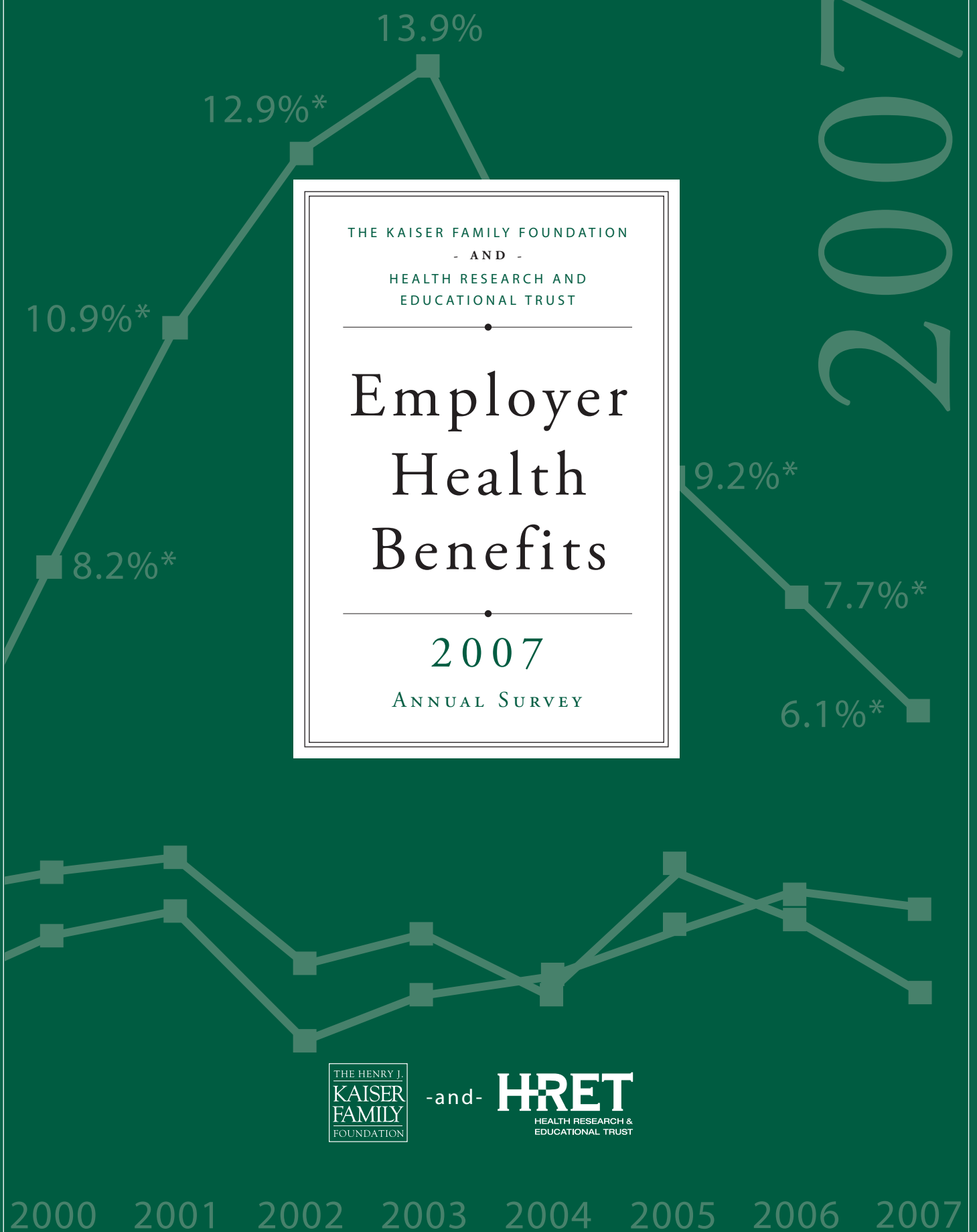


2007



THE KAISER FAMILY FOUNDATION  
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HEALTH RESEARCH AND  
EDUCATIONAL TRUST

# Employer Health Benefits

2007  
ANNUAL SURVEY



-and-



2000 2001 2002 2003 2004 2005 2006 2007

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## SUMMARY OF FINDINGS

AS THE LEADING SOURCE OF HEALTH INSURANCE, EMPLOYER-SPONSORED INSURANCE COVERS ABOUT 158 MILLION NONELDERLY PEOPLE IN AMERICA.<sup>1</sup> TO PROVIDE CURRENT INFORMATION ABOUT THE NATURE OF EMPLOYER-SPONSORED HEALTH BENEFITS, THE KAISER FAMILY FOUNDATION (KAISER) AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (HRET) CONDUCT AN ANNUAL NATIONAL SURVEY OF PRIVATE AND PUBLIC EMPLOYERS OF THREE OR MORE WORKERS.

The key findings from the 2007 survey include the fourth consecutive year of a lower rate of growth for health insurance premiums, the lowest since 1999. However, as in prior years, the average premium increase continues to outpace workers' earnings and inflation. The types of plans in which workers enroll are similar to last year. The percentage of employers sponsoring insurance remains stable, with no significant increase in the percentage of employers offering high-deductible health plans with a savings option (HDHP/SO).

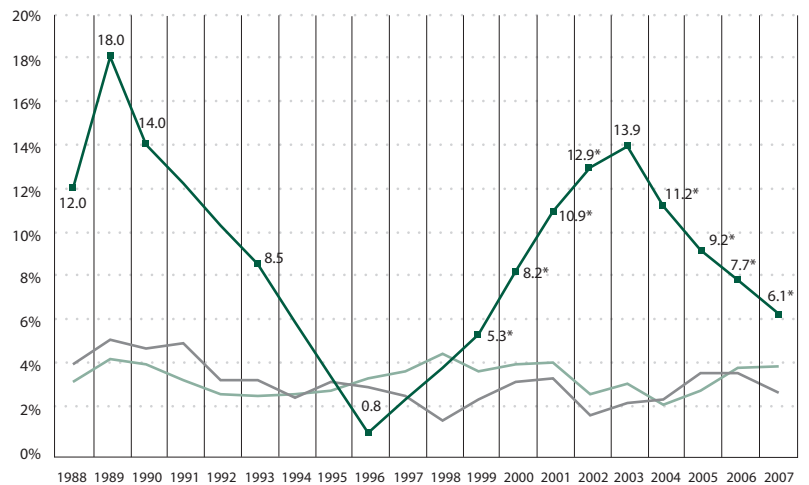
The 2007 survey repeated the detailed questions regarding deductibles and out-of-pocket maximum amounts that were introduced in the 2006 survey and expanded the number of questions on office-visit and other types of cost sharing.

### HEALTH INSURANCE PREMIUMS

Between spring of 2006 and spring 2007, premiums increased an average of 6.1% for employer-sponsored health insurance, a slower rate than the 7.7% increase in 2006 (Exhibit A).<sup>2</sup> This is the fourth consecutive year with a lower rate of growth than the previous year, and the lowest rate of growth since 1999, when premiums increased 5.3%. Even as premium growth moderates, the rate of increase continues to be higher than the growth in workers' earnings (3.7%) and inflation (2.6%).

While the average premium increase is 6.1% in 2007, 10% of covered workers are employed by firms that experienced premium increases of greater than 15%, and 46% are in firms with premium

**EXHIBIT A**  
Increases in Health Insurance Premiums Compared to Other Indicators, 1988–2007



1988	1989	1990	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007	
12.0	18.0	14.0	8.5	0.8	5.3*	8.2*	10.9*	12.9*	13.9	11.2*	9.2*	7.7*	6.1*	HEALTH INSURANCE PREMIUMS
3.9	5.1	4.7	3.2	2.9	2.3	3.1	3.3	1.6	2.2	2.3	3.5	3.5	2.6	OVERALL INFLATION
3.1	4.2	3.9	2.5	3.3	3.6	4.0	4.0	2.6	3.0	2.1	2.7	3.8	3.7	WORKERS' EARNINGS

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988–2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988–2007 (April to April).

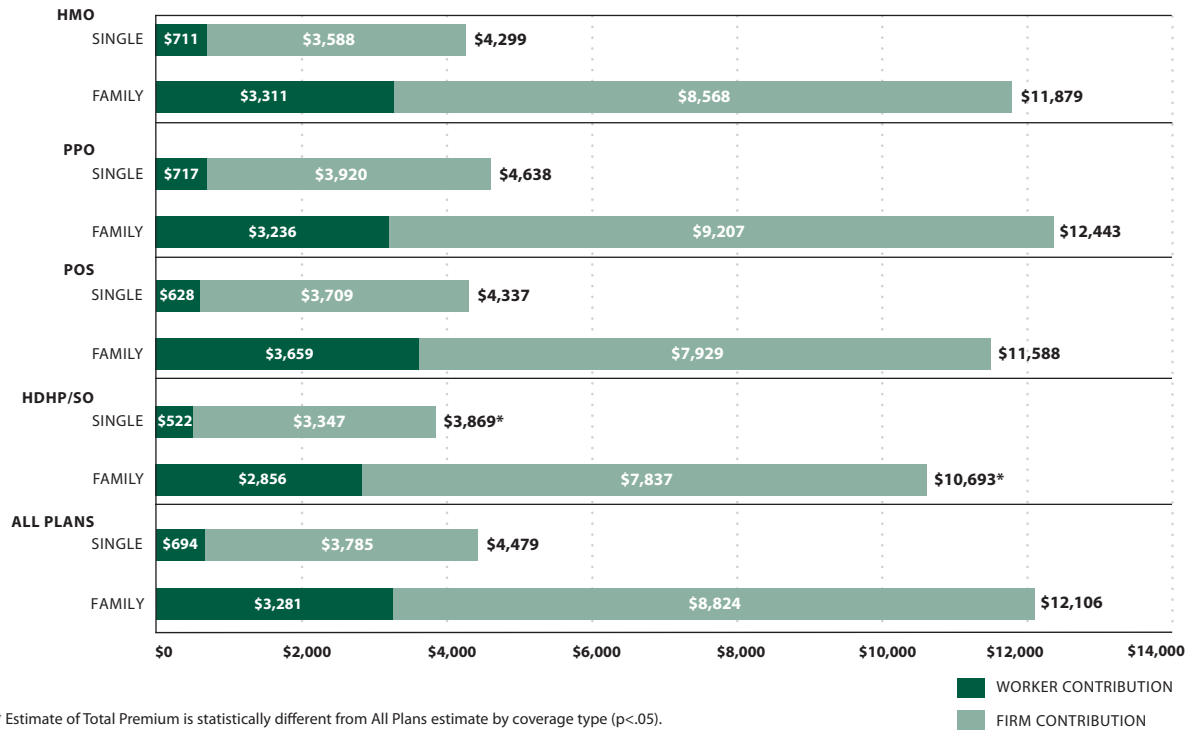
increases of 5% or less. The rate of growth was similar for small firms (3–199 workers) and large firms (200 or more workers) and for fully insured and self-funded plans.

The average annual total premium cost is \$4,479 for single coverage and \$12,106 for family coverage (Exhibit B). Average

premiums for single and family coverage are similar for small firms (3–199 workers) and large firms (200 or more workers). Average premiums for HDHP/SOs are lower than the overall average for all plan types for both single and family coverage (this premium amount does not include any employer contributions to savings account options).

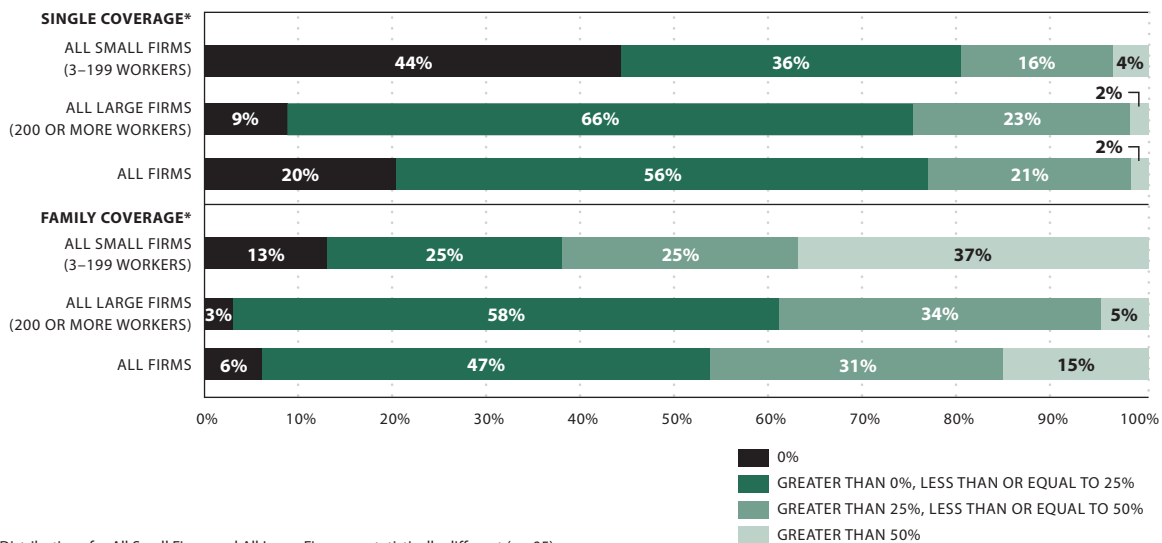
## EXHIBIT B

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2007



## EXHIBIT C

Distribution of Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Firm Size, 2007





About 80% of workers with single coverage and 94% of workers with family coverage contribute to the total premium for their coverage. The average annual worker contributions for single and family coverage are \$694 and \$3,281, respectively, and are significantly higher than the amounts reported in 2006. For single coverage, workers in small firms (3–199 workers) contribute less on average than workers in large firms (200 or more workers) (\$561 vs. \$759).

This trend reverses for family coverage, where workers in small firms contribute significantly more than workers in large firms (\$4,236 vs. \$2,831). While the dollar amounts are increasing, the share of the premium paid by covered workers remains stable. In 2007, the average percentage of the premium paid by covered workers is 16% for single coverage and 28% for family coverage, similar to the percentages reported for the last several years. However, for single coverage, over one-fifth of workers pay greater than 25% of the total premium while another fifth pay no contribution. For family coverage, 47% pay greater than 25% of the total premium and only 6% have no contribution (Exhibit C).

The majority (57%) of covered workers are enrolled in preferred provider organizations

(PPOs). Health maintenance organizations (HMOs) cover 21%, followed by point-of-service (POS) plans (13%), HDHP/SOs (5%), and conventional plans (3%).

### EMPLOYEE COST SHARING

In addition to their premium contributions, most covered workers face additional payments when they use health care services. In PPOs, 71% of covered workers with single coverage have a general annual deductible that they pay before coverage for most services begins. Almost half (48%) of workers in POS plans and about 18% of workers in HMOs face a general annual deductible for single coverage. Many workers with no deductible have other forms of cost sharing for office visits or other services.

The average general annual deductibles (for workers with a deductible) for single coverage are \$461 for workers in PPOs, \$401 for workers in HMOs, \$621 for workers in POS plans, and \$1,729 for workers in HDHP/SOs (who by definition have high deductibles). Like last year, workers in small firms (3–199 workers) face higher deductibles than workers in large firms (200 or more workers) for PPOs, POS plans, and HDHP/SOs.<sup>3</sup> However, some plans cover certain services before the deductible

is met. For example, 66% of covered workers with a general annual deductible enrolled in PPOs, the most common plan type, do not have to meet the deductible before preventive care is covered.

In addition to any general plan deductible, over 95% of covered workers face cost sharing when admitted to the hospital or when they have outpatient surgery. Cost sharing may include a separate hospital deductible, copayment, coinsurance, or a per diem charge. About 12% of workers in PPOs, 15% of workers in HMOs, and 23% of workers in POS plans have a separate hospital deductible. The average hospital deductibles are similar across plan types (\$334 for PPOs, \$323 for HMOs, and \$340 for POS plans). Forty-three percent of covered workers have coinsurance for hospital admissions in addition to any deductible with an average coinsurance rate of 17%. A smaller percentage of workers (20%) have a copayment, which averages \$208.

Most workers face some form of cost sharing when visiting the emergency room, for urgent care, or for an advanced diagnostic test. For example, 86% of covered workers have cost sharing for urgent care visits. Similarly, almost all covered workers (93%) have cost sharing

## EXHIBIT D

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2007\*

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%	45%
All Small Firms (3–199 Workers)	65%	68%	68%	66%	65%	63%	59%	60%	59%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	98%	99%	98%	98%	99%
ALL FIRMS	66%	69%	68%	66%	66%	63%	60%	61%	60%

\*Tests found no statistical difference from estimate for the previous year shown (p<.05).

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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

for emergency room visits, but 79% of workers with emergency room cost sharing are in plans where the cost sharing is waived if the individual is admitted to the hospital.

The majority of workers have copayments or coinsurance for physician office visits. Among the 79% of workers with copayments for in-network office visits, 75% have a copayment of \$15, \$20, or \$25 per visit with a primary care physician. Workers in HDHP/SOs are more likely to have coinsurance than workers with other plan types and are also more likely to have no cost sharing once the deductible has been met. Workers that see out-of-network physicians are more likely to pay coinsurance (80%) rather than copayments (9%).

As with physician office visits, most covered workers face copayments or coinsurance for prescription drugs. About three in four covered workers are in plans with three or four-tier cost-sharing arrangements, and most face copayments rather than coinsurance for the first three tiers. For workers in plans with a fourth tier, the percentages of covered workers facing copayments and coinsurance are roughly comparable. Among workers with three or four-tier

plans, the average copayments are \$11 for generic drugs, \$25 for preferred drugs, and \$43 for nonpreferred drugs. The average copayment for fourth-tier drugs is \$71 and the average coinsurance is 36%.<sup>4</sup> Covered workers in HDHP/SOs are less likely to be in plans with three or four-tier cost sharing. In contrast, they are more likely to be in plans where there is no cost sharing after the deductible is met and in plans where the payment is the same regardless of the type of drug, where they are also more likely to face coinsurance than workers in HMOs or PPOs.<sup>5</sup>

Most covered workers are in a plan that partially or totally limits the cost sharing that a worker must pay under their health plan in a year, generally referred to as an out-of-pocket maximum. Seventy-one percent of workers with single or family coverage have an out-of-pocket maximum, down from 79% (for single coverage and 78% for family coverage in 2006). However, it should be noted that some workers with no out-of-pocket limit may have low cost sharing.<sup>6</sup> Out-of-pocket limits vary considerably; for example, among covered workers in plans that have an out-of-pocket limit for single coverage, 22% are in plans

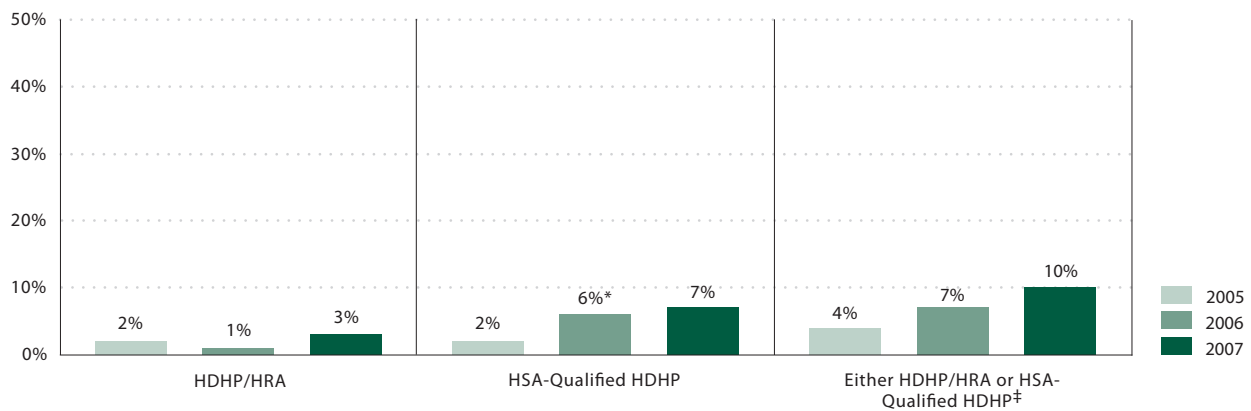
with an annual out-of-pocket maximum of \$3,000 or more, while 28% are in plans with out-of-pocket maximum of less than \$1,500. For family coverage, 24% of workers are in plans with an out-of-pocket maximum of \$6,000 or more and 10% are in plans with a limit of less than \$2,000.<sup>7</sup> However, not all spending counts towards the out-of-pocket limit. For example, among workers in PPOs, 73% are in plans that do not count office-visit copayments and 32% are in plans that do not count spending for the general annual deductible when determining if an enrollee has reached his or her out-of-pocket maximum.

