	0
<b>ACCURACY AND SPEED OF CLAIMS PAYMENT</b>					
Very Important	64%	56%	82%	71%	59%
Somewhat Important	29	34	15	26	32
Somewhat Unimportant	5	4	1	1	9
Not At All Important	0	1	0	0	0
Criteria Not Used	1	4	0	1	0
Don't Know	1	0	1	1	0
<b>RANGE OF BENEFIT OPTIONS AVAILABLE</b>					
Very Important	53%	59%	70%	55%	41%
Somewhat Important	32	35	26	35	33
Somewhat Unimportant	5	3	2	5	8
Not At All Important	0	1	1	0	0
Criteria Not Used	8	2	2	3	18
Don't Know	1	0	1	1	0

SOURCE :

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

EXHIBIT 13.6 *Continued on page 139*

## Percentage of Covered Workers in Firms Citing the Importance of Features When Choosing a Health Plan, by Region, 1999

	<i>All Regions</i>	<i>Northeast</i>	<i>Midwest</i>	<i>South</i>	<i>West</i>
<b>NUMBER OF PHYSICIANS</b>					
Very Important	68%	75%	66%	76%	45%
Somewhat Important	26	19	26	20	48
Somewhat Unimportant	1	2	1	1	1
Not At All Important	2	1	4	1	2
Criteria Not Used	2	2	3	1	3
Don't Know	1	0	1	0	1
<b>REPUTATION AND CREDENTIALS OF PHYSICIANS</b>					
Very Important	67%	62%	73%	64%	70%
Somewhat Important	28	33	23	31	23
Somewhat Unimportant	2	3	1	2	1
Not At All Important	1	1	1	1	2
Criteria Not Used	2	1	2	1	3
Don't Know	1	0	1	1	1
<b>COST OF THE PLAN</b>					
Very Important	67%	72%	72%	56%	79%
Somewhat Important	28	26	25	35	18
Somewhat Unimportant	1	1	3	0	0
Not At All Important	3	0	0	8	1
Criteria Not Used	0	0	0	0	1
Don't Know	1	1	1	0	1
<b>EASE OF MAKING APPOINTMENTS</b>					
Very Important	34%	35%	43%	28%	32%
Somewhat Important	51	56	43	50	57
Somewhat Unimportant	9	3	6	15	5
Not At All Important	2	2	2	1	2
Criteria Not Used	5	4	5	5	3
Don't Know	1	1	1	1	0
<b>EASE OF GAINING ACCESS TO SPECIALISTS</b>					
Very Important	49%	40%	50%	44%	66%
Somewhat Important	46	53	42	51	28
Somewhat Unimportant	2	2	3	1	2
Not At All Important	1	1	2	1	1
Criteria Not Used	3	3	3	2	2
Don't Know	1	1	1	0	0

EXHIBIT 13.6 *Continued from page 138*

## Percentage of Covered Workers in Firms Citing the Importance of Features When Choosing a Health Plan, by Region, 1999

	<i>All Regions</i>	<i>Northeast</i>	<i>Midwest</i>	<i>South</i>	<i>West</i>
<b>MEASURABLE EMPLOYEE SATISFACTION</b>					
Very Important	64%	68%	64%	60%	67%
Somewhat Important	29	29	33	29	27
Somewhat Unimportant	5	2	2	10	4
Not At All Important	0	0	0	0	1
Criteria Not Used	1	1	1	1	1
Don't Know	0	1	1	0	0
<b>NCQA ACCREDITATION</b>					
Very Important	18%	22%	10%	12%	37%
Somewhat Important	11	14	14	10	8
Somewhat Unimportant	7	6	4	13	1
Not At All Important	63	57	71	64	54
Criteria Not Used	1	1	1	1	0
Don't Know	0	0	0	0	0
<b>HEDIS DATA AND INFORMATION</b>					
Very Important	10%	13%	11%	10%	6%
Somewhat Important	22	21	15	20	35
Somewhat Unimportant	4	4	5	4	2
Not At All Important	62	60	65	65	55
Criteria Not Used	2	1	4	1	2
Don't Know	0	1	0	0	0
<b>ACCURACY AND SPEED OF CLAIMS PAYMENT</b>					
Very Important	64%	57%	70%	62%	72%
Somewhat Important	29	39	25	28	22
Somewhat Unimportant	5	2	3	8	3
Not At All Important	0	1	0	0	1
Criteria Not Used	1	1	1	1	2
Don't Know	1	1	1	0	0
<b>RANGE OF BENEFIT OPTIONS AVAILABLE</b>					
Very Important	53%	64%	56%	40%	68%
Somewhat Important	32	27	36	36	26
Somewhat Unimportant	5	5	4	7	3
Not At All Important	0	0	0	0	1
Criteria Not Used	8	3	4	17	3
Don't Know	1	1	1	0	0

SOURCE:

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

## EXHIBIT 13.7

Percentage of Covered Workers in Firms Citing NCQA Accreditation as an Important Factor in Plan Selection, by Percentage of Workforce that is High and Low Income, 1999

	<i>Very Important</i>	<i>Somewhat Important</i>	<i>Somewhat Unimportant</i>	<i>Not at All Important</i>	<i>Criterion Not Used</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>					
5% or less*	7%	9%	3%	80%	1%
More than 5% & less than 20%*	31	10	3	55	1%
20% or more*	23	18	5	53	1%
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>					
10% or less*	24%	10%	5%	60%	1%
More than 10% & less than 35%	13	11	2	73	1
35% or more*	8	8	2	80	2

## SOURCE :

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

\* Distribution is statistically different from All Firms (All Firms data not shown).