### AVAILABILITY OF EMPLOYER-SPONSORED COVERAGE

Sixty percent of employers offer health benefits in 2007, similar to the 61% offer rate reported in 2006 but lower than the 69% offer rate in 2000. The drop in the overall offer rate is driven by the declining percentage of small firms (3–199 workers) that offer coverage. Among firms with 3 to 9 workers, the offer rate has dropped from 57% in 2000 to 45% in 2007. Over this same time period, the offer rate has remained stable for firms with 200 or more workers at 98% or 99% (Exhibit D).

## EXHIBIT E

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA-Qualified HDHP, 2005–2007



\* Estimate is statistically different from estimate for the previous year shown (p<.05).

<sup>‡</sup> The 2007 estimate includes 0.2% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentages for 2005 and 2006 are 0.3% and 0.4%, respectively.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

The percentage of firms offering coverage increases as the size of the firm increases. As previously mentioned, the smallest firms (3–9 workers) remain least likely to offer health benefits at 45%. Among firms with 10 to 24 workers, the percentage jumps to 76%, and among firms with 25 to 49 workers it increases to 83%. Over 95% of firms with 50 or more employees offer health insurance.

As we have seen in past years, the offer rate is higher for firms with at least some union workers (99%) compared to firms with no union workers (57%). Firms with a lower proportion of lower-wage workers (less than 35% of workers earn \$21,000 or less annually) are also more likely to offer benefits compared to firms with a higher proportion of lower-wage employees (35% or more earn \$21,000 or less annually) (67% vs. 36%).

Even in firms that offer coverage, not all workers are covered. Some workers are not eligible to enroll as a result of waiting periods or minimum work-hour rules, and others choose not to enroll, perhaps because they must pay a share of the premium or can get coverage through a spouse. Among firms that offer coverage, an average of 79% of workers are eligible for the health benefits offered by their

employer. Of those eligible, 82% take up coverage, resulting in 65% of workers in firms offering health benefits having coverage through their employer. Among both firms that offer and do not offer health benefits, 59% of workers are covered by health plans offered by their employer.

This year, the survey asked employers that offer health insurance if they offer health benefits to domestic partners. Thirty-seven percent offer health benefits to same-sex domestic partners and 47% of firms offer health benefits to opposite-sex domestic partners. These percentages are considerably higher than those we reported in 2004 (14% for same-sex domestic partners and 12% for opposite-sex domestic partners), but a change in the way the question was asked may account for some or all of the difference.<sup>8</sup>

### HIGH-Deductible Health Plans with Savings Option

Last year was the first year information on high-deductible health plans with a savings option (HDHP/SO) was collected as a separate plan type. HDHP/SOs include (1) health plans with a deductible of at least \$1,000 for single coverage and

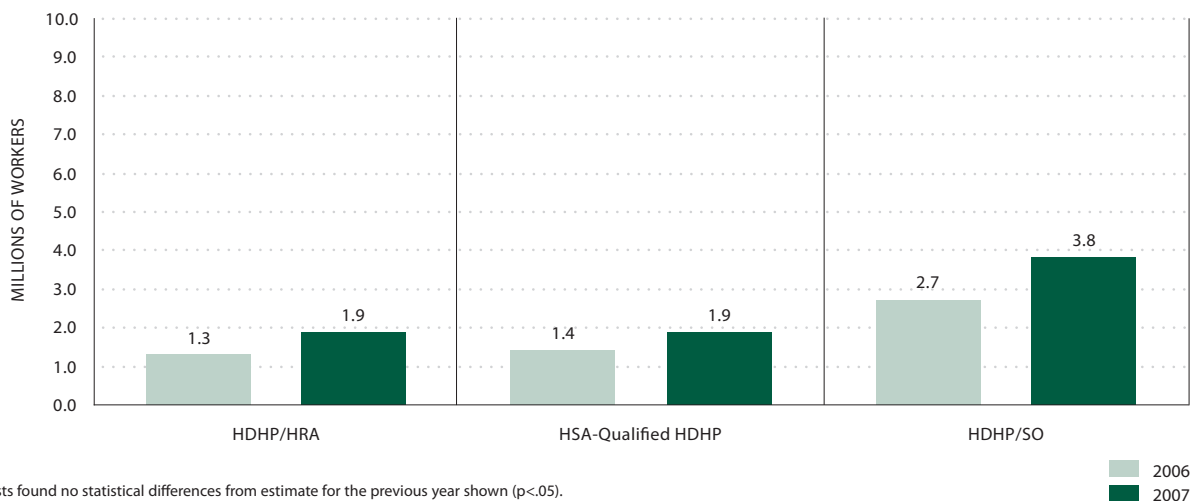
\$2,000 for family coverage offered with an Health Reimbursement Arrangement (HRA), referred to as “HDHP/HRAs,” and (2) high-deductible health plans that meet the federal legal requirements to permit an enrollee to establish and contribute to a Health Savings Account (HSA), referred to as “HSA-qualified HDHPs.”

Ten percent of firms offering health benefits offer an HDHP/SO in 2007, but the difference from the 7% reported in 2006 is not statistically significant. Firms with 1,000 or more workers are more likely to offer HDHP/SOs (18%) than firms with 3 to 999 workers (10%). Among firms offering health benefits, 3% offer an HDHP/HRA and 7% offer an HSA-qualified HDHP; neither estimate is a significant increase from the percentages reported in 2006 (Exhibit E). About 3.8 million (5%) covered workers are enrolled in HDHP/SOs, with about 1.9 million (3%) covered workers enrolled in each type of HDHP/SO (Exhibit F).

Annual deductibles for single coverage for HDHP/HRAs and HSA-qualified HDHPs average \$1,556 and \$1,923, respectively. However, these deductibles vary considerably; for example, 24% of workers enrolled in an HSA-qualified HDHP

#### EXHIBIT F

Number of Covered Workers Enrolled in HDHP/SOs, 2006–2007\*



\*Tests found no statistical differences from estimate for the previous year shown ( $p < .05$ ).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

for single coverage have a deductible between \$1,100 and \$1,499, while 54% have a deductible of \$2,000 or more. The average aggregate annual deductible for family coverage for HDHP/HRAs is \$3,342 and \$3,883 for HSA-qualified HDHPs. Some HDHP/SOs cover preventive services before the deductible is met; 88% of workers in HDHP/HRAs and 86% of workers in HSA-qualified HDHPs have preventive benefits covered before having to meet the deductible.

Average total premiums for HDHP/SOs are lower than the average premium for workers in plans that are not HDHP/SOs for both single and family coverage (Exhibit G). The average worker premium contribution for HDHP/SO coverage is lower than the average worker premium contribution for single coverage for workers not in HDHP/SOs.

The distinguishing aspect of these high deductible plans is the savings feature available to employees. Workers enrolled in an HDHP/HRA receive an average annual contribution from their

employer of \$915 for single coverage and \$1,800 for family coverage (Exhibit H). The average contributions to HSAs are \$428 for single coverage and \$714 for family coverage. However, among firms offering an HSA-qualified HDHP, about two-thirds of firms do not make a contribution to the HSA for single coverage (covering 47% of workers in these plans) and 47% of firms do not make a contribution to the HSA for family coverage (covering 45% of workers with these plans). If workers with no employer contribution to their HSA are excluded from the calculation the average annual employer HSA contributions are \$806 and \$1,294 for single and family coverage, respectively.

### RETIREE COVERAGE

The percentage of large firms (200 or more workers) offering retiree health benefits in 2007 is 33%, similar to the 2006 offer rate of 35%. Among large firms (200 or more workers) that offer retiree health benefits, 92% offer health

benefits to early retirees and 71% offer health benefits to Medicare-age retirees. These percentages are similar to the percentages reported in 2006.

### UTILIZATION MANAGEMENT

The survey periodically asks about the utilization management provisions of the firm's plan with the largest enrollment. In 2007, about two-thirds of firms report that their health plan with the largest enrollment requires pre-admission certification for inpatient hospital care. About 55% report that the plan requires pre-admission certification for outpatient surgery, and 48% state that the plan includes case management for large claims.

### OTHER BENEFITS

Section 125 of the Internal Revenue Service Code permits employers to establish programs that allow employees to make contributions towards the cost of health insurance and to pay for health

## EXHIBIT G

**Average Annual Premiums, Worker and Firm Contributions for Covered Workers in HDHP/SOs and All Other Non-HDHP/SO Plans, 2007**

	All Other Non-HDHP/SO Plans <sup>‡</sup>		HDHP/SO	
	Single	Family	Single	Family
Worker Contribution to Premium	\$704*	\$3,304	\$522*	\$2,856
Firm Contribution to Premium	\$3,810*	\$8,879*	\$3,347*	\$7,837*
<b>Total Annual Premium</b>	<b>\$4,514*</b>	<b>\$12,183*</b>	<b>\$3,869*</b>	<b>\$10,693*</b>
<b>Annual Firm Contribution to the HRA or HSA</b>	NA	NA	\$682	\$1,298
<b>Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)</b>	<b>\$4,514</b>	<b>\$12,183</b>	<b>\$4,550</b>	<b>\$11,991</b>

\* Estimate for All Other Non-HDHP/SO Plans is statistically different from estimate for HDHP/SOs (p<.05).

NA: Not Applicable.

<sup>‡</sup> In order to compare spending for HDHP/SOs to all other plans that are not HDHP/SOs, we created composite variables excluding HDHP/SO data.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

## EXHIBIT H

### Average Annual Premiums and Contributions to Spending Accounts for Covered Workers, HDHP/HRA and HSA-Qualified HDHP, 2007

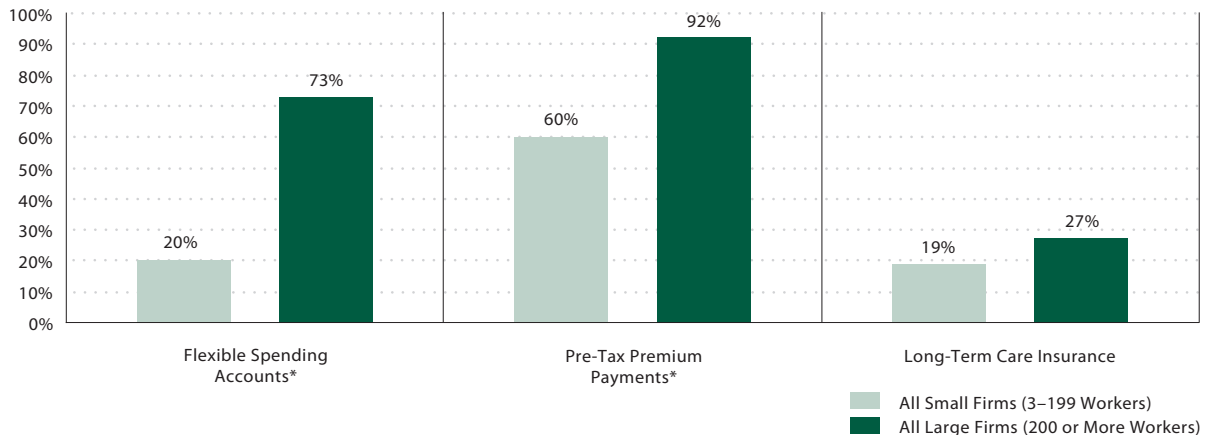
	HDHP/HRA		HSA-Qualified HDHP	
	Single	Family	Single	Family
<b>Total Annual Premium</b>	\$3,894	\$11,492	\$3,826	\$9,666
Worker Contribution to Premium	\$617	\$3,113	\$413	\$2,564
Firm Contribution to Premium	\$3,277	\$8,379	\$3,412	\$7,102
<b>Annual Firm Contribution to the HRA or HSA<sup>‡</sup></b>	\$915	\$1,800	\$428	\$714
<b>Total Annual Firm Contribution (Firm Share of Premium Plus Firm Contribution to HRA or HSA)</b>	\$4,192	\$10,179	\$3,840	\$7,815
<b>Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)</b>	\$4,809	\$13,292	\$4,254	\$10,380

<sup>‡</sup> When those firms that do not contribute to the HSA (66% for single coverage and 47% for family coverage) are excluded from the calculation, the average firm contribution to the HSA for covered workers is \$806 for single coverage and \$1,294 for family coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

## EXHIBIT I

### Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts, Pre-Tax Premium Payments, and Long-Term Care Insurance, By Firm Size, 2007



\*Estimates are statistically different between All Small Firms and All Large Firms within category ( $p < .05$ ).

Note: Section 125 of the Internal Revenue Service Code permits employees to pay for health insurance premiums with pre-tax dollars and also allows the establishment of flexible spending accounts (FSAs).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

care services with pre-tax dollars through a flexible spending account.<sup>9</sup> Sixty-one percent of firms that offer health benefits allow employees to use pre-tax dollars to pay for health insurance premiums. Large firms (200 or more workers) are more likely to offer this benefit than small firms (3-199 workers) (92% vs.

60%). A smaller percentage (22%) of offering firms offer a flexible spending account, but again, large firms (200 or more workers) are more likely to offer this benefit than small firms (3-199 workers) (73% vs. 20%) (Exhibit I). We asked employers for the first time this year if they offer long-term care

insurance to their employees. Nineteen percent of employers offering health benefits reported that they offer long-term care insurance, with no significant difference between the percentage of small firms (3-199 workers) and large firms (200 or more workers) offering the benefits.

## OUTLOOK FOR THE FUTURE

Each year we ask employers what changes they plan to make to their health plans in the next year. Among those that offer benefits, large percentages of firms report that in the next year they are very or somewhat likely to increase the amount workers contribute to premiums (45%), increase deductible amounts (37%), increase office visit cost sharing (42%), or increase the amount that employees have to pay for prescription drugs (41%). Although firms report planning to increase the amount employees have to pay when they have insurance, few firms report they are somewhat or very likely to drop coverage (3%) or limit eligibility (5%) in the next year. And even though the HDHP/SO offer rate or enrollment did not increase significantly from 2006, one-fifth of firms report being somewhat

likely (18%) or very likely (2%) to offer an HSA-qualified HDHP in the next year, and almost one-quarter report being somewhat likely (21%) or very likely (3%) to offer an HDHP/HRA in the next year.

The employer-sponsored health benefits market did not experience large changes in 2007. Employers and employees benefited from the continued moderation in the rate of premium increases, a welcome relief from the much higher growth rates earlier in the decade. History suggests that premium trends are cyclical,<sup>10</sup> and after four years of downward premium trends, it is unclear how much longer this relative lull in premium growth will continue before pressures on health insurers to improve profitability will push premium trends on an upward path. While widespread adoption of HDHP/SOs

could help maintain lower premium growth with firms moving to less expensive packages and higher cost sharing reducing service use, enrollment to date in these plans remains low.

Unfortunately, the recent moderation in premium trends has not reversed the erosion in the percentage of employers offering health benefits that occurred between 2000 and 2005. During that period, the percentage of employers offering coverage fell from 69% to 60%. While the offer rate seems to have stabilized with lower premium increases and a reasonably strong economy—it is essentially unchanged over the last three years—it is unclear what conditions would be necessary for the employer offer rate to move back toward the higher levels that we saw at the beginning of the decade.

<sup>1</sup>Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America, 2005 Data Update*, May 2007. Available at [www.kff.org/uninsured/upload/2005dataupdate.pdf](http://www.kff.org/uninsured/upload/2005dataupdate.pdf).

<sup>2</sup>Data on premium increases reflect the cost of health insurance for a family of four.

<sup>3</sup>For HMO coverage, there is insufficient data to report the result.

<sup>4</sup>For the first time this year, we present cost sharing for prescription drugs by tier level. For example, average copayments are presented separately for those that report three or four-tier cost sharing, two-tier cost sharing, or the same cost sharing regardless of type of drug. See the introduction to Section 9 for more information available at <http://www.kff.org/insurance/7672/sections/ehbs07-sec9-1.cfm>

<sup>5</sup>For POS plans, there is insufficient data for the percentage of workers with coinsurance to make the comparison.

<sup>6</sup>Among those with no out-of-pocket limit for single coverage, 88% have a deductible of less than \$500, 16% face coinsurance for hospital admissions, and 22% face coinsurance for an outpatient surgery episode.

<sup>7</sup>Data presented is for workers with a family aggregate out-of-pocket maximum where the limit applies to spending by any covered person in the family.

<sup>8</sup>The 2004 survey asked firms whether nontraditional partners were eligible for health benefits and, if so, whether their definition included same-sex couples or opposite-sex couples or both. In 2007, the survey asked whether firms offered coverage to nonmarried same-sex or opposite-sex couples or both.

<sup>9</sup>Section 125 of the Internal Revenue Service Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically employees decide at the beginning of the year how much to set aside in an FSA, and their employer deducts that amount of the employee's paycheck over the year. Funds set aside in an FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs.

<sup>10</sup>Joy M. Grossman and Paul B. Ginsburg, "As the Health Insurance Underwriting Cycle Turns: What Next?" *Health Affairs*, 23, no. 6 (2004): 91. Alice Rosenblatt, "The Underwriting Cycle: The Rule of Six," *Health Affairs*, 23, no. 6 (2004): 103.

EMPLOYER HEALTH BENEFITS

2007 ANNUAL SURVEY

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Survey  
Design  
and  
Methods

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## SURVEY DESIGN AND METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (KAISER/HRET) CONDUCT THIS ANNUAL SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS. FOR MANY YEARS THE INTERNATIONAL CONSULTING AND ACCOUNTING FIRM KPMG CONSULTING, INC. (NOW BEARING POINT) SUPPORTED THE STUDY. IN 1998, KPMG DIVESTED ITSELF OF ITS COMPENSATION AND BENEFITS PRACTICE, AND PART OF THAT DIVESTITURE INCLUDED DONATING THE ANNUAL SURVEY OF HEALTH BENEFITS TO HRET. HRET, A NONPROFIT RESEARCH ORGANIZATION, IS AN AFFILIATE OF THE AMERICAN HOSPITAL ASSOCIATION. THE KAISER FAMILY FOUNDATION DESIGNS, ANALYZES, AND CONDUCTS THIS SURVEY IN PARTNERSHIP WITH HRET, AND ALSO PAYS FOR THE COST OF THE SURVEY. HRET SUBCONTRACTS WITH RESEARCHERS AT NATIONAL OPINION RESEARCH CENTER (NORC) AT THE UNIVERSITY OF CHICAGO, WHO WORK WITH FOUNDATION AND HRET RESEARCHERS IN CONDUCTING THE STUDY. KAISER/HRET RETAINED NATIONAL RESEARCH LLC (NR), A WASHINGTON, D.C.-BASED SURVEY RESEARCH FIRM, TO CONDUCT TELEPHONE INTERVIEWS WITH HUMAN RESOURCE AND BENEFITS MANAGERS USING THE KAISER/HRET SURVEY INSTRUMENT. FROM JANUARY TO MAY 2007 NR COMPLETED INTERVIEWS WITH 1,997 FIRMS.

As in past years, Kaiser/HRET asked each participating company as many as 400 questions about its largest health maintenance organization (HMO), preferred provider organization (PPO), point-of-service (POS) plan, and high-deductible health plan with a savings option (HDHP/SO).<sup>1</sup> We continue to ask firms whether or not they offer a conventional health plan and, if so, how much their premium for conventional coverage increased in the last year. However, we do not ask respondents additional questions about the attributes of the conventional plans they offer. Because we have limited information about conventional health plans, we must make adjustments in calculating all plan averages or distributions. In cases where a firm offers only conventional health plans, no information from that respondent is included in all plan averages. The exception is for the rate of premium growth and whether or not the plan is self-funded, for which we have information. If a firm offers a conventional health plan and at least one other plan type, for

categorical variables we assign the values from the health plan with the largest enrollment (other than the conventional plan) to the workers in the conventional plan. In the case of continuous variables, covered workers in conventional plans are assigned the weighted average value of the other plan types in the firm.

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

As in past years, this year’s survey included questions on the cost of health insurance, offer rates, coverage, eligibility, enrollment patterns, premiums,<sup>2</sup> employee cost sharing, covered benefits, prescription drug benefits, retiree health benefits, utilization

### NOTE:

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

<sup>2</sup> HDHP/SO premium estimates do not include contributions made by the employer to Health Savings Accounts or Health Reimbursement Arrangements.



management, and employer opinions. Throughout this report, we use the term “in-network” to refer to services received from a preferred provider and “out-of-network” to refer to services received from a non-preferred provider. Family coverage is defined as health coverage for a family of four.

Each year, the survey asks two different questions regarding family premiums. One asks each firm, for each plan type it has, the *percentage increase or decrease in premiums* in the past year. The responses are used to estimate the average annual premium increase (for example, 6.1% for 2007). The other question asks for the *premium dollar amount* for each plan type the firm offers, and the responses to this question are used to estimate average annual premiums (for example, \$12,106 for family coverage in 2007). The percentage increases in premiums from year to year and cumulative percentage increases are calculated from the estimated average annual percentage premium increases (i.e., reflecting responses to the first question). We use these estimates because respondents change from year to year, and the plan with the largest enrollment may have changed or the firm may not have offered the plan type in the prior year. As a result, the two measures are not necessarily consistent. Calculating the percentage increase from the average premiums also results in larger standard errors than the standard errors associated with the percentage increase calculated from the percentage increase question.

Each year, the survey asks firms for the percentage of their employees that earn less than a specified amount. This year, we changed the income threshold from \$20,000 per year, as it has been the last several years, to \$21,000 per year. This threshold is based on the 25<sup>th</sup> percentile of workers’ earnings as reported by the Bureau of Labor Statistics using data from the National Compensation Survey (2005), the most current data available at the time of the survey design. The threshold is then adjusted to account for the change in workers’ earnings from 2005 to 2006.

#### RESPONSE RATE

Kaiser/HRET drew its sample from a Survey Sampling Incorporated list (based on an original Dun and

Bradstreet list) of the nation’s private and public employers with three or more workers. To increase precision, Kaiser/HRET stratified the sample by industry and the number of workers in the firm. Kaiser/HRET attempted to repeat interviews with prior years’ survey respondents (with at least ten employees) who also participated in 2005, 2006, or both. As a result, 1,481 firms in this year’s total sample of 1,997 firms participated in either the 2005, 2006, or both surveys.<sup>3</sup> The overall response rate is 49%.

The vast majority of questions are asked only of firms that offer health benefits. A total of 1,839 responding firms indicated that they offered health benefits. The overall response rate of firms that offer health benefits is 50%.

From previous years’ experience, we have learned that firms that decline to participate in the study are less likely to offer health benefits. Therefore, we asked one question to all firms in the study with which we made phone contact where the firm declined to participate. The question was, “Does your company offer or contribute to a health insurance program as a benefit to your employees?” A total of 3,078 firms responded to this question (including 1,997 who responded to the full survey and 1,081 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health benefits.<sup>4</sup> The response rate for this question is 75%.

#### FIRM SIZE AND INDUSTRY DEFINITIONS, ROUNDING, AND IMPUTATION

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

#### NOTE:

<sup>3</sup> In total, 238 firms participated in 2005 and 2007, 374 firms participated in 2006 and 2007, and 869 firms participated in 2005, 2006, and 2007.

<sup>4</sup> Estimates presented in Exhibits 2.1 and 2.2 are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

Exhibit M.2 displays the distribution of the nation's firms, workers, and covered workers (employees receiving coverage from their employer). Among the over three million firms nationally, approximately 60% are firms employing 3 to 9 workers; such firms employ 9% of workers and 6% of covered workers. In contrast, less than one percent of firms are firms employing 5,000 or more workers; these firms employ 34% of workers and 36% of covered workers. Therefore, the smallest firms dominate any national statistics about what employers in general are doing. In contrast, firms with 5,000 or more workers are the most important employer group in calculating statistics regarding covered workers, since they employ the largest percentage of the nation's workforce.

The Kaiser/HRET survey compares premium increases to changes in workers' hourly wages and overall inflation, both obtained from the Bureau of Labor Statistics (BLS). Workers' hourly wage change is calculated from the Current Employment Statistics Survey (CES)<sup>5</sup> using seasonally adjusted data for private workers. Overall inflation is calculated using the Consumer Price Index US city average for all urban consumers (CPI-U).<sup>6</sup> We report annual increases in these data from April of the prior year to April of the current year because this is typically the field time of the survey.

Some exhibits in the report do not sum up to totals due to rounding effects. In a few cases, numbers from distribution exhibits may not add to equal numbers referenced in the text due to rounding effects. Throughout the report, while overall totals as well as totals for size and industry are statistically valid, some breakdowns may not be available due to limited sample sizes. In instances where the sample size is fewer than 30, exhibits include the notation NSD (Not Sufficient Data).

To control for item nonresponse bias, Kaiser/HRET imputes values that are missing for most variables in the survey. On average, less than five percent of these observations are imputed for any given variable. In prior years, many variables were imputed following a hotdeck approach, while others followed a distributional approach (where values were randomly determined from the variable's distribution, assuming a normal

distribution). This year, all variables are imputed following a hotdeck approach. This imputation method does not rely on a normal distribution assumption and replaces missing values with observed values from a firm with similar characteristics, in this case, size and industry. Due to the low imputation rate for most variables, the change in methodology is not expected to have a major impact on the results. In some cases, due to small sample size, imputed outliers are excluded. There are a few variables that Kaiser/HRET has decided should not be imputed; these are typically variables where "don't know" is considered a valid response option (for example, firms' opinions about effectiveness of various strategies to control health insurance costs).

#### WEIGHTING AND STATISTICAL SIGNIFICANCE

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

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

Next, we trimmed the weights in order to reduce the influence of weight outliers. First, we identified common groups of observations. Within each group, we identified the median and the interquartile range of the weights and calculated the trimming cut point

#### NOTE:

<sup>5</sup> U.S. Department of Labor, Bureau of Labor Statistics (2007). *Current Employment Statistics*. <http://www.bls.gov/ces/home.htm>.

<sup>6</sup> U.S. Department of Labor, Bureau of Labor Statistics (2007). *Consumer Price Indexes*. <http://www.bls.gov/cpi/home.htm>.

as the median plus six times the interquartile range ( $M + [6 * IQR]$ ). Weight values larger than this cut point are trimmed to the cut point. In all instances, less than one percent of the weight values were trimmed.

Finally, we applied a post-stratification adjustment. We used the U.S. Census Bureau's 2004 Statistics of U.S. Businesses as the basis for the stratification and the post-stratification adjustment for firms in the private sector, and we used the 2002 Census of Governments as the basis for post-stratification for public sector firms.

The survey contains a few questions on employee cost sharing that are asked only of firms that indicate in a previous question that they have a certain cost-sharing provision. For example, the copayment amount for prescription drugs is asked only of those that report they have copayments for prescription drugs. Because the composite variables are reflective of only those plans with the provision, separate weights for the relevant variables were created in order to account for the fact that not all covered workers have such provisions.

The data are analyzed with SUDAAN,<sup>7</sup> which computes appropriate standard error estimates by controlling for the complex design of the survey. All statistical tests are performed at the .05 level unless otherwise noted. For figures with multiple years, statistical tests are conducted for each year against the previous year shown, unless otherwise noted. No statistical tests are conducted for years prior to 1999.

Statistical tests for a given subgroup (firms with 25–49 workers, for instance) are tested against all other firm sizes not included in that subgroup (all firm sizes NOT including firms with 25–49 workers in this example). Tests are done similarly for region and industry; for example, Northeast is compared to all firms NOT in the Northeast (an aggregate of firms in the Midwest, South, and West). However, statistical tests for estimates compared across plan types (for example, average premiums in PPOs) are tested against the “All Plans” estimate. In some cases, we also test plan specific estimates against similar

estimates for other plan types (for example, single and family premiums for HDHP/SOs against single and family premiums in HMO, PPO, and POS plans); these are noted specifically in the text. The two types of statistical tests performed are the t-test and the Pearson Chi-square test.

The small number of observations for some variables, particularly variables specific to plans with Health Savings Accounts or Health Reimbursement Arrangements, resulted in large variability around the point estimates. These observations sometimes carry large weights, primarily for small firms. The reader should be cautioned that these influential weights may result in large movements in point estimates; however, often these movements are not statistically significant.

#### HISTORICAL DATA

Data in this report focus primarily on findings from surveys jointly authored by the Kaiser Family Foundation and the Health Research and Educational Trust, which have been conducted since 1999. Prior to 1999, the survey was conducted by the Health Insurance Association of America (HIAA) and KPMG using a similar survey instrument, but data is not available for all the intervening years. Following the survey's introduction in 1987, the HIAA conducted the survey through 1990, but some data are not available for analysis. KPMG conducted the survey from 1991–1998. However, in 1991, 1992, 1994, and 1997, only larger firms were sampled. In 1993, 1995, 1996, and 1998, KPMG interviewed both large and small firms.

This report uses data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits and the 1999–2007 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use the 1988 survey of the nation's employers conducted by the HIAA, on which the KPMG and Kaiser/HRET surveys are based. Many questions in the HIAA, the KPMG, and Kaiser/HRET surveys are identical. The survey designs among the three surveys are also similar.

#### NOTE:

<sup>7</sup> Research Triangle Institute (2005). SUDAAN Software for the Statistical Analysis of Correlated Data, Release 9.0.1, Research Triangle Park, NC: Research Triangle Institute.

## EXHIBIT M.1

## Selected Characteristics of Firms in the Survey Sample, 2007

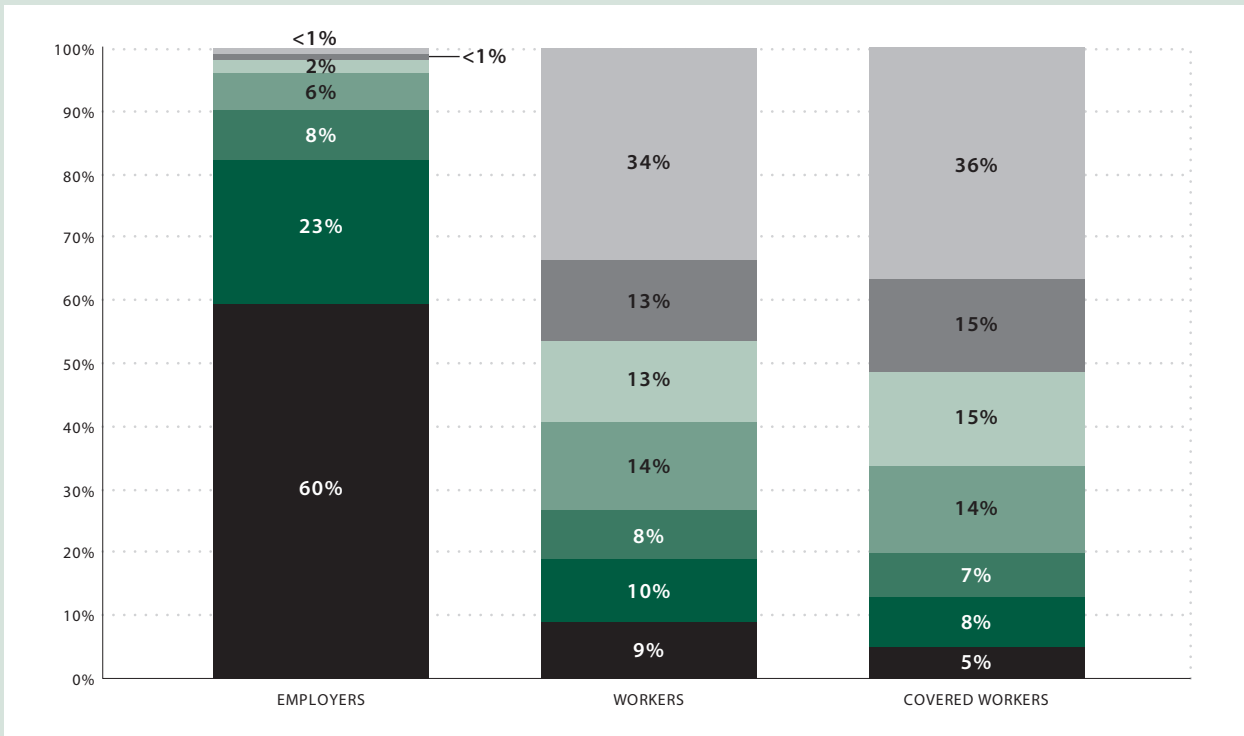
	Sample Size	Sample Distribution After Weighting	Percentage of Total for Weighted Sample
<b>FIRM SIZE</b>			
3–9 Workers	113	2,008,130	60%
10–24 Workers	219	782,281	23
25–49 Workers	158	278,794	8
50–199 Workers	279	207,484	6
200–999 Workers	453	58,523	2
1,000–4,999 Workers	454	16,625	<1
5,000 or More Workers	321	8,114	<1
<b>ALL FIRM SIZES</b>	<b>1,997</b>	<b>3,359,951</b>	<b>100%</b>
<b>REGION</b>			
Northeast	403	666,911	20%
Midwest	578	790,240	24
South	655	1,139,353	34
West	361	763,447	23
<b>ALL REGIONS</b>	<b>1,997</b>	<b>3,359,951</b>	<b>100%</b>
<b>INDUSTRY</b>			
Agriculture/Mining/Construction	107	405,838	12%
Manufacturing	260	214,692	6
Transportation/Communications/Utilities	93	127,602	4
Wholesale	110	199,304	6
Retail	140	442,618	13
Finance	142	231,270	7
Service	743	1,488,230	44
State/Local Government	223	48,475	1
Health Care	179	201,922	6
<b>ALL INDUSTRIES</b>	<b>1,997</b>	<b>3,359,951</b>	<b>100%</b>

## SOURCE:

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

EXHIBIT M.2

Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: Data are based on a special data request to the U.S. Census Bureau for their most recent (2004) Statistics of U.S. Businesses for data on private sector firms. State and local government data are from the Census Bureau's 2002 Census of Governments.

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

## EXHIBIT M.3

## States by Region, 2007

Northeast	Midwest	South	West
Connecticut	Illinois	Alabama	Alaska
Maine	Indiana	Arkansas	Arizona
Massachusetts	Iowa	Delaware	California
New Hampshire	Kansas	District of Columbia	Colorado
New Jersey	Michigan	Florida	Hawaii
New York	Minnesota	Georgia	Idaho
Pennsylvania	Missouri	Kentucky	Montana
Rhode Island	Nebraska	Louisiana	Nevada
Vermont	North Dakota	Maryland	New Mexico
	Ohio	Mississippi	Oregon
	South Dakota	North Carolina	Utah
	Wisconsin	Oklahoma	Washington
		South Carolina	Wyoming
		Tennessee	
		Texas	
		Virginia	
		West Virginia	

## SOURCE:

U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau. Available at [http://www.census.gov/geo/www/us\\_regdiv.pdf](http://www.census.gov/geo/www/us_regdiv.pdf).

EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Cost of  
Health  
Insurance

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SECTION

1

## COST OF HEALTH INSURANCE

PREMIUMS FOR FAMILY COVERAGE INCREASED 6.1% IN 2007. WHILE PREMIUMS CONTINUE TO RISE, THIS IS THE FOURTH CONSECUTIVE YEAR THAT PREMIUM INCREASES WERE LESS THAN THEY WERE IN THE PREVIOUS YEAR.<sup>1</sup> THE AVERAGE PREMIUM INCREASE IN 2007 IS THE LOWEST SINCE 1999.

WHILE LOWER THAN IN RECENT YEARS, THE 6.1% INCREASE IN THE COST OF COVERAGE EXCEEDS THE OVERALL RATE OF INFLATION BY ABOUT THREE AND A HALF PERCENTAGE POINTS AND THE INCREASE IN WORKERS' EARNINGS BY ALMOST TWO AND A HALF PERCENTAGE POINTS. SINCE 2001, THE COST OF HEALTH INSURANCE HAS INCREASED BY 78%.

THE AVERAGE COST OF FAMILY COVERAGE IS \$12,106 A YEAR.

### PREMIUM INCREASES

- ▶ The cost of health insurance rose 6.1% in 2007, which is lower than the 7.7% increase for 2006 but still much higher than the overall rate of inflation (2.6%) or the increase in workers' earnings (3.7%) (Exhibit 1.1).
- ▶ Small firms (3–199 workers) and large firms (200 or more workers) reported a comparable rate of increase (5.5% vs. 6.4%) (Exhibit 1.4).
- ▶ There is variation in premium increases across workers and firms: 10% of covered workers work in firms that experienced premium increases of greater than 15%, while 46% of covered workers work in firms that experienced premium increases less than or equal to 5% (Exhibit 1.5).
- ▶ The average premium increase for HMOs (8.3%) is statistically greater than the overall average premium increase for all plan types (Exhibit 1.7). The average premium increases for conventional plans, PPOs, POS plans, and HDHP/SOs are not statistically different from the average premium increase.
- ▶ Premium equivalents in self-funded plans rose at a similar rate as premiums in fully insured plans (6.0% vs. 6.2%) (Exhibit 1.8).

### PREMIUM COSTS FOR SINGLE AND FAMILY COVERAGE

- ▶ The average cost of premiums for single coverage in 2007 is \$373 per month or \$4,479 per year. This figure includes both the worker and employer contribution. The average cost of premiums for family coverage is \$1,009 per month or \$12,106 per year (Exhibit 1.12).
- ▶ Covered workers in PPO plans, the plan type with the highest enrollment, have higher average premiums than covered workers in HMOs and HDHP/SOs for both single and family coverage. Covered workers in HDHP/SOs have lower average premiums than workers in HMOs, PPOs, and POS plans for single coverage and PPOs and HMOs for family coverage.
- ▶ Premiums for covered workers in small firms (3–199 workers) are similar to those for workers in large firms (200 or more workers) for both single and family coverage (Exhibit 1.12).
- ▶ Similar to premium increases, there is also a great deal of variation in premiums across workers and firms: 7% of covered workers work in firms that have single premiums of \$250 or less per month, while 28% have single premiums greater than \$400 per month (Exhibit 1.15).

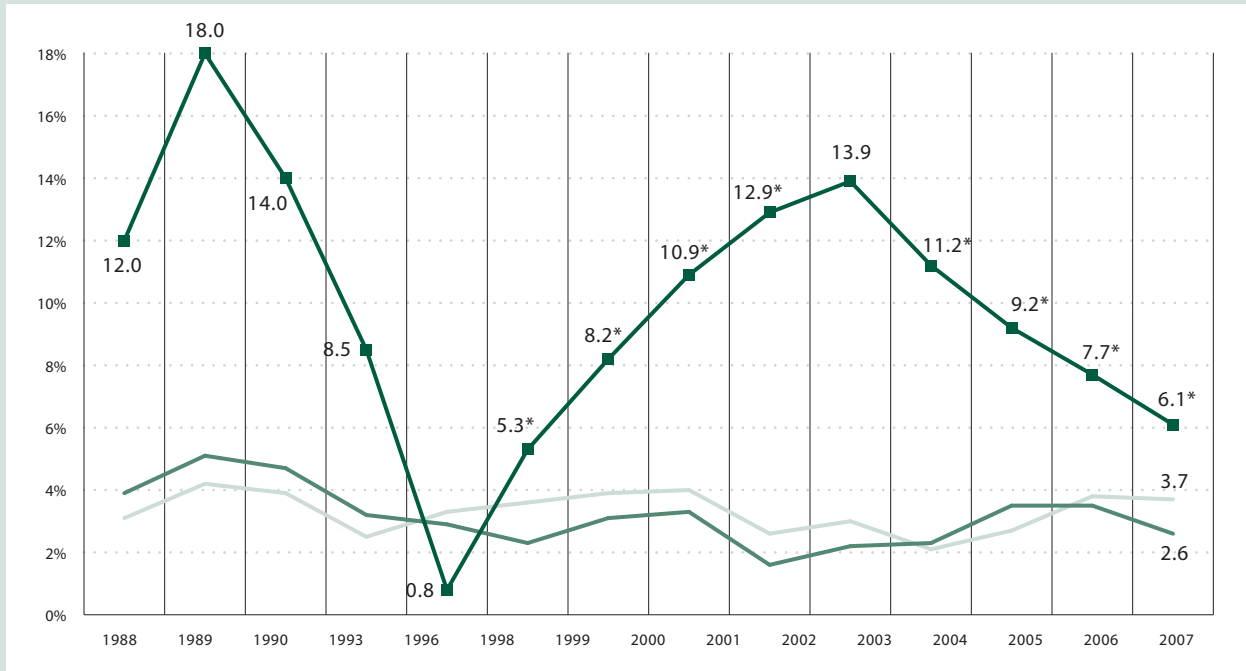
#### NOTE:

<sup>1</sup> Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.