## EXHIBIT 13.8

Percentage of Covered Workers in Firms Citing HEDIS Data as an Important Factor in Plan Selection, by Percentage of Workforce that is High and Low Income, 1999

	<i>Very Important</i>	<i>Somewhat Important</i>	<i>Somewhat Unimportant</i>	<i>Not at All Important</i>	<i>Criterion Not Used</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>					
5% or less*	3%	10%	4%	81%	2%
More than 5% & less than 20%*	5	32	4	57	2
20% or more *	17	23	8	49	3
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>					
10% or less*	7%	28%	4%	60%	1%
More than 10% & less than 35%*	8	13	4	72	1
35% or more *	2	7	4	82	5

## SOURCE :

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

\* Distribution is statistically different from All Firms (All Firms data not shown).



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Flexible  
Benefits and  
Cafeteria Plans

SECTION

14

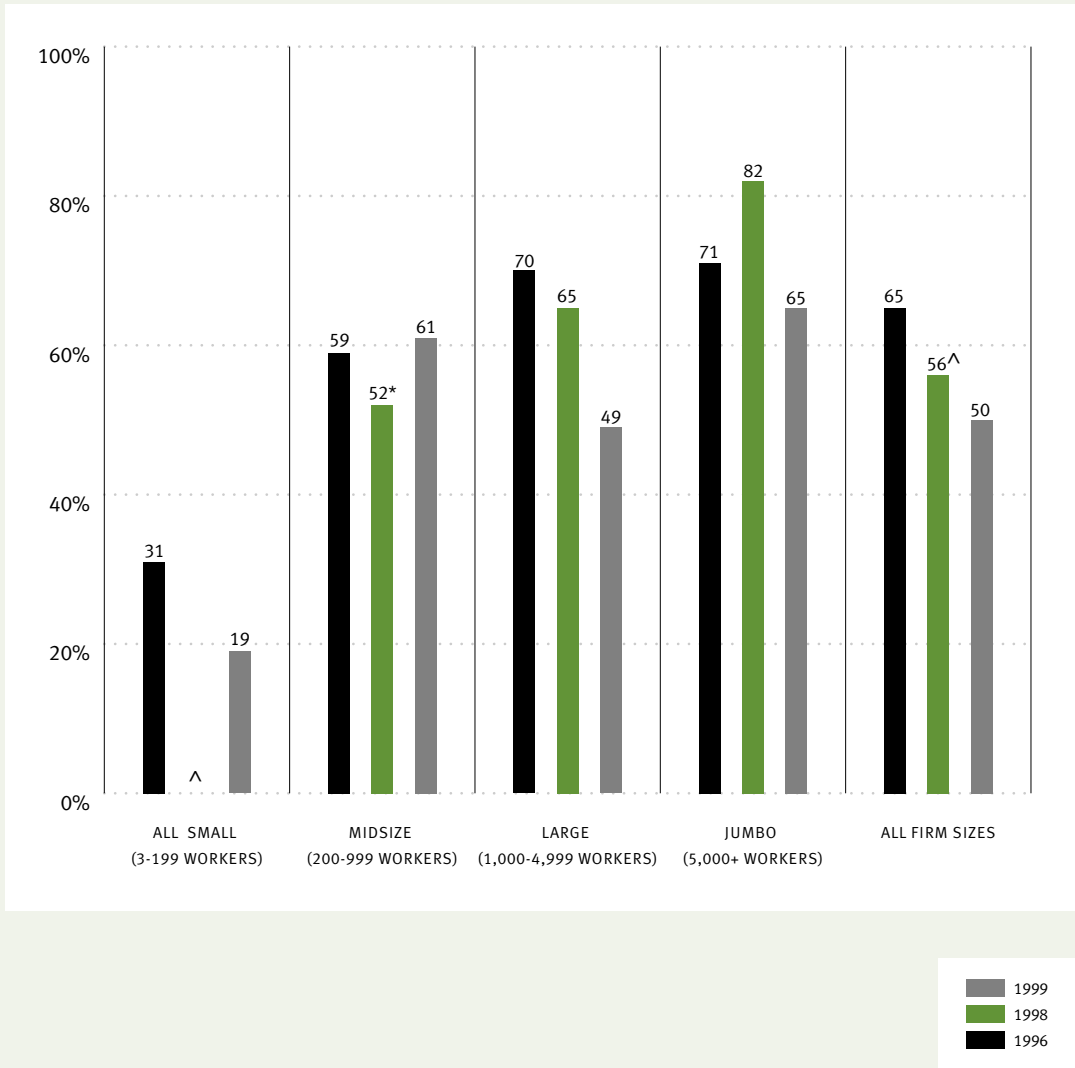
## FLEXIBLE BENEFITS AND CAFETERIA PLANS

FUNDED THROUGH EMPLOYEE PRE-TAX CONTRIBUTIONS, FLEXIBLE BENEFIT PLANS ALLOW EMPLOYEES TO PAY FOR HEALTH EXPENSES NOT COVERED BY THEIR HEALTH PLANS, DEPENDENT CARE EXPENSES, AND OTHER TYPES OF BENEFITS ON A PRE-TAX BASIS. IN CAFETERIA PLANS, EMPLOYEES CHOOSE BETWEEN A MENU OF BENEFITS BASED ON A FIXED DOLLAR AMOUNT OR A FIXED NUMBER OF POINTS. A FLEXIBLE BENEFIT PLAN CAN BE PART OF A CAFETERIA PLAN, OR OFFERED AS A FREESTANDING OPTION. FLEXIBLE BENEFIT AND CAFETERIA PLANS SERVE TO INCREASE EMPLOYEES' CHOICE OF BENEFITS, WHILE REDUCING TAXABLE INCOME AND OUT-OF-POCKET EXPENSES FOR HEALTH CARE SERVICES AND INSURANCE.

- ▶ The percentage of workers in firms offering flexible benefit plans has generally decreased from 1996 to 1999, with the exception of midsize firms (EXHIBIT 14.1). Among small firms, the prevalence of flexible benefit plans decreased from 31% in 1996 to 19% in 1999. Among jumbo firms, the figure fell from 71% in 1996 to 65% in 1999 (changes from 1998 to 1999 were not statistically significant).
- ▶ The likelihood of offering a flexible benefit plan increases with firm size. Workers in jumbo firms are far more likely to have this option than are workers in small firms – 65% versus 19%. Flexible benefit plans are considerably more common in the Midwest (64%) than elsewhere, particularly the West (32%) (EXHIBIT 14.2).
- ▶ 76% of employees in the finance industry have this option, compared with a low of 22% in the retail industry.
- ▶ Surprisingly, the likelihood of workers having a cafeteria plan option does not vary nearly as much by firm size as it does with flexible benefit plans (EXHIBIT 14.3). Employees of midsize firms are actually the most likely to have this option, at 42%. Again, employees in the finance industry are more likely to work for firms with a cafeteria plan than employees in other industries.
- ▶ Flexible benefit plans are considerably more common nationally than cafeteria plans – 50% for the former versus 27% for the latter. Benefits administrators may see cafeteria plans as more difficult to administer, given the wide array of choices they tend to offer.
- ▶ The percentage of workers offered flexible benefit plans increases along with a firm's percentage of high-income workers (EXHIBIT 14.4). In 1999, 64% of workers in firms where 20% or more of the workforce are high-wage employees were offered a flexible benefit plan, in comparison with only 44% of workers in firms with 5% or fewer of these employees.

EXHIBIT 14.1

Percentage of Workers in Firms Offering Flexible Benefit Plans, by Firm Size, 1996, 1998, and 1999



SOURCE :

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

\* Estimate is statistically different from previous year for years 1996-1998, 1998-1999.

^ This data was not collected from small firms in 1998.

## EXHIBIT 14.2

## Percentage of Workers in Firms Offering Flexible Benefit Plans, by Firm Size and Industry, 1999

	<i>Percentage of Workers in Firms Offering Flexible Benefits</i>
<b>FIRM SIZE</b>	
All Small (3-199 workers)	19%*
Midsize (200-999 workers)	61
Large (1,000-4,999 workers)	49
Jumbo (5,000+ workers)	65
<b>REGION</b>	
Northeast	45%
Midwest	64*
South	53
West	32
<b>INDUSTRY</b>	
Mining/Construction/Wholesale	36%*
Manufacturing	53
Transportation/Communication/Utility	68*
Retail	22*
Finance	76*
Service	52
State/Local Government	66
Health Care	56
High Tech	56
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>50%</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.

## EXHIBIT 14.3

## Percentage of Workers in Firms Offering Cafeteria Plans, by Firm Size, Region, and Industry, 1999

	<i>Percentage of Workers in Firms Offering Cafeteria Plans</i>
<b>FIRM SIZE</b>	
All Small (3-199 Workers)	18%*
Midsize (200-999 Workers)	42
Large (1,000-4,999 Workers)	28
Jumbo (5,000+ Workers)	26
<b>REGION</b>	
Northeast	27%
Midwest	28
South	30
West	21
<b>INDUSTRY</b>	
Mining/Construction/Wholesale	26%
Manufacturing	29
Transportation/Communication/Utility	40
Retail	12*
Finance	45
Service	31
State/Local Government	10*
Health Care	32
High Tech	29
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>27%</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.

**EXHIBIT 14.4**

**Percentage of Workers Offered Flexible Benefit Plans,  
by Percentage of Workforce that is High Income, 1999**

	<i>Yes</i>	<i>No</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>		
5% or less	44%	56%
More than 5% & less than 20%	34	66
20% or more	64*	36*

**SOURCE :**

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

\* Estimate is statistically different from All Firms.



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Consumer  
Protections

SECTION

15

## CONSUMER PROTECTIONS

OVER THE PAST SEVERAL YEARS, CONGRESS AND THE STATES HAVE CONSIDERED A NUMBER OF PROPOSALS THAT WOULD PROVIDE ADDITIONAL PROTECTIONS TO CONSUMERS IN HEALTH INSURANCE PLANS, PARTICULARLY MANAGED CARE PLANS. A MAJORITY OF EMPLOYERS SAY THEY ARE SUPPORTIVE OF MANY OF THESE EFFORTS. AT THE SAME TIME — DUE IN PART TO STATE LEGISLATION AND IN PART TO VOLUNTARY EFFORTS BY PLANS AND EMPLOYERS — THE AVAILABILITY OF PROTECTIONS FOR CONSUMERS HAS INCREASED IN MANY PARTS OF THE COUNTRY.

### AVAILABILITY OF PROTECTIONS

► Nationally, 67% of workers enrolled in an HMO plan can choose to designate an OB/GYN as a primary care physician, up substantially from 49% in 1998, a statistically significant change (EXHIBIT 15.1).