EXHIBIT 1.1

Average Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 1988–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988–2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988–2007 (April to April).

- HEALTH INSURANCE PREMIUMS
- OVERALL INFLATION
- WORKERS' EARNINGS

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

## EXHIBIT 1.2

## Average Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 1988–2007

	Overall Inflation	Workers' Earnings	Premium Increase
1988	3.9%	3.1%	12.0%
1989	5.1	4.2	18.0
1990	4.7	3.9	14.0
1993	3.2	2.5	8.5
1996	2.9	3.3	0.8
1999	2.3	3.6	5.3*
2000	3.1	4.0	8.2*
2001	3.3	4.0	10.9*
2002	1.6	2.6	12.9*
2003	2.2	3.0	13.9
2004	2.3	2.1	11.2*
2005	3.5	2.7	9.2*
2006	3.5	3.8	7.7*
2007	2.6	3.7	6.1*

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, All Urban Consumers (CPI-U) (April to April), 1988–2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988–2007 (April to April).

\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ). No tests are done for overall inflation or workers' earnings, or for health insurance premium increases prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

**EXHIBIT 1.3**

Average Percentage Increase in Health Insurance Premiums, by Plan Type, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Conventional	6.0%	9.5%*	11.3%	13.8%*	14.3%	11.1%	5.0%*	8.4%	7.3%
HMO	5.6	7.6*	10.4	13.5*	15.2	12.0*	9.4*	8.6	8.3
PPO	5.4	8.5*	11.6	12.7*	13.7	10.9*	9.4*	7.3*	5.3*
POS	4.6	7.8*	9.9	12.2*	13.2	11.3	9.1	8.4	5.7*
HDHP/SO	^	^	^	^	^	^	^	4.8	6.3
<b>ALL PLANS</b>	<b>5.3%*</b>	<b>8.2%*</b>	<b>10.9%*</b>	<b>12.9%*</b>	<b>13.9%</b>	<b>11.2%*</b>	<b>9.2%*</b>	<b>7.7%*</b>	<b>6.1%*</b>

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

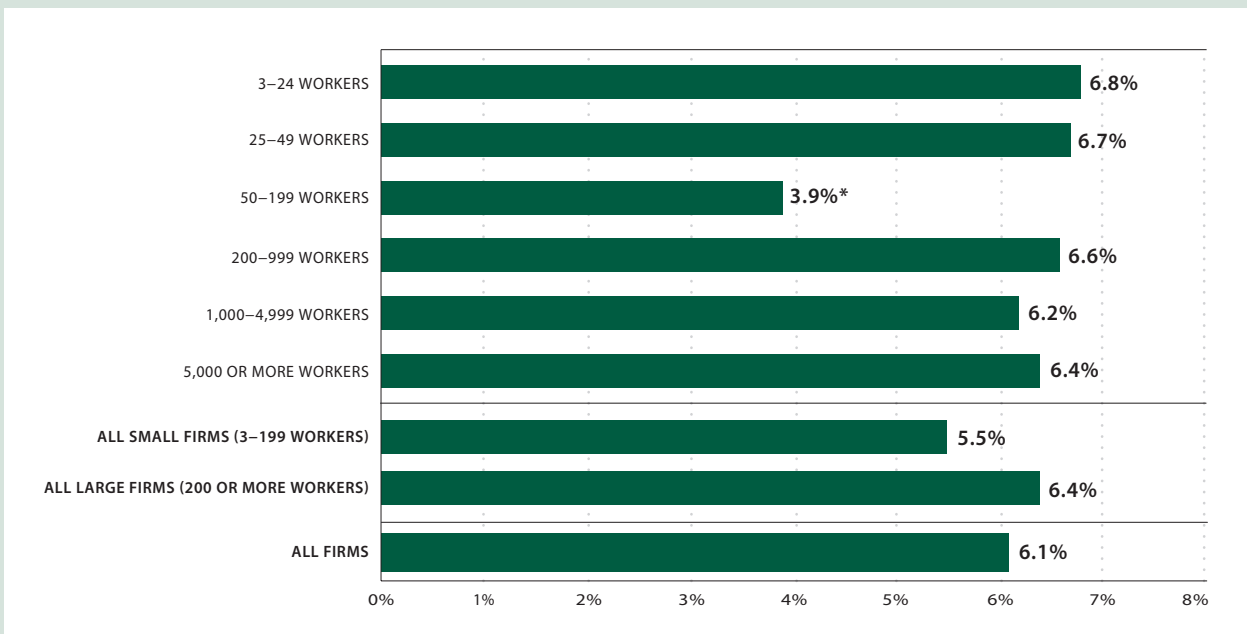
\* Estimate is statistically different by plan type from estimate for the previous year shown (p<.05).

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

**EXHIBIT 1.4**

Average Percentage Increase in Health Insurance Premiums, by Firm Size, 2007



SOURCE:

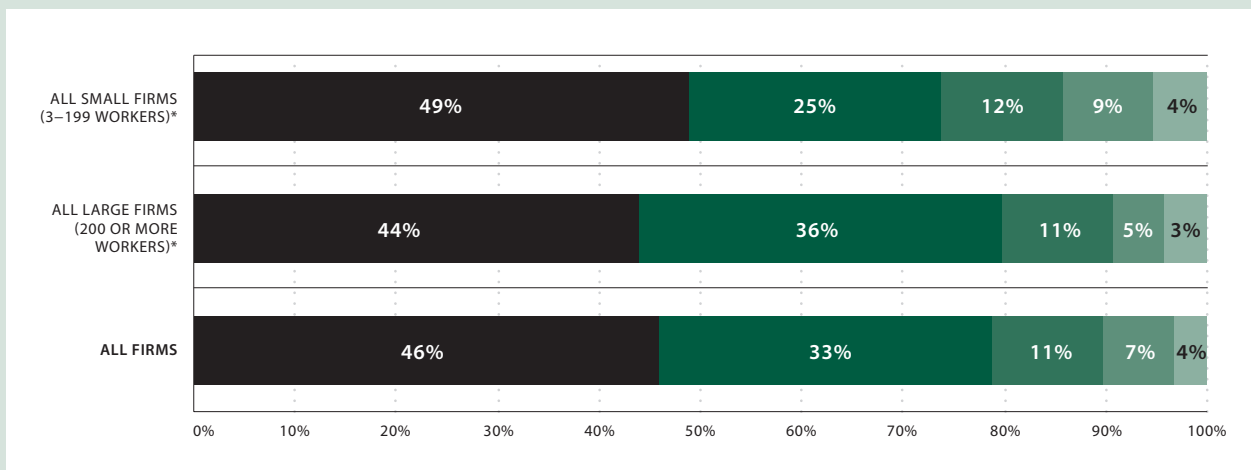
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

EXHIBIT 1.5

Distribution of Average Percentage Increase in Health Insurance Premiums, by Firm Size, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

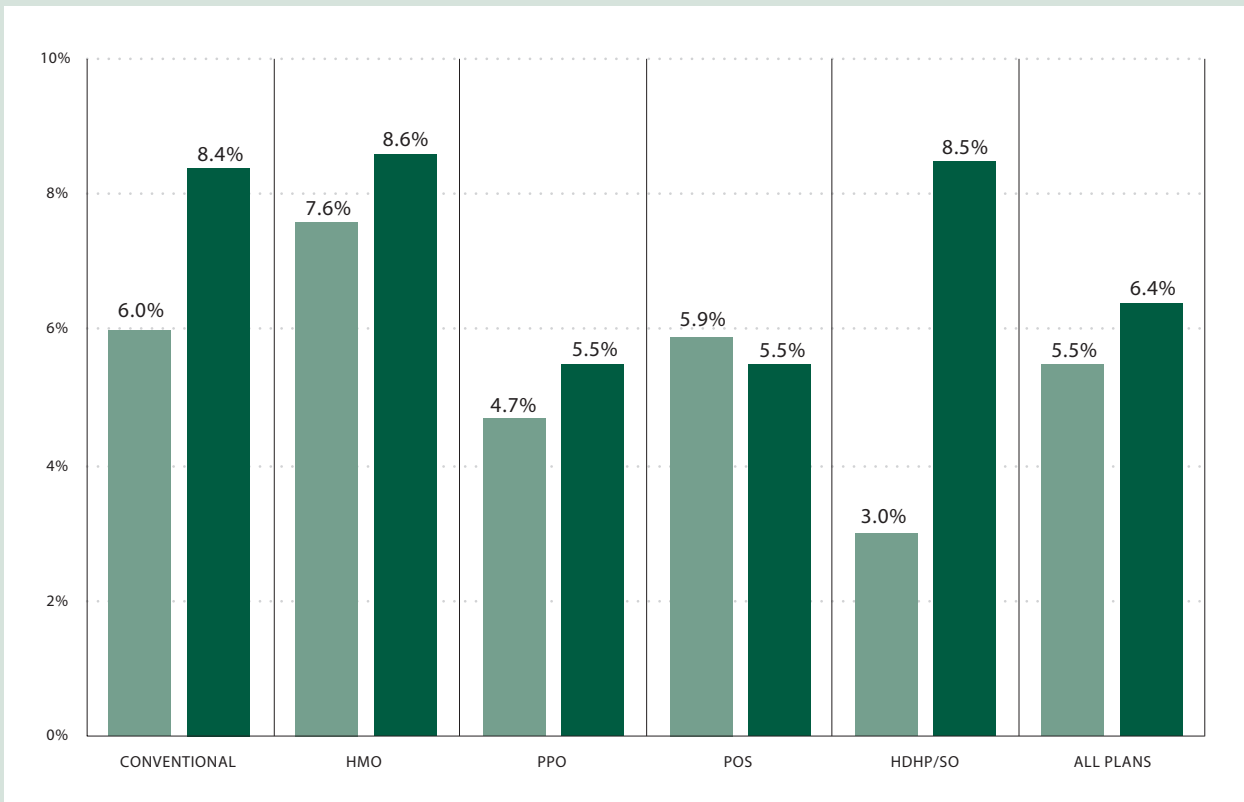
\* Distributions for All Small Firms and All Large Firms are statistically different (p<.05).

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

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

EXHIBIT 1.6

Average Percentage Increase in Health Insurance Premiums, by Firm Size and Plan Type, 2007\*



SOURCE:

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

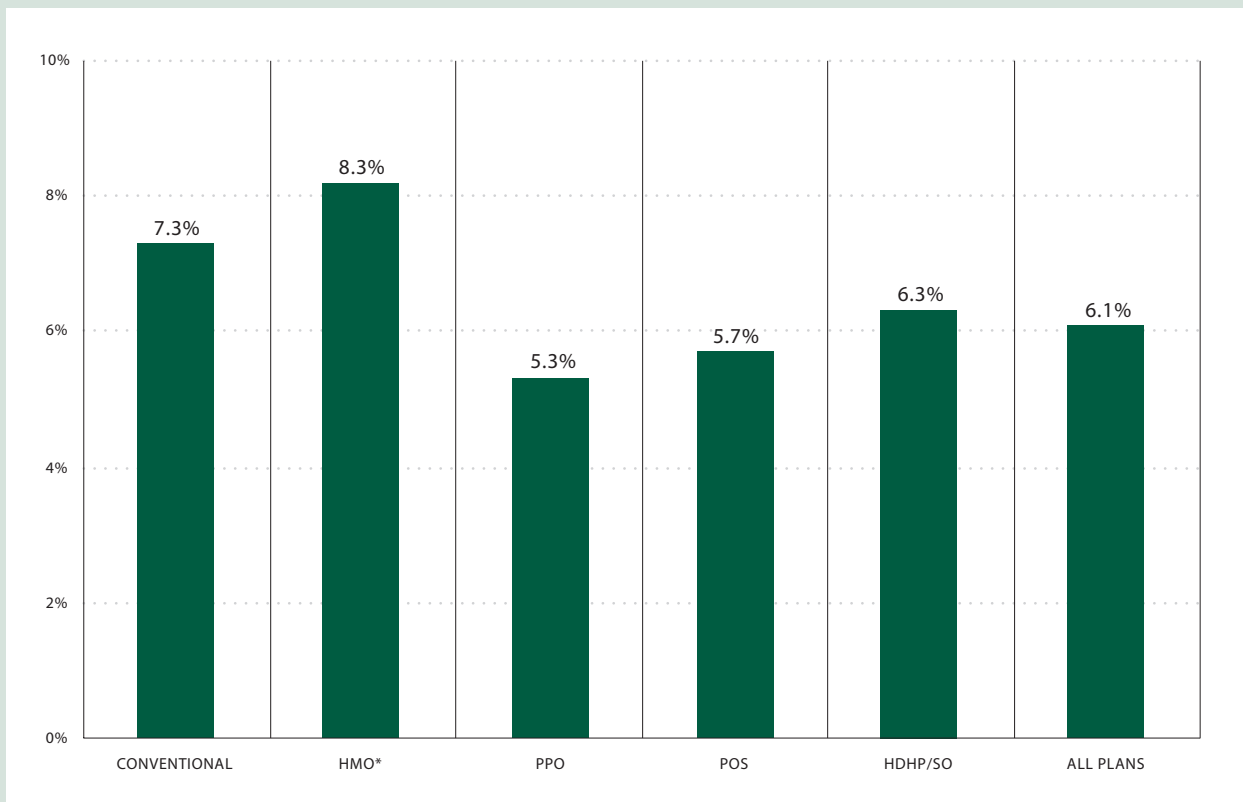
■ ALL SMALL FIRMS (3-199 WORKERS)  
■ ALL LARGE FIRMS (200 OR MORE WORKERS)

\* Tests found no statistical difference within plan type between All Small Firms and All Large Firms ( $p < .05$ ).

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

EXHIBIT 1.7

Average Percentage Increase in Health Insurance Premiums, by Plan Type, 2007



SOURCE:

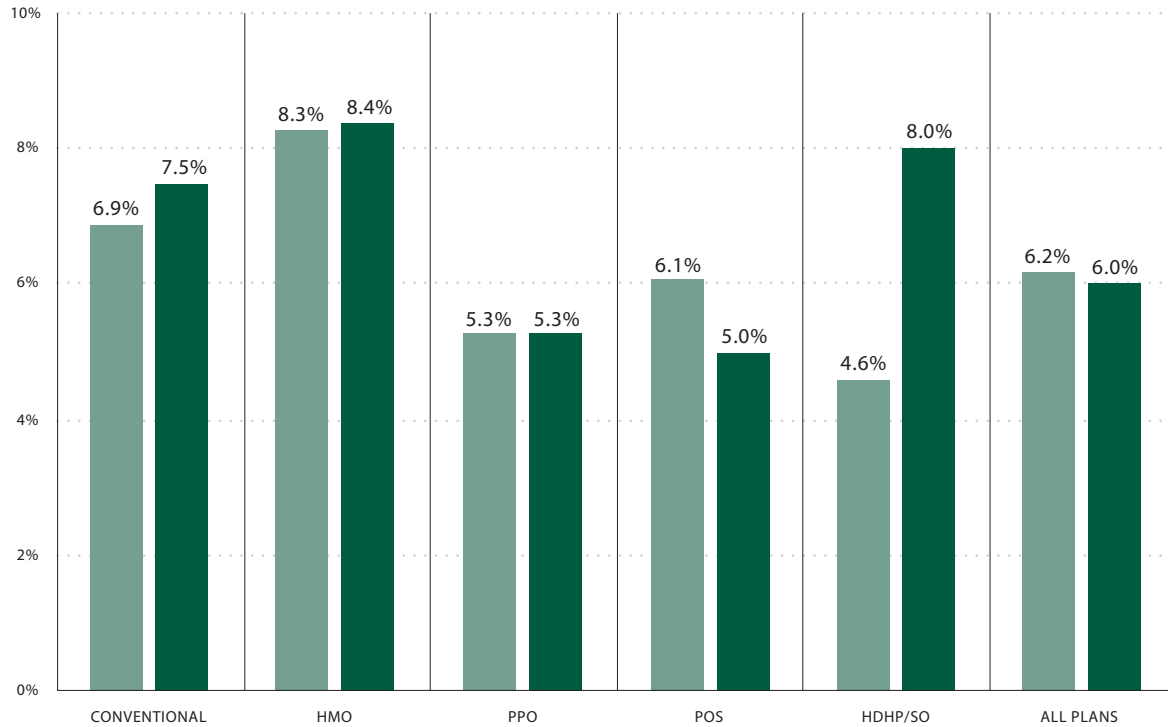
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\*Estimate is statistically different from All Plans estimate (p<.05).

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

EXHIBIT 1.8

Average Percentage Increase in Health Insurance Premiums, by Funding Arrangement and Plan Type, 2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

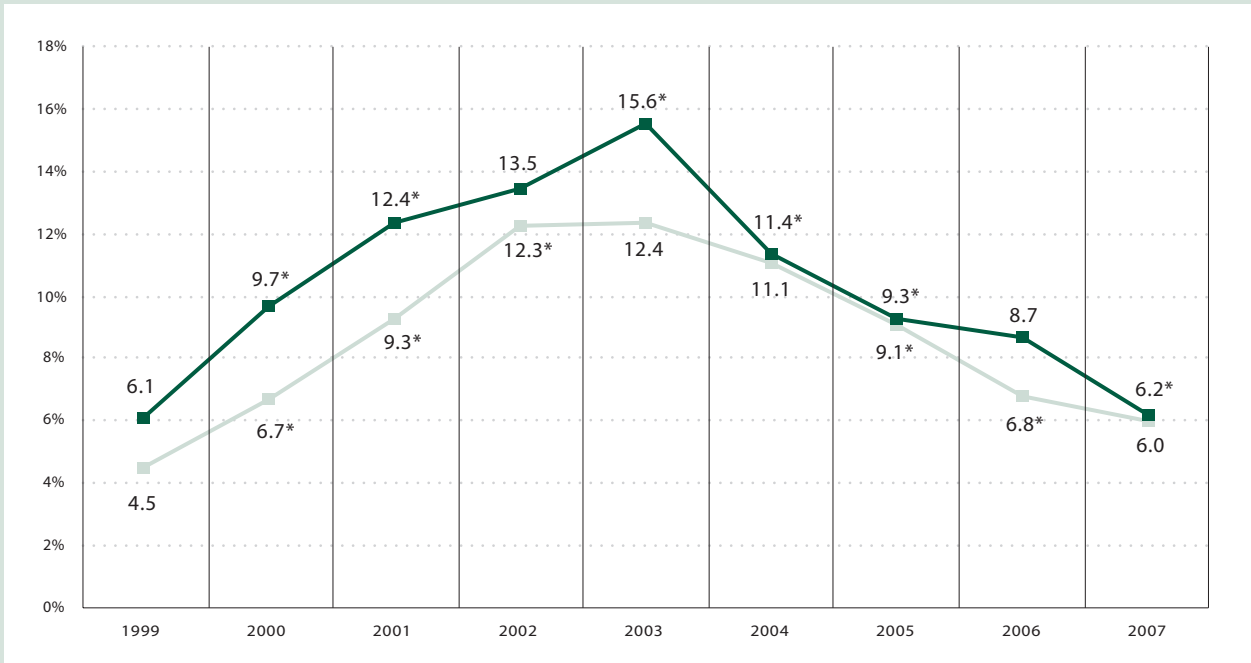
■ FULLY INSURED  
■ SELF-FUNDED

\*Tests found no statistical difference within plan type between Fully Insured and Self-Funded plans ( $p < .05$ ).

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

EXHIBIT 1.9

Average Percentage Increase in Health Insurance Premiums by Funding Arrangement, 1999–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

— FULLY INSURED  
— SELF-FUNDED

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers. For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10. Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in this figure for 2006.



## EXHIBIT 1.10

## Average Percentage Increase in Health Insurance Premiums, by Firm Size, Region, and Industry, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>FIRM SIZE</b>									
3–199 Workers	6.1%	10.0%*	12.8%*	13.5%	15.5%	11.5%*	9.8%	8.8%	5.5%*
200–999 Workers	5.0	8.1*	10.3*	12.4*	12.4	10.3	8.8	7.2	6.6
1,000–4,999 Workers	4.7	6.9*	9.1*	12.5*	14.1	10.7*	9.1	7.2*	6.2
5,000 or More Workers	5.0	7.1*	10.0*	12.7*	13.2	11.6	8.9*	6.9*	6.4
<b>REGION</b>									
Northeast	5.1%	8.8%*	10.9%*	12.8%*	13.7%	11.3%*	9.3%*	8.8%	6.2%*
Midwest	5.1	9.2*	11.8*	13.5	13.8	12.5	9.1*	7.1*	6.0
South	5.1	7.6*	10.5*	12.4*	12.9	9.9*	10.1	7.7*	6.3
West	6.4	7.3	10.4*	13.1*	16.3*	12.1*	7.9*	7.2	5.6
<b>INDUSTRY</b>									
Agriculture/Mining/ Construction	2.9%	10.8%*	11.6%	11.8%	15.1%	14.1%	9.5%*	8.1%	8.8%
Manufacturing	5.2	8.7*	10.6	12.0	14.9*	12.2*	12.4	6.9*	5.3
Transportation/ Communications/Utilities	5.0	7.3	9.3	12.4	13.7	12.0	8.7*	6.7	8.0
Wholesale	5.0	7.6	11.0	12.5	17.0	7.9*	10.3	8.5	6.9
Retail	6.6	8.8	10.3	13.5	13.0	12.4	8.7	6.4	5.0
Finance	7.8	7.9	11.0*	11.9	12.9	11.5	9.0	9.2	7.2
Service	6.0	7.7*	11.9*	14.0*	13.7	10.7*	8.5*	8.4	5.4*
State/Local Government	4.2	7.9*	9.6	13.2*	12.8	10.9	8.7*	7.6	6.6
Health Care	6.1	9.2*	11.1	11.6	14.3	10.6*	7.1*	6.2	5.8
<b>ALL PLANS</b>	<b>5.3%</b>	<b>8.2%*</b>	<b>10.9%*</b>	<b>12.9%*</b>	<b>13.9%</b>	<b>11.2%*</b>	<b>9.2%*</b>	<b>7.7%*</b>	<b>6.1%*</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

## EXHIBIT 1.11

## Average Monthly Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2007

	HMO	PPO	POS	HDHP/SO	ALL PLANS
Single Coverage	\$358	\$386	\$361	\$322*	\$373
Family Coverage	\$990	\$1,037	\$966	\$891*	\$1,009

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from All Plans estimate ( $p < .05$ ).

## EXHIBIT 1.12

## Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Firm Size, 2007\*

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>HMO</b>				
All Small Firms (3–199 Workers)	\$355	\$955	\$4,255	\$11,459
All Large Firms (200 or More Workers)	360	1,005	4,320	12,059
<b>ALL FIRM SIZES</b>	<b>\$358</b>	<b>\$990</b>	<b>\$4,299</b>	<b>\$11,879</b>
<b>PPO</b>				
All Small Firms (3–199 Workers)	\$407	\$1,018	\$4,881	\$12,219
All Large Firms (200 or More Workers)	379	1,044	4,546	12,525
<b>ALL FIRM SIZES</b>	<b>\$386</b>	<b>\$1,037</b>	<b>\$4,638</b>	<b>\$12,443</b>
<b>POS</b>				
All Small Firms (3–199 Workers)	\$363	\$989	\$4,358	\$11,871
All Large Firms (200 or More Workers)	359	936	4,310	11,237
<b>ALL FIRM SIZES</b>	<b>\$361</b>	<b>\$966</b>	<b>\$4,337</b>	<b>\$11,588</b>
<b>HDHP/SO</b>				
All Small Firms (3–199 Workers)	\$323	\$843	\$3,881	\$10,116
All Large Firms (200 or More Workers)	321	931	3,856	11,176
<b>ALL FIRM SIZES</b>	<b>\$322</b>	<b>\$891</b>	<b>\$3,869</b>	<b>\$10,693</b>
<b>ALL PLANS</b>				
All Small Firms (3–199 Workers)	\$379	\$986	\$4,553	\$11,835
All Large Firms (200 or More Workers)	370	1,019	4,442	12,233
<b>ALL FIRM SIZES</b>	<b>\$373</b>	<b>\$1,009</b>	<b>\$4,479</b>	<b>\$12,106</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 1.13

## Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Region, 2007

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>HMO</b>				
Northeast	\$368	\$1,006	\$4,416	\$12,069
Midwest	379	1,022	4,543	12,261
South	341	980	4,087	11,766
West	357	969	4,284	11,628
<b>ALL REGIONS</b>	<b>\$358</b>	<b>\$990</b>	<b>\$4,299</b>	<b>\$11,879</b>
<b>PPO</b>				
Northeast	\$383	\$1,074	\$4,590	\$12,884
Midwest	381	1,034	4,567	12,410
South	364	1,002*	4,370	12,027*
West	450	1,075	5,403	12,900
<b>ALL REGIONS</b>	<b>\$386</b>	<b>\$1,037</b>	<b>\$4,638</b>	<b>\$12,443</b>
<b>POS</b>				
Northeast	\$381	\$1,043	\$4,570	\$12,521
Midwest	399	1,024	4,789	12,289
South	339	947	4,069	11,359
West	347	901	4,166	10,818
<b>ALL REGIONS</b>	<b>\$361</b>	<b>\$966</b>	<b>\$4,337</b>	<b>\$11,588</b>
<b>HDHP/SO</b>				
Northeast	\$308	\$892	\$3,691	\$10,698
Midwest	284*	839	3,414*	10,065
South	351	885	4,212	10,614
West	340	964	4,077	11,567
<b>ALL REGIONS</b>	<b>\$322</b>	<b>\$891</b>	<b>\$3,869</b>	<b>\$10,693</b>
<b>ALL PLANS</b>				
Northeast	\$375	\$1,045*	\$4,504	\$12,544*
Midwest	376	1,018	4,511	12,222
South	356*	985	4,275*	11,818
West	395	1,002	4,742	12,030
<b>ALL REGIONS</b>	<b>\$373</b>	<b>\$1,009</b>	<b>\$4,479</b>	<b>\$12,106</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different within plan type from estimate for all firms not in the indicated region (p&lt;.05).

## EXHIBIT 1.14

## Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2007

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>HMO</b>				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$339	\$947	\$4,073	\$11,370
Transportation/Communications/ Utilities	338	1,000	4,050	12,005
Wholesale	NSD	NSD	NSD	NSD
Retail	335	853*	4,018	10,237*
Finance	343	998	4,117	11,973
Service	372	1,030	4,463	12,365
State/Local Government	383	996	4,591	11,948
Health Care	376	1,018	4,510	12,214
<b>ALL INDUSTRIES</b>	<b>\$358</b>	<b>\$990</b>	<b>\$4,299</b>	<b>\$11,879</b>
<b>PPO</b>				
Agriculture/Mining/Construction	\$351	\$961	\$4,215	\$11,533
Manufacturing	348*	972*	4,175*	11,664*
Transportation/Communications/ Utilities	517	1,079	6,203	12,953
Wholesale	366	1,094	4,394	13,127
Retail	321*	909*	3,857*	10,910*
Finance	363	1,006	4,353	12,067
Service	378	1,052	4,542	12,626
State/Local Government	423	1,028	5,081	12,335
Health Care	425*	1,180*	5,099*	14,158*
<b>ALL INDUSTRIES</b>	<b>\$386</b>	<b>\$1,037</b>	<b>\$4,638</b>	<b>\$12,443</b>
<b>POS</b>				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$342	\$930	\$4,109	\$11,154
Transportation/Communications/ Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	364	1,000	4,366	12,001
State/Local Government	405	994	4,863	11,934
Health Care	351	897	4,211	10,762
<b>ALL INDUSTRIES</b>	<b>\$361</b>	<b>\$966</b>	<b>\$4,337</b>	<b>\$11,588</b>

Continued on next page

## EXHIBIT 1.14 Continued from previous page

## Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2007

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>HDHP/SO</b>				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$277*	\$767*	\$3,325*	\$9,199*
Transportation/Communications/ Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	316	905	3,797	10,857
Service	357	897	4,286	10,768
State/Local Government	NSD	NSD	NSD	NSD
Health Care	NSD	NSD	NSD	NSD
<b>ALL INDUSTRIES</b>	<b>\$322</b>	<b>\$891</b>	<b>\$3,869</b>	<b>\$10,693</b>
<b>ALL PLANS</b>				
Agriculture/Mining/Construction	\$338*	\$946	\$4,060*	\$11,350
Manufacturing	341*	950*	4,094*	11,401*
Transportation/Communications/ Utilities	442	1,053	5,307	12,638
Wholesale	352	1,015	4,225	12,181
Retail	341*	904*	4,093*	10,853*
Finance	356	999	4,270	11,987
Service	374	1,032	4,485	12,389
State/Local Government	406*	1,011	4,877*	12,138
Health Care	401*	1,103*	4,817*	13,232*
<b>ALL INDUSTRIES</b>	<b>\$373</b>	<b>\$1,009</b>	<b>\$4,479</b>	<b>\$12,106</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

NSD: Not Sufficient Data.

## EXHIBIT 1.15

## Distribution of Single and Family Average Monthly Premiums for Covered Workers, 2001–2007

	2001	2002*	2003*	2004*	2005*	2006*	2007*
<b>Single Premiums (\$)</b>							
\$0 to \$200	36%	19%	10%	6%	5%	3%	2%
201 to 250	41	36	22	16	8	7	5
251 to 300	14	27	38	29	21	18	17
301 to 350	4	11	19	29	30	28	23
351 to 400	2	3	7	12	21	22	24
More than \$400	2	5	5	8	15	22	28

	2001	2002*	2003*	2004*	2005*	2006*	2007*
<b>Family Premiums (\$)</b>							
\$0 to \$550	38%	19%	10%	5%	5%	3%	2%
551 to 700	47	44	25	16	8	8	7
701 to 850	11	26	42	34	27	20	15
851 to 1,000	3	8	17	31	34	32	29
1,001 to 1,150	1	2	4	9	16	22	21
More than \$1,150	<1	1	2	4	11	16	25

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2007.

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

EMPLOYER HEALTH BENEFITS

2007 ANNUAL SURVEY

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Health  
Benefits  
Offer Rates

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SECTION

2

## HEALTH BENEFITS OFFER RATES

THE PERCENTAGE OF FIRMS OFFERING HEALTH BENEFITS IN 2007 IS NOT SIGNIFICANTLY DIFFERENT FROM THE PERCENTAGE IN 2006. NEARLY ALL LARGE FIRMS (200 OR MORE WORKERS) OFFER HEALTH BENEFITS WHILE SMALL FIRMS (3–199 WORKERS) ARE SIGNIFICANTLY LESS LIKELY TO DO SO.

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

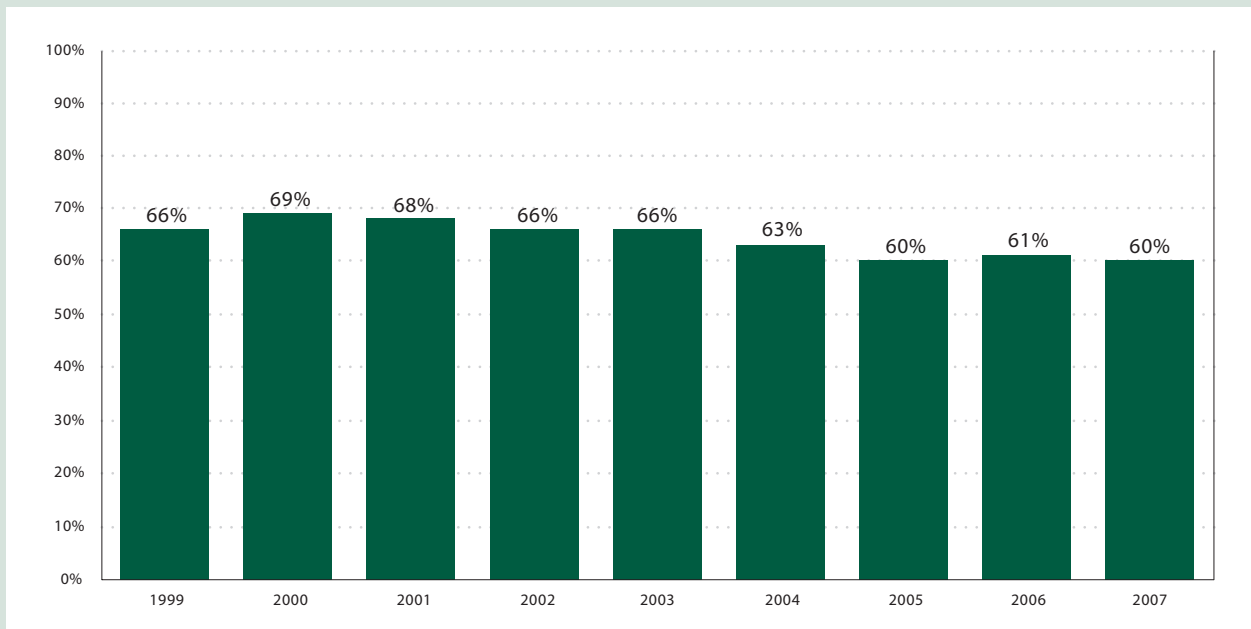
- ▶ In 2007, 60% of firms offer health benefits, similar to the 61% reported in 2006, but down from 69% in 2000 (Exhibit 2.1). Small firms (3–199 workers) make up about 97% of employers in America, and this decline in the overall offer rate has been driven largely by a drop in the percentage of small firms that offer coverage.
  - Ninety-nine percent of large firms (200 or more workers) offer health benefits in 2007, statistically unchanged from 2006 (Exhibit 2.2). In contrast, only 59% of small firms (3–199 workers) offer health benefits in 2007. This is similar to the offer rate among all small firms in 2006, but represents a drop in the offer rate for small firms from 68% in 2000. For large firms (200 or more workers), the offer rate has not dropped below 98% over the same time period.
- ▶ The likelihood that a firm offers health benefits to its workers varies considerably with the firm's characteristics, such as firm size, the proportion of lower-wage workers, the proportion of part-time workers in the firm, and whether workers are unionized.
  - The smallest firms are least likely to offer health insurance. Only 45% of firms with 3 to 9 workers offer coverage, compared with 76% of firms with 10 to 24 workers, and 83% of firms with 25 to 49 workers (Exhibit 2.3). Over 95% of firms with 50 or more employees offer health insurance coverage.
  - Firms with fewer lower-wage workers (where less than 35% of workers earn \$21,000 or less annually) are significantly more likely to offer health insurance than firms with many lower-wage workers (where 35% or more of workers earn \$21,000 or less annually). Sixty-seven percent of firms with fewer lower-wage employees offer health benefits, compared with 36% of firms with a higher proportion of lower-wage workers (Exhibit 2.4).
  - Firms with fewer part-time workers (where less than 35% of employees work part-time) are also significantly more likely to offer coverage to their workers than firms with many part-time workers. Among firms with fewer part-time workers, 71% offer health insurance, compared to 30% of firms with a higher percentage of part-time workers (Exhibit 2.4).
  - Firms that employ at least some union workers are much more likely than firms without union workers to offer health benefits to their employees. Ninety-nine percent of firms with union workers offer health benefits, whereas 57% of firms that do not have union employees offer health coverage (Exhibit 2.4).
  - Firms with a relatively small share of younger workers (less than 35% are age 26 or younger) are significantly more likely to offer health benefits than firms with a higher percentage of younger workers (63% vs. 35%) (Exhibit 2.4).



- ▶ Among firms offering health benefits, relatively few offer benefits to their part-time and temporary workers, and a somewhat higher percentage offer them to unmarried same-sex or opposite-sex domestic partners.
    - In 2007, 24% of all firms that offer health benefits offer them to part-time workers. Firms with 200 or more workers are more likely to offer health benefits to part-time employees than firms with 3 to 199 workers (43% vs. 23%) (Exhibit 2.5).
    - A very small percentage (2%) of firms offering health benefits offer them to temporary workers (Exhibit 2.6).
    - Over one-third (37%) of firms offering health benefits offer them to unmarried same-sex domestic partners (Exhibit 2.7), and 47% offer them to unmarried opposite-sex domestic partners. Small firms (3–199 workers) are significantly more likely than large firms (200 or more workers) to offer health benefits to opposite-sex domestic partners, at 47% versus 28%.
- FIRMS NOT OFFERING HEALTH BENEFITS**
- ▶ The survey asks firms that do not offer health benefits about their reasons for not offering, if they have offered or shopped for health insurance in the recent past, and if they think employees prefer higher wages or benefits. Because less than one percent of large firms (200 or more workers) report not offering health benefits, we present the following information in terms of employers with 3 to 199 workers, 59% of whom offer health benefits.
    - ▶ Despite a slowing of health insurance cost growth in recent years, the cost of health insurance remains the main reason cited by firms for not offering health benefits.
      - Among firms not offering health benefits, 72% cite high premiums as a “very important” reason for not doing so. Other factors frequently cited by firms as “very important” reasons for not offering coverage include: firm is too small (61%) and employees are covered elsewhere (40%) (Exhibit 2.8).
    - ▶ Many non-offering firms have either offered health benefits in the past five years, or shopped for coverage recently.
      - Twenty-three percent of non-offering firms have offered health benefits in the past five years, while 39% have shopped for coverage in the past twelve months. The likelihood of shopping increases from 38% of firms with between 3 and 24 workers, to 72% of firms with 25 to 199 workers (Exhibit 2.9).
    - ▶ Over two-thirds of non-offering firms (71%) believe that employees would rather get an additional \$2 per hour in the form of higher wages (approximately the cost of health insurance per worker), as opposed to health insurance (Exhibit 2.10).