- *Workers in jumbo firms are most likely to have this protection — 77% of those who work in firms with 5,000 or more employees can designate an OB/GYN as a primary care physician, compared with 49% of workers in firms with fewer than 200 employees (EXHIBIT 15.3).*

- *Workers in the South are least likely to be given easier access to OB/GYNs (53%, compared to 72-76% in other regions) (EXHIBIT 15.3).*

► Fewer workers (25%) enrolled in an HMO plan who have chronic conditions can designate a specialist other than an OB/GYN as a primary care physician (EXHIBIT 15.2). This protection is substantially more prevalent in the West (45%) and Midwest (40%), than in the Northeast (11%) or South (9%) (EXHIBIT 15.3).

### EMPLOYER ATTITUDES TOWARDS CONSUMER PROTECTIONS

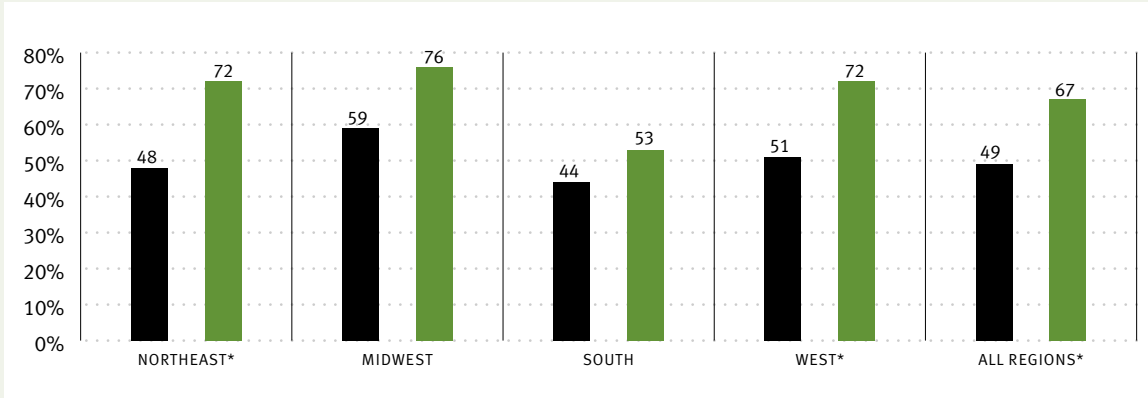
► A substantial majority of employers say they would support legislation to make it easier to get emergency room bills paid for (under a “prudent layperson” standard) and to allow consumers to appeal health plan decisions to an independent reviewer (EXHIBITS 15.4 AND 15.5).

- *Overall, 85% of employers support the emergency room provision (up from 79% in 1998 — data not shown), and 94% of employers support the right to an independent appeal (up from 88% last year — data not shown).*

- *Support for both provisions is highest among small employers (emergency room care: 85% of employers with 3-199 workers express support, compared with 69% among firms with 200 or more workers; independent appeals: 94% support among employers with 3-199 workers, compared with 79% among firms with 200 or more employees).*
- ▶ Employer support is lower for giving consumers expanded rights to sue health plans — one of the most controversial measures in the patients' rights debate — though a majority of employers say they favor it (EXHIBIT 15.6).
  - Overall, 60% of employers express support for the right to sue a plan, up substantially from 46% last year — (data not shown).
- *As with other provisions, support is highest among all small employers (61% support among firms with 3-199 employees). Only 26% of all large firms (200 or more employees) support the proposal, although 51% of jumbo firms with 5,000 or more employees expressed support for the provision.*

EXHIBIT 15.1

Percentage of Covered Workers Enrolled in Firm's Largest HMO Plan Where Their OB/GYN Can Act as a Primary Care Physician, by Region, 1998 and 1999



SOURCE :

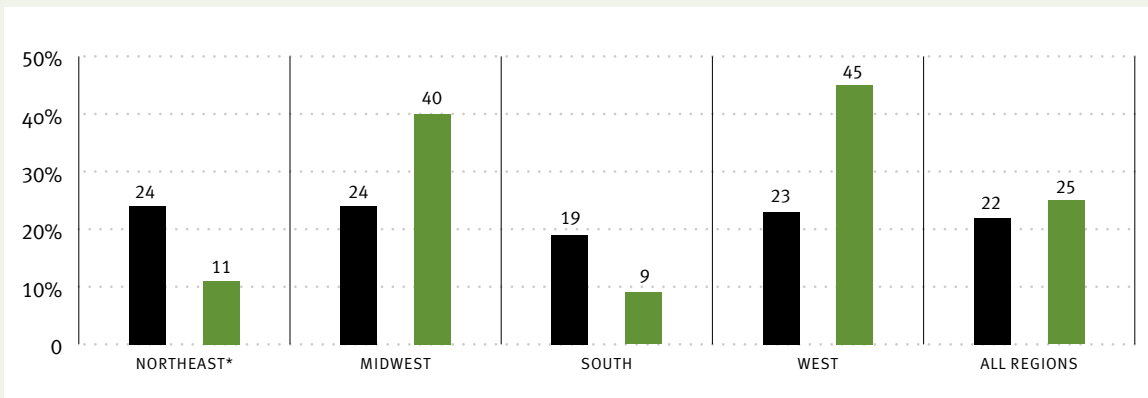
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;  
KPMG Survey of Employer-Sponsored Health Benefits, 1998.

1999  
1998

\* Estimates are statistically different from 1998 to 1999.

EXHIBIT 15.2

Percentage of Covered Workers Enrolled in Firm's Largest HMO Plan Where Their Specialist Can Act as Primary Care Physician, by Region, 1998 and 1999\*



SOURCE :

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

1999  
1998

\* Tests found no statistically different estimates from previous year for years 1998-1999.