EXHIBIT 2.1

Percentage of Firms Offering Health Benefits, 1999–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

EXHIBIT 2.2

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%	45%
10–24 Workers	74	80	77	70*	76	74	72	73	76
25–49 Workers	86	91	90	86	84	87	87	87	83
50–199 Workers	97	97	96	95	95	92	93	92	94
<b>All Small Firms (3–199 Workers)</b>	<b>65%</b>	<b>68%</b>	<b>68%</b>	<b>66%</b>	<b>65%</b>	<b>63%</b>	<b>59%</b>	<b>60%</b>	<b>59%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>99%</b>	<b>99%</b>	<b>99%</b>	<b>98%</b>	<b>98%</b>	<b>99%</b>	<b>98%</b>	<b>98%</b>	<b>99%</b>
<b>ALL FIRMS</b>	<b>66%</b>	<b>69%</b>	<b>68%</b>	<b>66%</b>	<b>66%</b>	<b>63%</b>	<b>60%</b>	<b>61%</b>	<b>60%</b>

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

## EXHIBIT 2.3

## Percentage of Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2007

	Percentage of Firms Offering Health Benefits
<b>FIRM SIZE</b>	
3–9 Workers	45%*
10–24 Workers	76*
25–49 Workers	83*
50–199 Workers	94*
200–999 Workers	99*
1,000–4,999 Workers	100*
5,000 or More Workers	100*
<b>All Small Firms (3–199 Workers)</b>	<b>59%*</b>
<b>All Large Firms (200 or More Workers)</b>	<b>99%*</b>
<b>REGION</b>	
Northeast	69%
Midwest	60
South	52*
West	63
<b>INDUSTRY</b>	
Agriculture/Mining/Construction	59%
Manufacturing	78*
Transportation/Communications/Utilities	64
Wholesale	68
Retail	38*
Finance	64
Service	59
State/Local Government	90*
Health Care	69
<b>ALL FIRMS</b>	<b>60%</b>

## SOURCE:

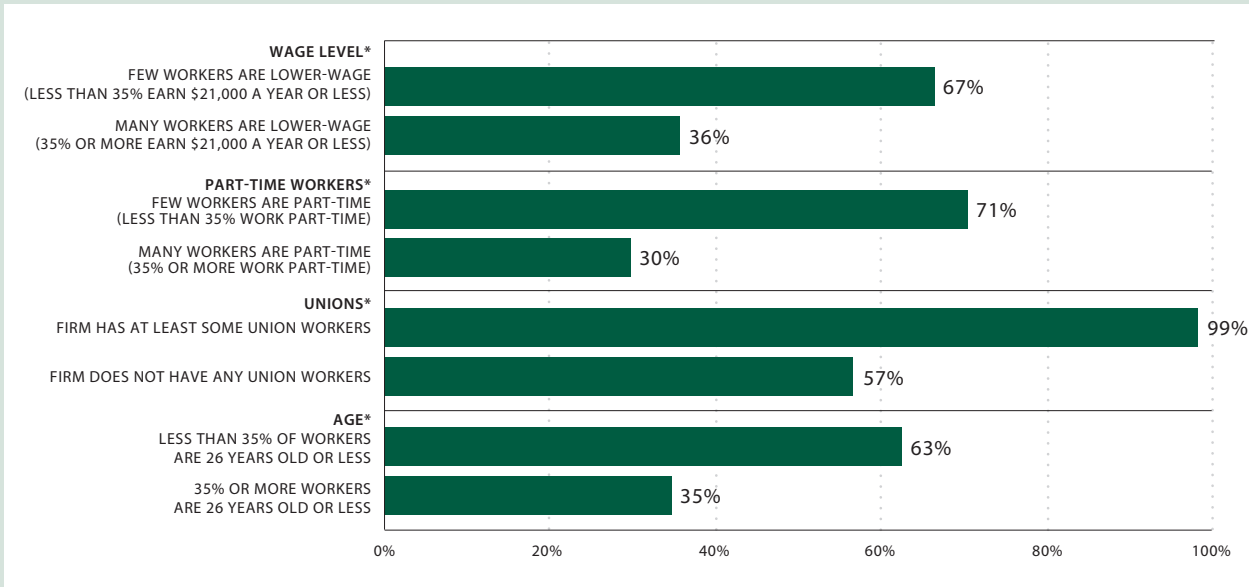
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

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

EXHIBIT 2.4

Percentage of Firms Offering Health Benefits, by Firm Characteristics, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category (p<.05).

EXHIBIT 2.5

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Part-Time Workers, by Firm Size, 1999–2007\*

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>FIRM SIZE</b>									
3–24 Workers	19%	21%	17%	21%	24%	20%	27%	30%	23%
25–199 Workers	26	25	31	29	29	29	29	28	26
200–999 Workers	36	33	42	43	38	41	33	40	37
1,000–4,999 Workers	53	48	55	60	57	50	46	55	54
5,000 or More Workers	61	52	60	58	57	59	61	63	63
<b>ALL FIRMS</b>	<b>21%</b>	<b>23%</b>	<b>21%</b>	<b>24%</b>	<b>26%</b>	<b>23%</b>	<b>28%</b>	<b>31%</b>	<b>24%</b>

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

\* Tests found no statistical difference from estimate for the previous year shown (p<.05).

## EXHIBIT 2.6

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Temporary Workers, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>FIRM SIZE</b>									
3–24 Workers	5%	2%	4%	3%	1%	4%	2%	3%	2%
25–199 Workers	3	7	3	4	3	3	5	4	4
200–999 Workers	3	8	6	5	9	8	5	5	7
1,000–4,999 Workers	6	8	9	8	7	6	5	9	9
5,000 or More Workers	8	9	7	7	10	7	9	11	6*
<b>ALL FIRMS</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

## EXHIBIT 2.7

Among Firms Offering Health Benefits, Percentage of Employers Offering Health Benefits to Domestic Partners, by Firm Size, Region, and Industry, 2007

	Offer to Unmarried Opposite-Sex Domestic Partners	Offer to Unmarried Same-Sex Domestic Partners
<b>FIRM SIZE</b>		
3–24 Workers	52%*	40%
25–49 Workers	33*	27
50–199 Workers	32*	28
200–999 Workers	27*	29
1,000–4,999 Workers	31*	34
5,000 or More Workers	29*	42
<b>All Small Firms (3–199 Workers)</b>	<b>47%*</b>	<b>37%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>28%*</b>	<b>31%</b>
<b>REGION</b>		
Northeast	56%	49%
Midwest	44	18*
South	31*	33
West	61	48
<b>INDUSTRY</b>		
Agriculture/Mining/Construction	24%*	7%*
Manufacturing	49	26
Transportation/Communications/Utilities	71	63
Wholesale	63	62
Retail	52	43
Finance	49	50
Service	44	35
State/Local Government	35	28
Health Care	57	42
<b>ALL FIRMS</b>	<b>47%</b>	<b>37%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

**EXHIBIT 2.8**

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Reasons for Not Offering, 2007

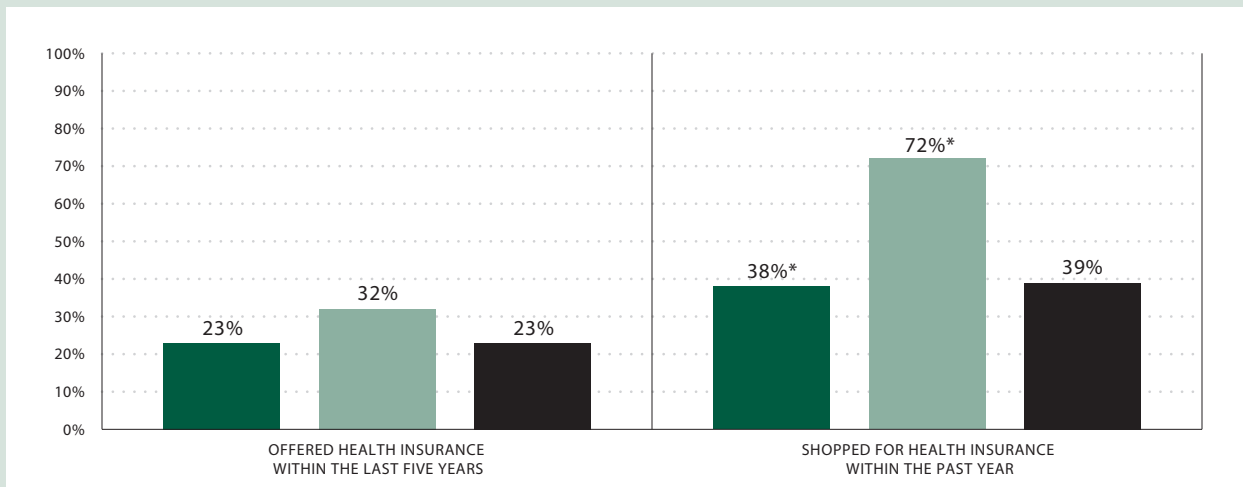
	Very Important	Somewhat Important	Not Too Important	Not At All Important	Don't Know
High Premiums	72%	7%	5%	10%	6%
Firm Is Too Small	61	15	2	22	0
Employees Covered Elsewhere	40	28	4	25	3
Obtain Good Employees Without Offering A Health Plan	26	31	13	30	1
Firm Too Newly Established	15	10	9	65	1
High Turnover	13	20	21	45	1
Administrative Hassle	13	24	18	43	2
Firm Has Seriously Ill Employee	2	5	2	90	1

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

**EXHIBIT 2.9**

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Percentage That Offered Insurance Within the Last Five Years or Shopped for Insurance Within the Past Year, 2007



SOURCE:

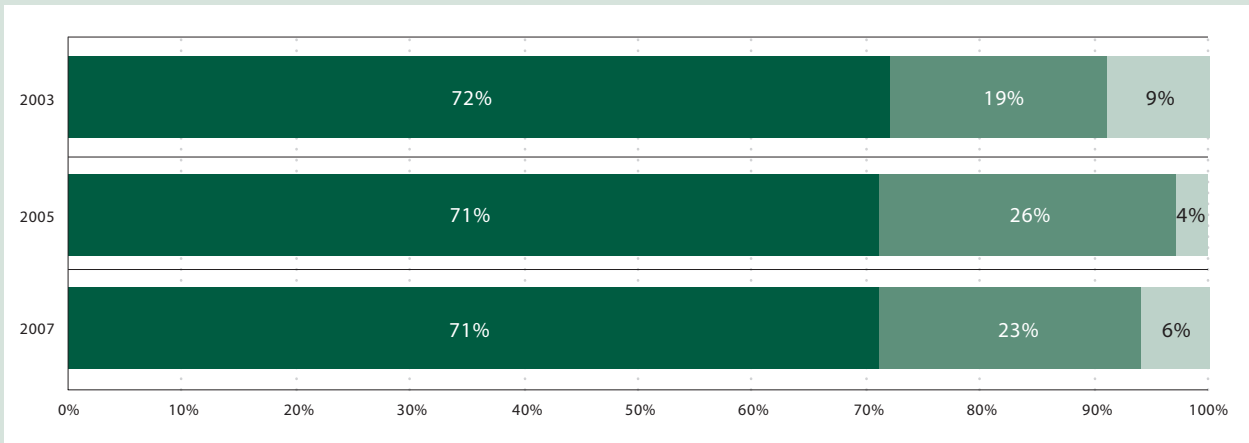
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from estimate for firms not in the indicated size category (p<.05).

■ 3-24 WORKERS  
■ 25-199 WORKERS  
■ ALL SMALL FIRMS (3-199 WORKERS)

EXHIBIT 2.10

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Employer Beliefs About Employees’ Preferences for Higher Wages or Health Insurance Benefits, 2003–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003–2007.

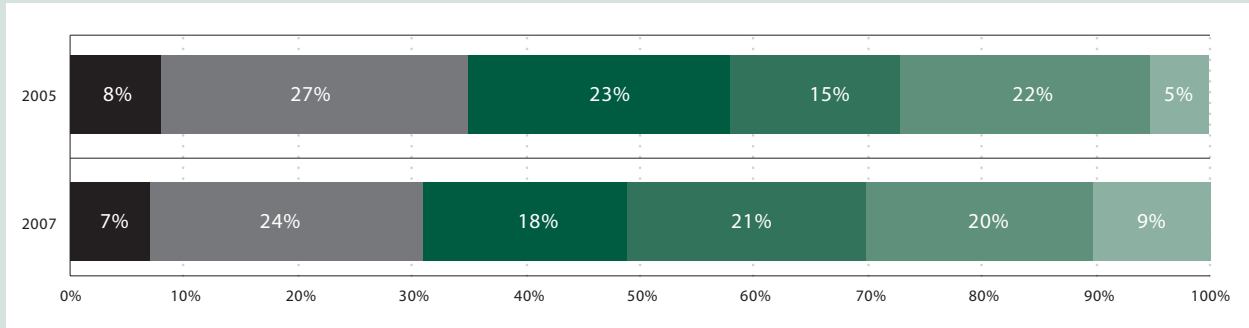
\*Tests found no statistical difference from distribution for previous year shown ( $p < .05$ ).

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



EXHIBIT 2.11

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Distribution of Firms by the Amount They Believe the Total Cost of Health Insurance for One Employee Would Cost per Employee per Month if They Offered the Benefit, 2005–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

\*Tests found no statistical difference from distribution for previous year shown ( $p < .05$ ).

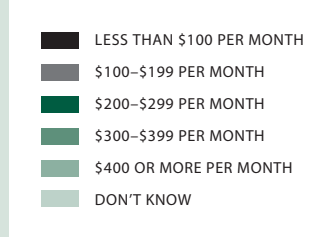
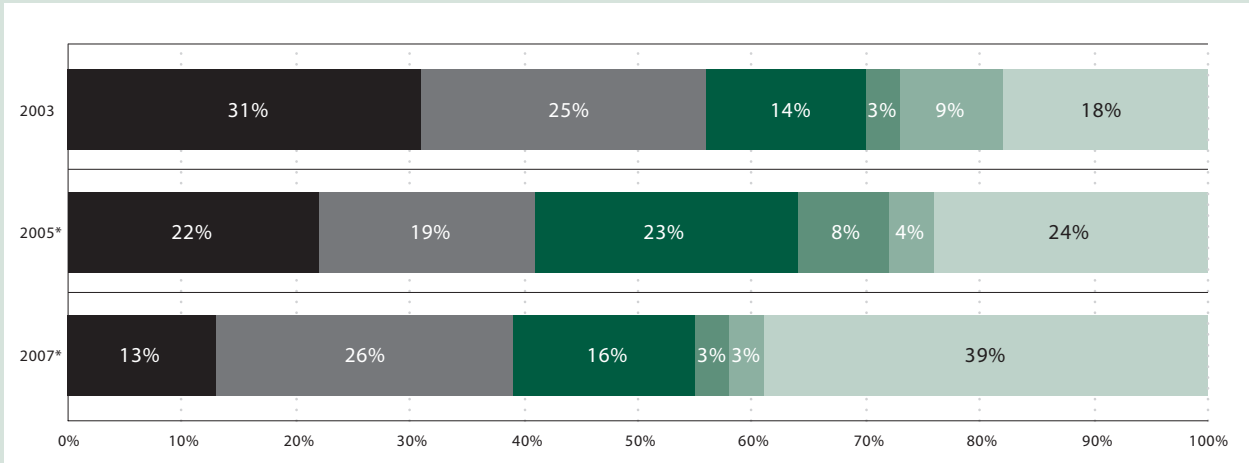


EXHIBIT 2.12

Among Small Firms (3–199 Workers) Not Offering Benefits, Distribution of Firms by the Amount They Believe They Could Afford to Pay for Health Insurance Coverage for an Employee with Single Coverage, 2003–2007



SOURCE:

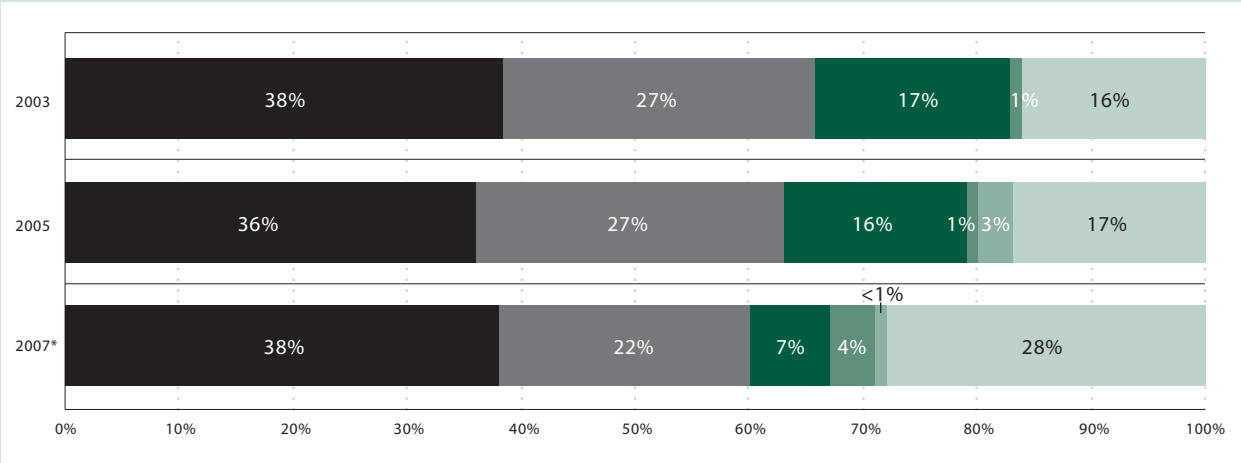
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003–2007.

\* Distribution is statistically different from distribution for previous year shown ( $p < .05$ ).

- LESS THAN \$100 PER MONTH
- \$100–\$199 PER MONTH
- \$200–\$299 PER MONTH
- \$300–\$399 PER MONTH
- \$400 OR MORE PER MONTH
- DON'T KNOW

EXHIBIT 2.13

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Distribution of Firms by the Amounts They Believe Their Employees Could Afford to Pay for Individual Health Insurance Coverage, 2003–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003–2007.

\* Distribution is statistically different from distribution for previous year shown ( $p < .05$ ).

- LESS THAN \$100 PER MONTH
- \$100–\$199 PER MONTH
- \$200–\$299 PER MONTH
- \$300–\$399 PER MONTH
- \$400 OR MORE PER MONTH
- DON'T KNOW



EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Employee  
Coverage,  
Eligibility, and  
Participation

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SECTION

3

## EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRINCIPAL SOURCE OF HEALTH INSURANCE IN THE UNITED STATES, PROVIDING HEALTH BENEFITS FOR ABOUT 158 MILLION NONELDERLY PEOPLE IN AMERICA.<sup>1</sup> IN FIRMS THAT BOTH OFFER AND DO NOT OFFER HEALTH BENEFITS, 59% OF WORKERS ARE COVERED BY HEALTH BENEFITS OFFERED BY THEIR FIRM. MOST WORKERS ARE OFFERED HEALTH COVERAGE AT WORK, AND THE VAST MAJORITY OF WORKERS WHO ARE OFFERED COVERAGE TAKE IT. WORKERS MAY NOT BE COVERED BY THEIR OWN EMPLOYER FOR SEVERAL REASONS: THEIR EMPLOYER MAY NOT OFFER COVERAGE, THEY MAY BE INELIGIBLE FOR BENEFITS OFFERED BY THEIR FIRM, THEY MAY CHOOSE TO ELECT COVERAGE THROUGH THEIR SPOUSE'S EMPLOYER, OR THEY MAY REFUSE AN OFFER OF COVERAGE FROM THEIR FIRM.

- ▶ Fifty-nine percent of workers in firms both offering and not offering health benefits are covered by health benefits offered by their own employer (Exhibit 3.1). Looking only at workers in firms that offer health benefits, 65% percent are covered by health benefits offered by their own employer (Exhibit 3.2). The rate of coverage varies by certain characteristics of the firm, such as firm size, industry, and the percentage of part-time and low-wage employees.
  - There is significant variation in the coverage rate across industry groups. Forty-four percent of workers in retail firms are covered by health benefits offered by their firm, compared to 80% of workers in state and local government, and 79% of workers in the manufacturing industry (Exhibit 3.2).
  - Among workers in firms offering health benefits, those in firms with relatively few part-time workers (where fewer than 35% of workers are part-time) are much more likely to be covered by their own firm than workers in firms with a greater percentage of part-time workers. Seventy-two percent of workers in firms with relatively few part-time workers are covered by their own employer, compared to 38% in firms with higher percentages of part-time workers (Exhibit 3.5).
  - Also, among workers in firms offering health benefits, those in firms with fewer lower-wage workers (where fewer than 35% of workers earn \$21,000 or less annually) are more likely to be covered by their own firm than workers in firms with many lower-wage workers (where 35% or more of workers earn \$21,000 or less annually). Sixty-nine percent of workers in higher wage firms are covered by their own employer, compared to 46% of workers in lower wage firms (Exhibit 3.5).
- ▶ Even in firms that offer coverage, not all employees are eligible for the health benefits offered by their firm. Additionally, not all eligible employees who are offered health coverage take the offer of coverage. The number of workers covered is a product of both the percentage of workers who are actually eligible for the firm's health insurance and the percentage who choose to "take up" (i.e., elect to participate in) the benefit.
  - Seventy-nine percent of workers in firms offering health benefits are eligible for the coverage offered by their employer in 2007, similar to the percentage (78%) reported last year (Exhibit 3.6). The average rates of eligibility are significantly higher in firms with 3 to 24 workers (83%), firms with 25 to 49 workers (84%), and firms with 1,000 to 4,999 workers (82%) than the eligibility rates in firms of other sizes (Exhibit 3.2).

### NOTE:

<sup>1</sup> Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America, 2005 Data Update*, May 2007.

- Employees who are offered coverage through their employer generally elect to take the offer. Eighty-two percent of eligible workers take up coverage when it is offered to them, the same percentage as last year (Exhibit 3.6).
- The likelihood of a worker accepting a firm's offer of coverage varies by firm wage level. Eligible employees in firms with a lower proportion of lower-wage workers (firms where fewer than 35% of workers earn \$21,000 or less annually) are more likely to take up coverage (85%) than eligible employees in firms with a higher proportion of lower-wage workers (where 35% or more of workers earn \$21,000 or less annually) (70%) (Exhibit 3.4).
- ▶ Seventy-five percent of covered workers face a waiting period before coverage is available. Covered workers in the Northeast are less likely (64%) and covered workers in the West are more likely (85%) than workers in other regions to face a waiting period before coverage becomes effective. Covered workers in retail firms are much more likely (94%) than workers in other industries to face a waiting period. The average waiting period among covered workers who face a waiting period is 2.2 months (Exhibit 3.7).

## EXHIBIT 3.1

Percentage of All Workers Covered by Their Employers' Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999–2007\*

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>FIRM SIZE</b>									
3–24 Workers	50%	50%	49%	45%	44%	43%	41%	45%	42%
25–49 Workers	56	63	62	57	59	56	55	55	51
50–199 Workers	61	62	67	64	61	56	59	62	59
200–999 Workers	69	69	71	69	68	69	65	66	65
1,000–4,999 Workers	68	68	69	70	69	68	69	68	69
5,000 or More Workers	64	66	69	68	68	67	66	60	63
<b>All Small Firms (3–199 Workers)</b>	<b>55%</b>	<b>57%</b>	<b>58%</b>	<b>54%</b>	<b>53%</b>	<b>50%</b>	<b>50%</b>	<b>53%</b>	<b>50%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>66%</b>	<b>67%</b>	<b>69%</b>	<b>69%</b>	<b>68%</b>	<b>68%</b>	<b>66%</b>	<b>63%</b>	<b>65%</b>
<b>ALL FIRMS</b>	<b>62%</b>	<b>63%</b>	<b>65%</b>	<b>63%</b>	<b>62%</b>	<b>61%</b>	<b>60%</b>	<b>59%</b>	<b>59%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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



## EXHIBIT 3.2

## Eligibility, Take-Up Rate, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2007

	Percentage of Workers Eligible For Health Benefits Offered By Their Employer	Percentage of Eligible Workers Who Participate in Their Employers' Plan (Take-Up Rate)	Percentage of Workers Covered by Their Employers' Health Benefits
<b>FIRM SIZE</b>			
3–24 Workers	83%*	81%	67%
25–49 Workers	84*	75*	63
50–199 Workers	76	83	63
200–999 Workers	77	84*	66
1,000–4,999 Workers	82*	84*	69*
5,000 or More Workers	76	81	63
<b>All Small Firms (3–199 Workers)</b>	<b>80%</b>	<b>81%</b>	<b>64%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>78%</b>	<b>83%</b>	<b>65%</b>
<b>REGION</b>			
Northeast	79%	80%	64%
Midwest	78	82	65
South	79	81	65
West	78	85*	66
<b>INDUSTRY</b>			
Agriculture/Mining/Construction	75%	78%	56%*
Manufacturing	92*	85*	79*
Transportation/Communications/Utilities	84	90*	76*
Wholesale	79	81	64
Retail	57*	76*	44*
Finance	90*	83	75*
Service	77	79*	61*
State/Local Government	87*	92*	80*
Health Care	77	84	64
<b>ALL FIRMS</b>	<b>79%</b>	<b>82%</b>	<b>65%</b>

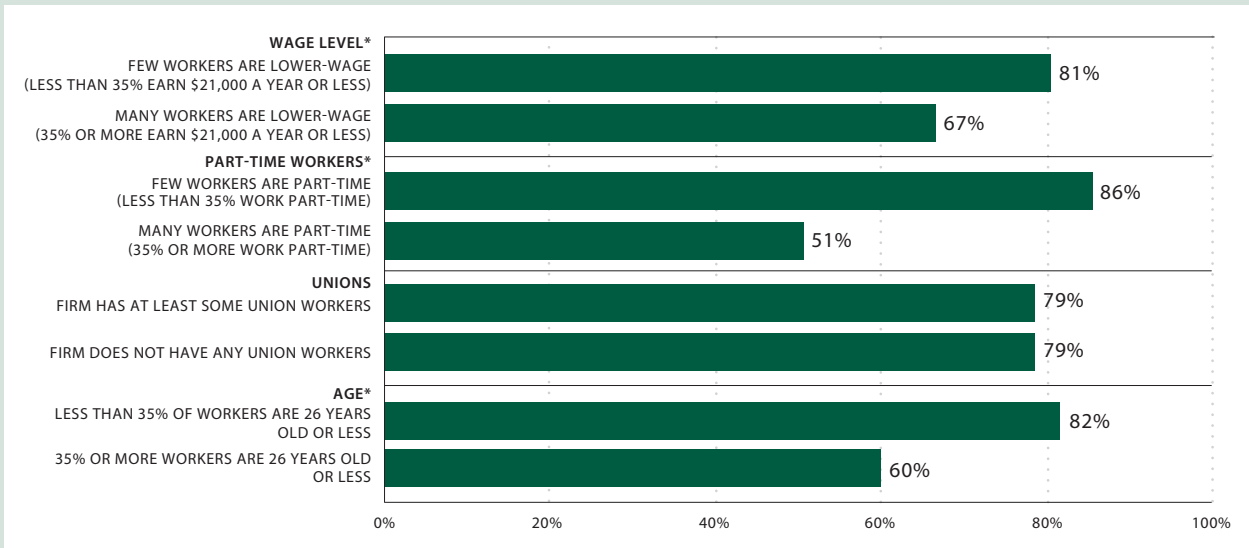
## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

EXHIBIT 3.3

Among Workers in Firms Offering Health Benefits, Percentage of Workers Eligible for Health Benefits Offered by Their Firm, by Firm Characteristics, 2007



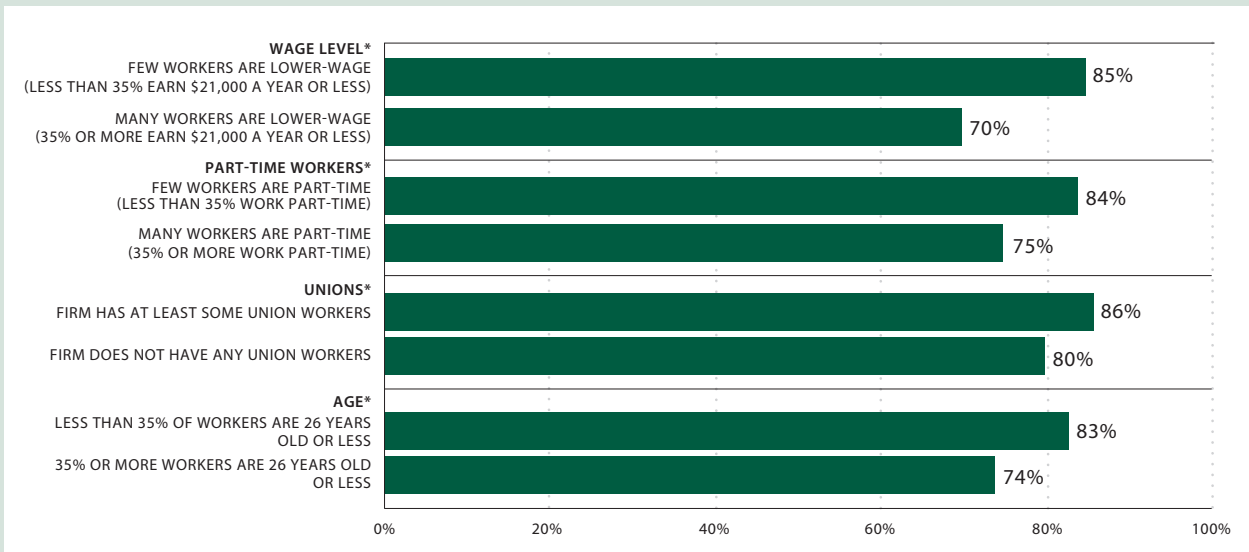
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category (p<.05).

EXHIBIT 3.4

Among Workers in Firms Offering Health Benefits, Percentage of Workers That Take Up Health Benefits Offered by Their Firm, by Firm Characteristics, 2007



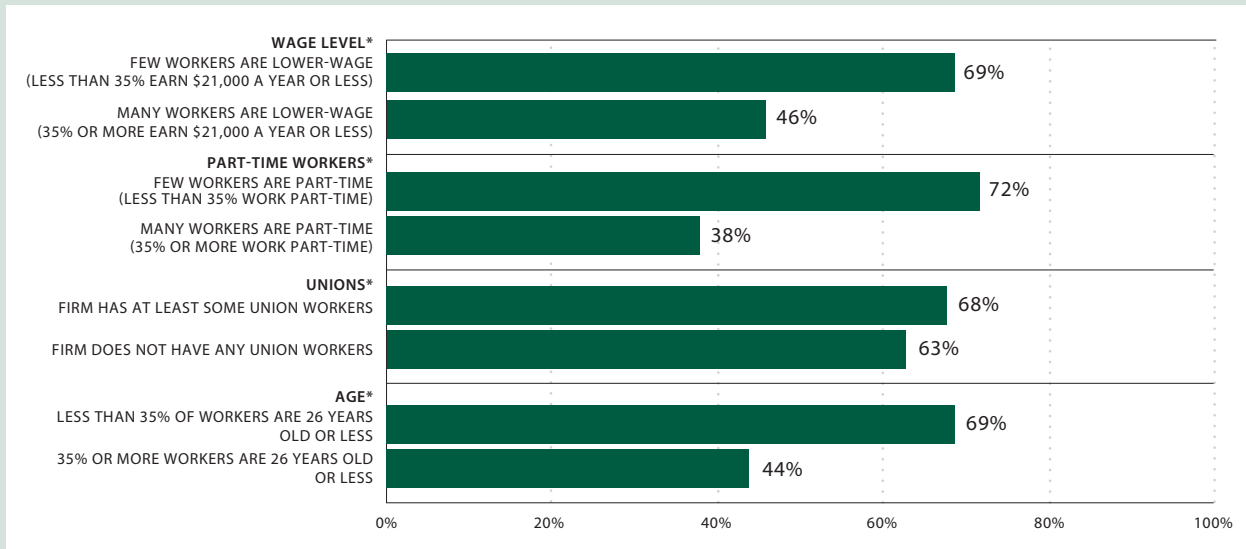
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category (p<.05).

EXHIBIT 3.5

Among Workers in Firms Offering Health Benefits, Percentage of Workers Covered by Health Benefits Offered by Their Firm, by Firm Characteristics, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category (p<.05).

## EXHIBIT 3.6

Eligibility, Take-Up Rate, and Coverage for Workers in Firms Offering Health Benefits, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Percentage Eligible</b>									
All Small Firms (3–199 Workers)	81%	82%	85%	82%*	84%	80%	81%	83%	80%
All Large Firms (200 or More Workers)	78	80	82	80	80	81	79	76	78
<b>ALL FIRMS</b>	<b>79%</b>	<b>81%</b>	<b>83%</b>	<b>81%*</b>	<b>81%</b>	<b>80%</b>	<b>80%</b>	<b>78%</b>	<b>79%</b>
<b>Percentage of Eligible that Take Up</b>									
All Small Firms (3–199 Workers)	83%	83%	84%	82%	81%	80%	80%	81%	81%
All Large Firms (200 or More Workers)	84	83	83	85	84	83	84	82	83
<b>ALL FIRMS</b>	<b>84%</b>	<b>83%</b>	<b>83%</b>	<b>84%</b>	<b>83%</b>	<b>82%</b>	<b>83%</b>	<b>82%</b>	<b>82%</b>
<b>Percentage Covered</b>									
All Small Firms (3–199 Workers)	67%	68%	71%	67%	68%	64%	65%	67%	64%
All Large Firms (200 or More Workers)	66	67	69	69	68	68	67	63	65
<b>ALL FIRMS</b>	<b>66%</b>	<b>68%</b>	<b>70%</b>	<b>68%</b>	<b>68%</b>	<b>67%</b>	<b>66%</b>	<b>65%</b>	<b>65%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

## EXHIBIT 3.7

Percentage of Covered Workers in Firms with a Waiting Period for Coverage and Average Waiting Period in Months, by Firm Size, Region, and Industry, 2007

	Percentage of Covered Workers in Firms With Waiting Period	Among Covered Workers with a Waiting Period, Average Waiting Period (Months)
<b>FIRM SIZE</b>		
All Small Firms (3–199 Workers)	78%	2.6*
All Large Firms (200 or More Workers)	73	2.0*
<b>REGION</b>		
Northeast	64%*	2.3
Midwest	71	2.0*
South	77	2.2
West	85*	2.4*
<b>INDUSTRY</b>		
Agriculture/Mining/Construction	79%	2.8*
Manufacturing	73	2.4
Transportation/Communications/Utilities	76	1.9
Wholesale	82	2.5
Retail	94*	3.0*
Finance	70	2.0
Service	70	2.1
State/Local Government	68	2.0
Health Care	81	1.8*
<b>ALL FIRMS</b>	<b>75%</b>	<b>2.2</b>

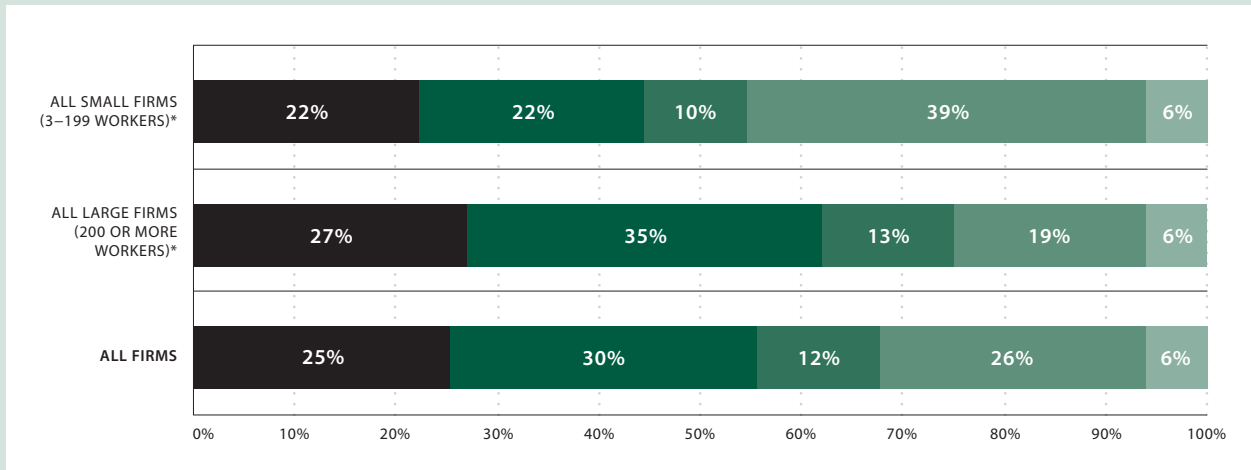
## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

EXHIBIT 3.8

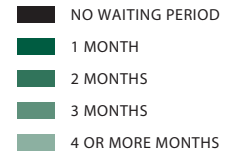
Distribution of Covered Workers with the Following Waiting Periods, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distributions are statistically different between All Large Firms and All Small firms ( $p < .05$ ).



EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Types of  
Plans  
Offered

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SECTION

4

## TYPES OF PLANS OFFERED

MOST FIRMS THAT OFFER HEALTH BENEFITS OFFER ONLY ONE TYPE OF HEALTH PLAN (87%). LARGER FIRMS ARE MORE LIKELY TO OFFER MORE THAN ONE TYPE OF HEALTH PLAN. EMPLOYERS ARE MOST LIKELY TO OFFER THEIR WORKERS A PPO OR POS PLAN AND ARE LEAST LIKELY TO OFFER A CONVENTIONAL PLAN OR AN HDHP/SO.

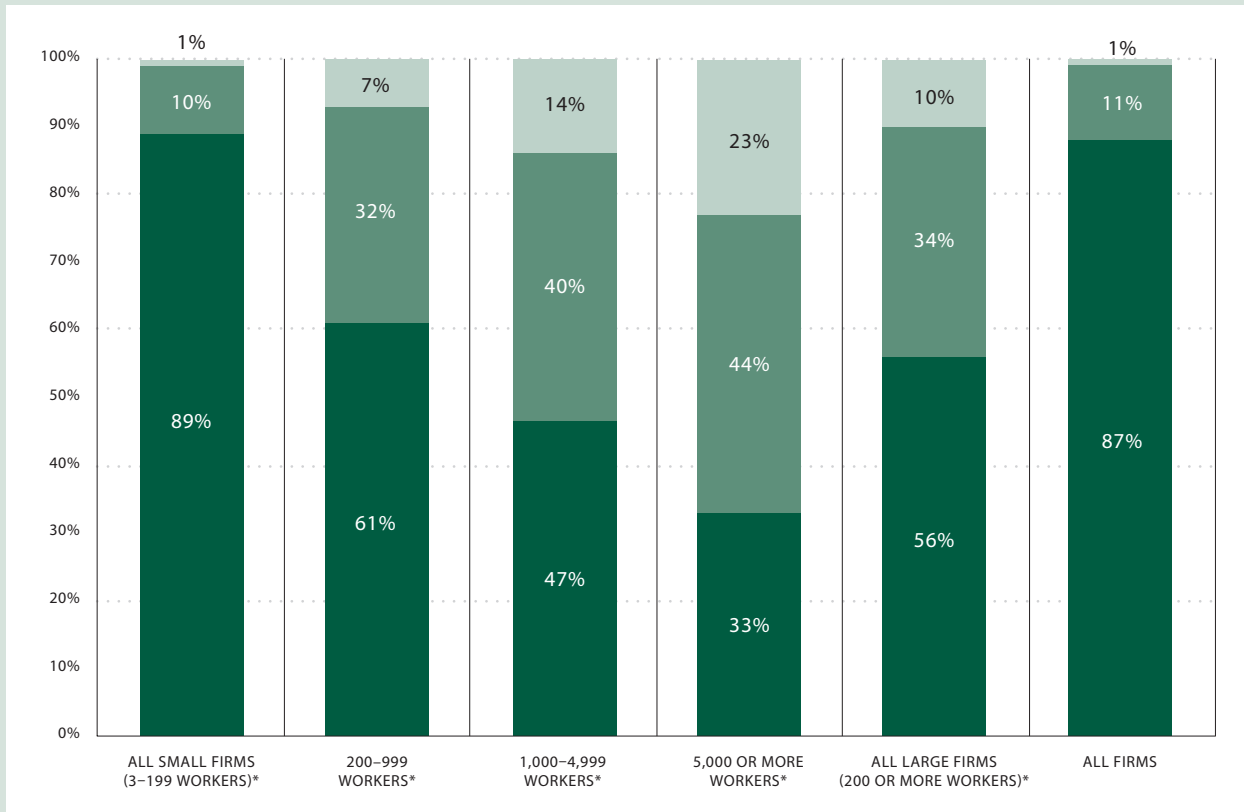
- ▶ Eighty-seven percent of firms offer only one health plan type. Of the 13% of firms that offer more than one plan type, large firms (200 or more workers) are more likely to offer more than one plan type than small firms (3–199 workers): 44% of large firms compared with 11% of small firms (Exhibit 4.1).
- ▶ Almost one-half (49%) of covered workers are employed in a firm that offers more than one health plan type (See Text Box). Sixty-four percent of covered workers in large firms (200 or more workers) are employed by a firm that offers more than one plan type; the comparable percentage for covered workers employed in small firms (3–199 workers) is 21% (Exhibit 4.2).
- ▶ In firms offering health benefits, about four in five (79%) covered workers work in a firm that offers one or more PPOs, 42% work in firms that offer one or more HMOs, 21% work in firms that offer one or more POS plans, 18% work in firms that offer one or more HDHP/SOs, and 10% work in firms that offer one or more conventional plans (Exhibit 4.4).