## EXHIBIT 15.3

Percentage of Covered Workers in HMO Plans Where  
Alternative Providers Can Act as Primary Care Physician,  
by Firm Size, Region, and Industry, 1999

	<i>OB/GYN Can Act as Primary Care Physician</i>	<i>Specialist Can Act as Primary Care Physician</i>
<b>FIRM SIZE</b>		
All Small (3-199 Workers)	49%*	16%
Midsize (200-999 Workers)	63	51
Large (1,000-4,999 Workers)	57	20
Jumbo (5,000+ Workers)	77	20
<b>REGION</b>		
Northeast	72%	11%
Midwest	76	40
South	53	9*
West	72	45
<b>INDUSTRY</b>		
Mining/Construction/Wholesale	70%	29%
Manufacturing	67	21
Transportation/Communication/Utility	66	11
Retail	32*	22
Finance	71	12
Service	74	38
State/Local Government	74	9
Health Care	37*	11
High Tech	62	6*
<b>ALL FIRM SIZES, REGIONS, AND INDUSTRIES</b>	<b>67%</b>	<b>25%</b>

## SOURCE :

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

\* Estimate is statistically different from All Firms.

## EXHIBIT 15.4

Percentage of Firms Favoring Various Consumer Protections:  
 Paying For Emergency Room Visit When Someone Believes He Needs  
 Immediate Medical Attention, by Firm Size, Region, and Industry, 1999

	All Small Firms (3-199 workers)			All Large Firms (200 or more workers)		
	Favor	Oppose	Don't Know	Favor	Oppose	Don't Know
<b>FIRM SIZE</b>						
All Small (3-199 Workers)	85%	8%	6%	NSD	NSD	NSD
Midsize (200-999 Workers)	NSD	NSD	NSD	66%	15%	18%
Large (1,000-4,999 Workers) <sup>^</sup>	NSD	NSD	NSD	81	14	5
Jumbo (5,000+ Workers) <sup>^</sup>	NSD	NSD	NSD	67	28	6
<b>REGION</b>						
Northeast <sup>* ^</sup>	90%	1%	9%	79%	12%	9%
Midwest <sup>* ^</sup>	77	13	10	73	23	4
South <sup>^</sup>	83	11	7	57	13	30
West <sup>*</sup>	91	8	1	77	13	10
<b>INDUSTRY</b>						
Mining/Construction/Wholesale <sup>* ^</sup>	95%	3%	2%	66%	27%	7%
Manufacturing <sup>* ^</sup>	80	8	13	65	29	6
Transportation/Communication/Utility	NSD	NSD	NSD	74	19	7
Retail <sup>^</sup>	89	10	1	90	5	5
Finance <sup>^</sup>	74	16	10	63	27	10
Service <sup>^</sup>	81	12	7	63	11	26
State/Local Government <sup>*</sup>	59	19	22	65	20	15
Health Care <sup>^</sup>	87	5	8	73	20	6
High Tech <sup>^</sup>	87	2	11	68	30	2
<b>ALL SMALL AND LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>						
	<b>85%</b>	<b>8%</b>	<b>6%</b>	<b>69%</b>	<b>16%</b>	<b>15%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Small Firms.

^ Distribution is statistically different from All Large Firms.

## EXHIBIT 15.5

Percentage of Firms Favoring Various Consumer Protections:  
Allowing People to Appeal Plan Decisions to Independent  
Reviewer, by Firm Size, Region, and Industry, 1999

	<i>All Small Firms (3-199 workers)</i>			<i>All Large Firms (200 or more workers)</i>		
	<i>Favor</i>	<i>Oppose</i>	<i>Don't Know</i>	<i>Favor</i>	<i>Oppose</i>	<i>Don't Know</i>
<b>FIRM SIZE</b>						
All Small (3-199 Workers)	94%	2%	4%	NSD	NSD	NSD
Midsize (200-999 Workers)	NSD	NSD	NSD	77%	18%	5%
Large (1,000-4,999 Workers)^	NSD	NSD	NSD	87	10	4
Jumbo (5,000+ Workers)	NSD	NSD	NSD	79	15	6
<b>REGION</b>						
Northeast*^	87%	4%	9%	88%	4%	7%
Midwest^	92	4	4	88	9	3
South^	98	0	2	66	30	4
West	99	0	1	83	11	6
<b>INDUSTRY</b>						
Mining/Construction/Wholesale^	99%	1%	0%	59%	36%	5%
Manufacturing*	86	3	11	86	12	3
Transportation/Communication/Utility	NSD	NSD	NSD	86	8	6
Retail^	97	0	3	92	4	4
Finance	89	1	10	82	12	6
Service	93	3	4	73	22	4
State/Local Government*^	79	12	8	83	6	11
Health Care	98	2	0	81	12	7
High Tech^	98	0	2	92	4	4
<b>ALL SMALL AND LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>						
	<b>94%</b>	<b>2%</b>	<b>4%</b>	<b>79%</b>	<b>16%</b>	<b>5%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Small Firms.

^ Distribution is statistically different from All Large Firms.

## EXHIBIT 15.6

Percentage of Firms Favoring Various Consumer Protections:  
Allowing Patients to Sue Health Plan For Malpractice,  
by Firm Size, Region, and Industry, 1999

	<i>All Small Firms (3-199 workers)</i>			<i>All Large Firms (200 or more workers)</i>		
	<i>Favor</i>	<i>Oppose</i>	<i>Don't Know</i>	<i>Favor</i>	<i>Oppose</i>	<i>Don't Know</i>
<b>FIRM SIZE</b>						
All Small (3-199 Workers)	61%	28%	11%	NSD	NSD	NSD
Midsize (200-999 Workers) <sup>^</sup>	NSD	NSD	NSD	20%	58%	22%
Large (1,000-4,999 Workers) <sup>^</sup>	NSD	NSD	NSD	45	30	25
Jumbo (5,000+ Workers) <sup>^</sup>	NSD	NSD	NSD	51	42	7
<b>REGION</b>						
Northeast <sup>^</sup>	59%	27%	14%	48%	34%	18%
Midwest <sup>* ^</sup>	43	45	12	18	76	7
South <sup>^</sup>	67	24	9	15	50	34
West <sup>^</sup>	70	21	9	39	37	24
<b>INDUSTRY</b>						
Mining/Construction/Wholesale	67%	30%	2%	23%	60%	17%
Manufacturing <sup>*</sup>	47	30	23	23	55	22
Transportation/Communication/Utility <sup>^</sup>	NSD	NSD	NSD	18	71	10
Retail <sup>^</sup>	76	23	1	42	15	42
Finance <sup>*</sup>	56	21	23	29	47	25
Service <sup>^</sup>	57	29	14	21	63	16
State/Local Government <sup>*</sup>	27	48	25	31	49	21
Health Care	60	27	13	25	56	19
High Tech <sup>* ^</sup>	84	13	2	53	34	13
<b>ALL SMALL AND LARGE FIRM SIZES, REGIONS, AND INDUSTRIES</b>						
	<b>61%</b>	<b>28%</b>	<b>11%</b>	<b>26%</b>	<b>52%</b>	<b>22%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Small Firms.

^ Distribution is statistically different from All Large Firms.



EMPLOYER HEALTH BENEFITS  
1999 ANNUAL SURVEY

Employer  
Insecurity About  
the Future

SECTION

16

## EMPLOYER INSECURITY ABOUT THE FUTURE

AS PREMIUMS BEGIN TO RISE MORE RAPIDLY AND CONCERNS ARE RAISED ABOUT VARIATIONS IN QUALITY ACROSS HEALTH PLANS, THE 1999 SURVEY BEGAN TO GAUGE THE LEVEL OF INSECURITY EMPLOYERS HAVE ABOUT THE FUTURE OF HEALTH CARE, AND TO COMPARE THESE PERCEPTIONS WITH THOSE FOUND IN THE GENERAL PUBLIC.

### OVERALL PERCEPTIONS

► Most EMPLOYERS are at least somewhat worried about future trends in health care costs and the implications of those cost increases, though fewer express concern about quality of care issues (EXHIBITS 16.1, 16.2, 16.3, 16.4).

- 72% of all firms say they are worried (24% “very,” 48% “somewhat”) that health care costs will increase faster than they can afford.
- 65% of all firms say they are worried (27% “very,” 38% “somewhat”) that they will have to switch health plans because of concerns about costs.
- 70% of all firms say they are worried (23% “very,” 47% “somewhat”) that they will have to cut back the scope of the benefits they offer or the amount they contribute towards health insurance for their workers.

- *On the other hand, 26% of all firms say they are worried (6% “very,” 20% “somewhat”) that they will have to switch health plans because of concerns about the quality of care.*

► A December 1998 survey of the GENERAL PUBLIC by the Kaiser Family Foundation found similar concerns about costs, but apparently higher worry about quality of care issues.

- 58% of Americans said they were worried (34% “very,” 24% “somewhat”) that the amount they would have to pay for health care services or health insurance will increase. 44% said they were worried (28% “very,” 16% “somewhat”) that they might not be able to get the health care they think they need because they can’t afford it.
- At the same time, 54% of Americans said they were worried (29% “very,” 25% “somewhat”) that the quality of health care services they receive will get worse.

### VARIATIONS BY TYPE OF EMPLOYER

► While smaller employers are more concerned than larger ones about cost, larger firms express greater worry about quality of care issues (EXHIBITS 16.3, 16.4).

- 28% of firms with 3-199 employees say they are “very” worried they will have to switch health plans because of cost concerns, compared with 16% of companies with 200-999 employees, 14% of those with 1,000-4,999 workers, and 7% of those with 5,000 or more employees.
- On the other hand, fewer than 8% of small or mid-size companies say they are “very” worried they will have to switch health plans because of concerns about the quality of care, compared with 33% of companies with 5,000 or more employees.

## EXHIBIT 16.1

Percentage of Firms Worried about Various Issues:  
Amount Firm Pays for Health Insurance Will Increase Faster  
than Firm Can Afford, by Firm Size, Region, and Industry, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not At All Worried</i>	<i>Don't Know</i>
<b>ALL FIRMS</b>	<b>24%</b>	<b>48%</b>	<b>18%</b>	<b>9%</b>	<b>0%</b>
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>24%</b>	<b>48%</b>	<b>18%</b>	<b>10%</b>	<b>0%</b>
<b>REGION</b>					
Northeast*	37%	46%	12%	5%	0%
Midwest*	25	32	23	20	0
South	25	52	14	9	0
West*	12	57	25	6	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale	24%	47%	26%	3%	0%
Manufacturing*	42	39	18	1	0
Transportation/Communication/Utility	NSD	NSD	NSD	NSD	NSD
Retail	18	71	4	8	0
Finance*	26	24	23	27	0
Service	21	51	13	14	0
State/Local Government*	36	20	23	21	0
Health Care	28	46	26	0	0
High Tech	27	40	21	13	0
<b>ALL SMALL FIRMS, REGIONS, AND INDUSTRIES</b>	<b>24%</b>	<b>48%</b>	<b>18%</b>	<b>10%</b>	<b>0%</b>
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>					
Midsize (200-999 Workers)*	19%	64%	12%	4%	0%
Large (1,000-4,999 Workers)*	18	35	43	3	0
Jumbo (5,000+ Workers)	15	59	21	5	0
<b>REGION</b>					
Northeast *	23%	37%	37%	3%	0%
Midwest*	23	62	12	3	0
South*	10	74	11	5	0
West*	27	45	25	3	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale*	19%	40%	38%	3%	0%
Manufacturing	19	61	17	4	0
Transportation/Communication/Utility*	48	25	22	4	1
Retail*	9	49	39	3	0
Finance	18	56	24	3	0
Service*	19	71	7	4	0
State/Local Government*	32	34	24	8	1
Health Care	20	50	24	5	0
High Tech*	22	45	27	7	0
<b>ALL LARGE FIRMS, REGIONS, AND INDUSTRIES</b>	<b>19%</b>	<b>59%</b>	<b>18%</b>	<b>4%</b>	<b>0%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 16.2

Percentage of Firms Worried about Various Issues:  
Firm Will Have to Cut Back Scope of Benefits or Contribution  
Amount, by Firm Size, Region, and Industry, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not At All Worried</i>	<i>Don't Know</i>
<b>ALL FIRMS</b>	<b>23%</b>	<b>47%</b>	<b>20%</b>	<b>11%</b>	<b>0%</b>
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>23%</b>	<b>46%</b>	<b>20%</b>	<b>11%</b>	<b>0%</b>
<b>REGION</b>					
Northeast*	28%	58%	12%	2%	0%
Midwest*	17	37	24	22	0
South	29	44	17	11	0
West	15	47	29	9	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale	27%	42%	23%	8%	0%
Manufacturing*	39	38	20	3	0
Transportation/Communication/Utility	NSD	NSD	NSD	NSD	NSD
Retail	15	67	9	10	0
Finance*	11	70	12	7	0
Service	19	46	19	16	0
State/Local Government*	32	37	10	22	0
Health Care	32	35	26	6	0
High Tech*	13	19	58	10	0
<b>ALL SMALL FIRMS, REGIONS, AND INDUSTRIES</b>	<b>23%</b>	<b>46%</b>	<b>20%</b>	<b>11%</b>	<b>0%</b>
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>					
Midsize (200-999 Workers)	17%	58%	17%	8%	0%
Large (1,000-4,999 Workers)	16	62	17	6	0
Jumbo (5,000+ Workers)*	11	55	24	9	0
<b>REGION</b>					
Northeast	16%	57%	18%	9%	0%
Midwest	22	56	16	7	0
South*	10	65	17	8	0
West*	24	51	19	5	1
<b>INDUSTRY</b>					
Mining/Construction/Wholesale	18%	51%	21%	9%	0%
Manufacturing	18	52	19	11	1
Transportation/Communication/Utility*	43	28	16	12	1
Retail*	8	80	9	3	0
Finance	13	59	21	7	0
Service	17	61	14	7	0
State/Local Government*	19	41	26	12	2
Health Care*	18	38	38	6	0
High Tech*	13	42	34	11	0
<b>ALL LARGE FIRMS, REGIONS, AND INDUSTRIES</b>	<b>17%</b>	<b>59%</b>	<b>17%</b>	<b>7%</b>	<b>0%</b>

SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 16.3

Percentage of Firms Worried about Various Issues:  
Firm Will Have to Switch Plans Because of Concerns about  
Quality of Care, by Firm Size, Region, and Industry, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not At All Worried</i>	<i>Don't Know</i>
<b>ALL FIRMS</b>	<b>6%</b>	<b>20%</b>	<b>34%</b>	<b>39%</b>	<b>1%</b>
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>5%</b>	<b>21%</b>	<b>34%</b>	<b>39%</b>	<b>1%</b>
<b>REGION</b>					
Northeast	3%	17%	33%	46%	0%
Midwest*	10	9	28	49	5
South	5	22	32	41	0
West*	4	31	44	20	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale*	2%	29%	30%	35%	4%
Manufacturing*	14	29	30	26	0
Transportation/Communication/Utility	NSD	NSD	NSD	NSD	NSD
Retail	4	9	31	57	0
Finance	11	14	27	49	0
Service*	4	14	47	34	0
State/Local Government*	19	13	31	37	0
Health Care*	10	34	15	41	0
High Tech*	8	14	21	57	0
<b>ALL SMALL FIRMS, REGIONS, AND INDUSTRIES</b>	<b>5%</b>	<b>21%</b>	<b>34%</b>	<b>39%</b>	<b>1%</b>
<b>ALL LARGE FIRMS (200 OR MORE WORKERS)</b>					
Midsize (200-999 Workers)	8%	15%	34%	43%	0%
Large (1,000-4,999 Workers)*	4	20	26	49	0
Jumbo (5,000+ Workers)*	33	15	25	27	0
<b>REGION</b>					
Northeast*	10%	13%	19%	58%	0%
Midwest*	4	13	29	53	0
South*	5	15	45	34	0
West*	21	27	24	28	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale	10%	14%	33%	43%	0%
Manufacturing*	9	16	45	29	0
Transportation/Communication/Utility*	6	16	53	25	0
Retail*	4	8	10	78	0
Finance*	23	17	29	31	0
Service	8	19	34	40	0
State/Local Government	7	17	36	41	0
Health Care*	5	16	46	32	0
High Tech*	5	31	25	39	0
<b>ALL LARGE FIRMS, REGIONS, AND INDUSTRIES</b>	<b>8%</b>	<b>16%</b>	<b>32%</b>	<b>43%</b>	<b>0%</b>

## SOURCE:

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 16.4

Percentage of Firms Worried about Various Issues:  
Firm Will Have to Switch Plans Because of Concerns  
about Costs, by Firm Size, Region, and Industry, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not At All Worried</i>	<i>Don't Know</i>
<b>ALL FIRMS</b>	<b>27%</b>	<b>38%</b>	<b>20%</b>	<b>15%</b>	<b>1%</b>
<b>ALL SMALL FIRMS (3-199 WORKERS)</b>	<b>28%</b>	<b>38%</b>	<b>20%</b>	<b>14%</b>	<b>1%</b>
<b>REGION</b>					
Northeast*	44%	20%	32%	3%	0%
Midwest*	12	37	18	29	5
South	33	38	16	13	0
West*	19	52	15	14	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale*	41%	29%	16%	10%	4%
Manufacturing	39	27	23	11	0
Transportation/Communication/Utility	NSD	NSD	NSD	NSD	NSD
Retail*	14	62	16	7	0
Finance	20	42	21	17	0
Service*	19	37	23	21	0
State/Local Government	31	33	11	24	0
Health Care	33	38	18	12	0
High Tech	26	46	25	3	0
<b>ALL SMALL FIRMS, REGIONS, AND INDUSTRIES</b>	<b>28%</b>	<b>38%</b>	<b>20%</b>	<b>14%</b>	<b>1%</b>
<b>ALL LARGE FIRMS, (200 OR MORE WORKERS)</b>					
Midsize (200-999 Workers)*	16%	51%	14%	19%	0%
Large (1,000-4,999 Workers)*	14	28	45	12	1
Jumbo (5,000+ Workers)*	7	52	23	17	0
<b>REGION</b>					
Northeast*	14%	27%	41%	18%	0%
Midwest*	19	54	13	13	0
South*	10	54	12	24	0
West*	23	41	24	11	0
<b>INDUSTRY</b>					
Mining/Construction/Wholesale	15%	48%	22%	15%	0%
Manufacturing	14	54	22	10	0
Transportation/ Communication/Utility *	42	28	21	9	0
Retail *	7	12	40	41	0
Finance *	26	37	28	8	0
Service *	15	63	8	14	0
State/Local Government	17	34	23	25	0
Health Care *	16	34	34	15	0
High Tech *	11	32	23	34	0
<b>ALL LARGE FIRMS, REGIONS, AND INDUSTRIES</b>	<b>15%</b>	<b>47%</b>	<b>20%</b>	<b>18%</b>	<b>0%</b>

## SOURCE :

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

NSD: Not sufficient data.

\* Distribution is statistically different from All Firms.

## EXHIBIT 16.5

Percentage of Covered Workers in Firms Concerned that Costs Will Increase Faster Than Firm Can Afford, by Percentage of Workforce that is High and Low Income, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not at All Worried</i>	<i>Don't Know</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>					
5% or less	24%	57%	15%	5%	0%
More than 5% & less than 20%*	20	57	19	4	0
20% or more*	15	54	23	9	0
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>					
10% or less	18%	62%	14%	5%	0%
More than 10% & less than 35%	21	56	15	8	0
35% or more*	24	51	22	3	0

## SOURCE:

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

\* Distribution is statistically different from All Firms (All Firms data not shown).

## EXHIBIT 16.6

Percentage of Workers in Firms Concerned that Firm Will Have to Cut Back Scope of Benefits or Contribution Amount, by Percentage of Workforce that is High and Low Income, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not at All Worried</i>	<i>Don't Know</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>					
5% or less*	20%	48%	24%	8%	0%
More than 5% & less than 20%*	12	68	12	9	0
20% or more*	18	42	30	9	0
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>					
10% or less*	13%	57%	20%	10%	0%
More than 10% & less than 35%*	19	44	28	9	0
35% or more*	22	55	15	7	0

## SOURCE :

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

\* Distribution is statistically different from All Firms (All Firms data not shown).



## EXHIBIT 16.7

Percentage of Covered Workers in Firms Concerned that Firm Will Have to Switch Plans Because of Concerns about the Quality of Care, by Percentage of Workforce that is High and Low Income, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not at All Worried</i>	<i>Don't Know</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>					
5% or less*	6%	20%	35%	39%	0%
More than 5% & less than 20%*	29	18	21	32	0
20% or more*	7	21	39	34	0
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>					
10% or less*	19%	18%	33%	30%	0%
More than 10% & less than 35%*	6	24	42	28	0
35% or more*	8	18	20	54	0

## SOURCE :

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

\* Distribution is statistically different from All Firms (All Firms data not shown).

## EXHIBIT 16.8

Percentage of Covered Workers in Firms Concerned that Firm Will Have to Switch Plans Because of Costs, by Percentage of Workforce that is High and Low Income, 1999

	<i>Very Worried</i>	<i>Somewhat Worried</i>	<i>Not Too Worried</i>	<i>Not at All Worried</i>	<i>Don't Know</i>
<b>PERCENT OF WORKFORCE EARNING MORE THAN \$75,000 PER YEAR</b>					
5% or less*	18%	50%	17%	15%	0%
More than 5% & less than 20%	13	49	27	12	0
20% or more*	11	41	28	21	0
<b>PERCENT OF WORKFORCE EARNING LESS THAN \$20,000 PER YEAR</b>					
10% or less*	11%	52%	21%	16%	0%
More than 10% & less than 35%	17	52	18	13	0
35% or more*	21	41	23	14	0

## SOURCE :

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

\* Distribution is statistically different from All Firms (All Firms data not shown).





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