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



EXHIBIT 4.1

Among Firms Offering Health Benefits, Percentage That Offer One, Two, or Three or More Plan Types, by Firm Size, 2007<sup>‡</sup>



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

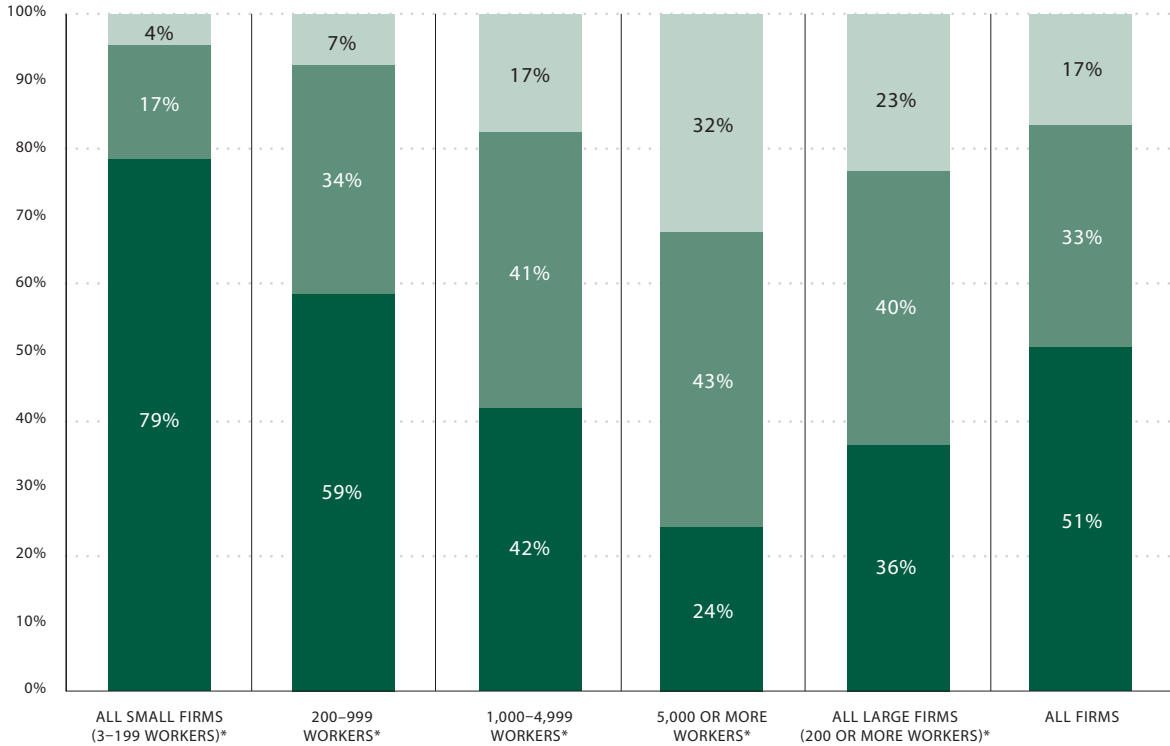
<sup>‡</sup> Although firms may offer more than one of each plan type, the survey asks how many are offered among the following types: Conventional, HMO, PPO, POS, and HDHP/SO.

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

ONE PLAN TYPE  
 TWO PLAN TYPES  
 THREE OR MORE PLAN TYPES

EXHIBIT 4.2

Among Firms Offering Health Benefits, Percentage of Covered Workers in Firms Offering One, Two, or Three or More Plan Types, by Firm Size, 2007<sup>‡</sup>



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

- ONE PLAN TYPE
- TWO PLAN TYPES
- THREE OR MORE PLAN TYPES

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

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

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

## EXHIBIT 4.3

Among Firms Offering Health Benefits, Percentage That Offer the Following Plan Types, by Firm Size, 2007

	Conventional	HMO	PPO	POS	HDHP/SO
200–999 Workers	6%	28%	79%*	22%*	13%
1,000–4,999 Workers	8	38*	87*	18*	17*
5,000 or More Workers	12	55*	92*	13*	22*
<b>All Small Firms (3–199 Workers)</b>	<b>10%</b>	<b>23%*</b>	<b>37%*</b>	<b>33%*</b>	<b>10%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>7%</b>	<b>33%*</b>	<b>82%*</b>	<b>20%*</b>	<b>14%</b>
<b>ALL FIRMS</b>	<b>9%</b>	<b>23%</b>	<b>39%</b>	<b>33%</b>	<b>10%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

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

## EXHIBIT 4.4

Among Firms Offering Health Benefits, Percentage of Covered Workers in Firms Offering the Following Plan Types, by Firm Size, 2007

	Conventional	HMO	PPO	POS	HDHP/SO
200–999 Workers	4%*	31%*	82%	20%	13%*
1,000–4,999 Workers	10	42	89*	16	20
5,000 or More Workers	15*	65*	95*	18	25*
<b>All Small Firms (3–199 Workers)</b>	<b>7%</b>	<b>24%*</b>	<b>55%*</b>	<b>27%*</b>	<b>12%*</b>
<b>All Large Firms (200 or More Workers)</b>	<b>11%</b>	<b>52%*</b>	<b>91%*</b>	<b>18%*</b>	<b>21%*</b>
<b>ALL FIRMS</b>	<b>10%</b>	<b>42%</b>	<b>79%</b>	<b>21%</b>	<b>18%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

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



EMPLOYER HEALTH BENEFITS

2007 ANNUAL SURVEY

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Market  
Shares of  
Health Plans

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SECTION

5

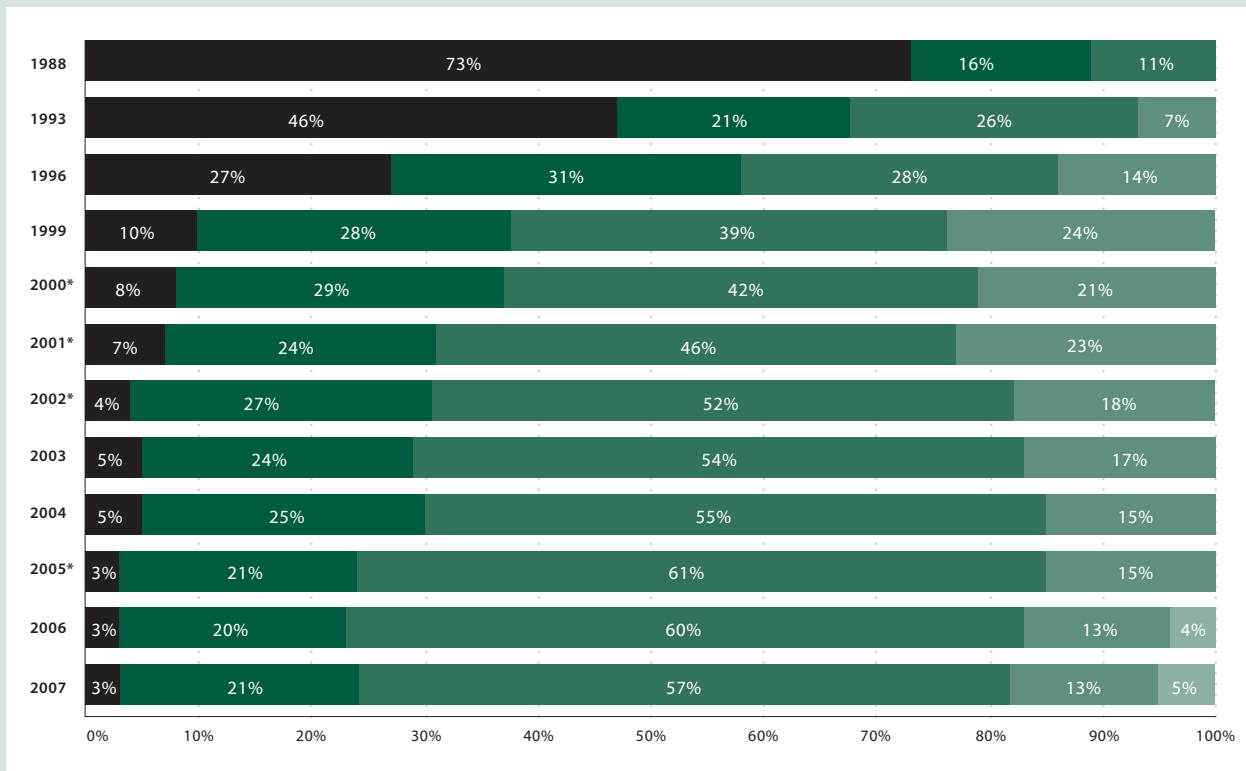
## MARKET SHARES OF HEALTH PLANS

ENROLLMENT REMAINS HIGHEST IN PPOs, WITH OVER HALF OF COVERED WORKERS ENROLLED IN THIS PLAN TYPE. THE PROPORTION OF EMPLOYEES ENROLLED IN EACH PLAN TYPE REMAINS SIMILAR TO THE LEVELS REPORTED IN 2006.

- ▶ PPOs lead enrollment, covering 57% of covered workers. About one-fifth of covered employees are enrolled in HMO plans (21%), followed by POS plans (13%), HDHP/SOs (5%), and conventional plans (3%) (Exhibit 5.1).
- HMO enrollment continues to be significantly higher (29%) in the West than in all other regions. In contrast, a lower percentage of covered workers are enrolled in HMO plans in the Midwest (15%). A higher percentage of covered workers are enrolled in PPO plans in the Midwest (66%), and fewer are enrolled in the West (43%). For POS plans, enrollment is lowest in the Midwest, at 10% (Exhibit 5.2).
- HMO enrollment is higher among workers in state/local government (33%) than among workers in other industries (Exhibit 5.2).

EXHIBIT 5.1

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988–2007

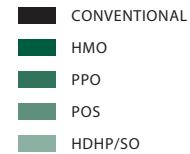


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

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

Note: Information was not obtained for POS plans in 1988. A portion of the change in plan type enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods Section from the 2005 Kaiser/HRET Survey of Employer-Sponsored Health Benefits for additional information.



## EXHIBIT 5.2

## Health Plan Enrollment, by Firm Size, Region, and Industry, 2007

	Conventional	HMO	PPO	POS	HDHP/SO
<b>FIRM SIZE</b>					
3–24 Workers	8%*	22%	34%*	30%*	6%
25–49 Workers	3	16	48	26*	7
50–199 Workers	4	18	56	13	9
200–999 Workers	1*	16*	65*	13	4
1,000–4,999 Workers	2*	18	66*	9*	5
5,000 or More Workers	3	25*	61	7*	4
<b>All Small Firms (3–199 Workers)</b>	<b>5%</b>	<b>19%</b>	<b>46%*</b>	<b>22%*</b>	<b>8%*</b>
<b>All Large Firms (200 or More Workers)</b>	<b>2%</b>	<b>22%</b>	<b>63%*</b>	<b>9%*</b>	<b>4%*</b>
<b>REGION</b>					
Northeast	3%	23%	55%	14%	4%
Midwest	3	15*	66*	10*	6
South	4	18	61	11	5
West	3	29*	43*	19	6
<b>INDUSTRY</b>					
Agriculture/Mining/Construction	3%	22%	48%	24%	3%*
Manufacturing	3	16	62	12	7
Transportation/Communications/Utilities	8	23	58	8	3
Wholesale	1*	19	61	11	8
Retail	2	17	53	21	7
Finance	2	27	58	6*	7
Service	3	20	56	16	5
State/Local Government	5	33*	50	9	2*
Health Care	3	16	63	12	6
<b>ALL FIRMS</b>	<b>3%</b>	<b>21%</b>	<b>57%</b>	<b>13%</b>	<b>5%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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



EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Worker and  
Employer  
Contributions  
for Premiums

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SECTION

6

## WORKER AND EMPLOYER CONTRIBUTIONS FOR PREMIUMS

THE PERCENTAGE OF THE PREMIUM PAID BY WORKERS WITH HEALTH INSURANCE REMAINS SIMILAR TO THE PERCENTAGES REPORTED IN 2006 FOR BOTH SINGLE AND FAMILY COVERAGE.<sup>1</sup> IN TERMS OF DOLLAR AMOUNTS, THE AVERAGE WORKER CONTRIBUTION INCREASED FOR BOTH SINGLE AND FAMILY COVERAGE FROM 2006 TO 2007.

- ▶ In 2007, covered workers on average contribute 16% of the premium for single coverage and 28% of the premium for family coverage (Exhibit 6.1). These percentages have remained stable over the last several years.
- ▶ The average monthly worker contribution increased for both single and family coverage in 2007.
  - On average, workers with single coverage contribute \$58 and workers with family coverage contribute \$273 towards their health insurance premiums; the amounts are higher than the \$52 and \$248 reported in 2006 (Exhibit 6.2).
  - Annually, the average worker contribution is \$694 for single coverage and \$3,281 for family coverage (Exhibit 6.3). For single coverage, workers in small firms (3–199 workers) contribute an annual amount of \$561, which is significantly less than the \$759 contributed by workers in large firms (200 or more workers) (Exhibit 6.4). In contrast, workers with family coverage in small firms contribute significantly more than workers with family coverage in large firms, at \$4,236 and \$2,831, respectively (Exhibit 6.5).
  - Workers enrolled in HDHP/SOs for single coverage contribute a lower amount annually (\$522) than the overall average worker contribution. The difference between the average contribution for those enrolled in HDHP/SOs for family coverage and the overall average family contribution is not statistically different (Exhibit 6.6).
- ▶ The majority of covered workers are employed by a firm that contributes at least half of the premium.
  - About three in four workers contribute more than 0% but less than or equal to 50% of their premiums for both single and family coverage (77% and 78%, respectively). Two percent of workers with single coverage and 15% of workers with family coverage contribute more than 50% of their premiums (Exhibit 6.9).
  - Twenty percent of workers with single coverage and 6% of workers with family coverage work for a firm that pays 100% of the premium (Exhibit 6.9).
  - Like last year, covered workers in small firms (3–199 workers) are more likely to work for a firm that pays 100% of the premium than workers in large firms (200 or more workers). In small firms, 44% of covered workers have an employer that pays the full premium for single coverage, compared to 9% of covered workers in large firms (Exhibit 6.10). For family coverage, 13% percent of covered workers in small firms have an employer that pays the full premium for family coverage, compared to 3% of covered workers in large firms (Exhibit 6.11).
  - For those workers who are responsible for a portion of the premium, covered workers in small firms (3–199 workers) are more likely to have to pay more than 50% of the premium than workers in large firms (200 or more workers). For single coverage, 4% of workers in small firms contribute more than 50% of the premium, compared to 2% in large firms (Exhibit 6.10).

### NOTE:

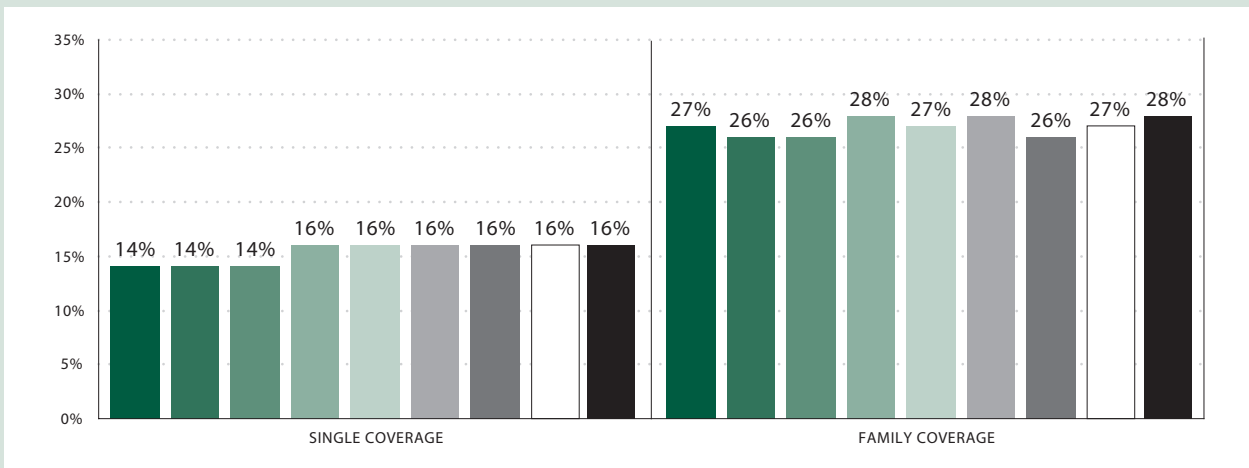
<sup>1</sup> Estimates for premiums, worker contribution to premiums, and employer contribution to premiums presented in Section 6 do not include contributions made by the employer to Health Savings Accounts or Health Reimbursement Arrangements. See Section 8 for estimates of employer contributions to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

The disparity is greater for family coverage with 37% of workers in small firms contributing more than 50% of the premium, compared to 5% in large firms (Exhibit 6.11).

- ▶ The percentage of the premium paid by covered workers varies by several firm characteristics.
  - For family coverage, workers in firms with a higher proportion of lower-wage workers (where 35% or more earn \$21,000 or less annually) contribute a greater percentage of the premium than those in firms with a lower proportion of lower-wage workers (where fewer than 35% earn \$21,000 or less annually) (34% vs. 27%) (Exhibit 6.13).
  - For the first time, the survey asked each firm about the proportion of younger employees. In firms with less than 35% of employees age 26 or less, workers contribute 16% for single coverage and 27% for family coverage, compared to workers in firms with 35% or more employees age 26 or less who contribute 22% for single coverage and 35% for family coverage (Exhibit 6.12 and Exhibit 6.13).
- ▶ Some workers are employed by firms that vary premium contributions by workers' wages or participation in wellness programs.
  - Ten percent of covered workers are in firms that vary worker premium contributions by wage level, the same percentage as in 2005 when the question was last asked. Workers in large firms (200 or more workers) are more likely to be employed by a firm that varies contributions by wage than workers in small firms (3–199 workers) (14% vs. 2%). Workers in the Northeast are more likely (18%) to have their firm vary contributions by wage than workers in other regions; workers in the West are less likely (5%), compared to workers in other regions (Exhibit 6.18).
  - Six percent of covered workers are employed by a firm that varies worker premium contribution levels by participation in a wellness program, up from the 3% reported in 2005. Covered workers in large firms (200 or more workers) are more likely than workers in small firms (3–199 workers) to work for an employer that varies employee contributions for participation in wellness programs (9% vs. 1%) (Exhibit 6.18).

EXHIBIT 6.1

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1999–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

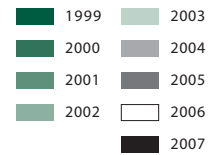
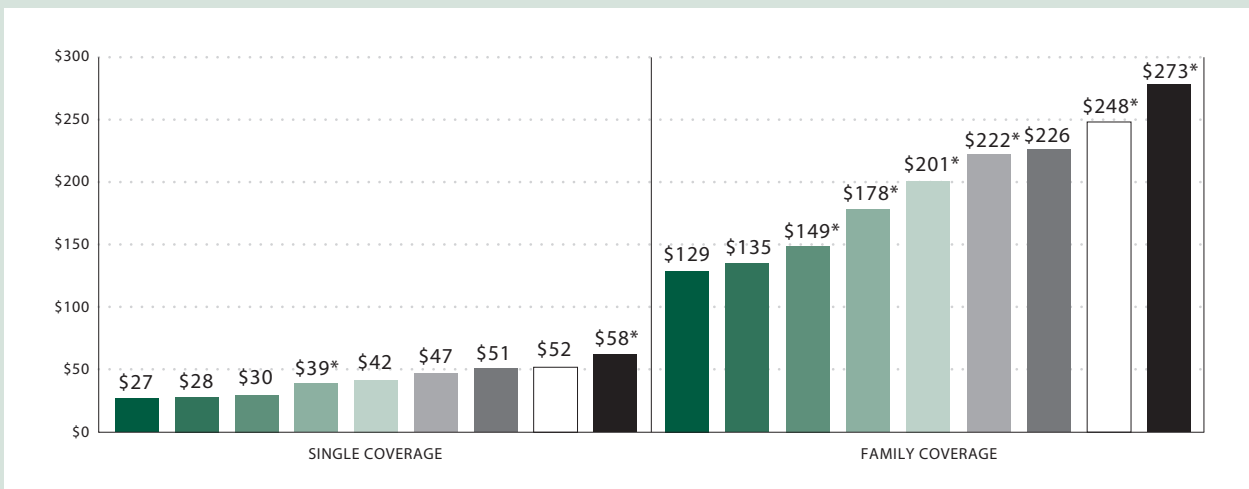


EXHIBIT 6.2

Average Monthly Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, 1999–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

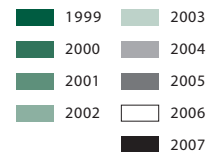
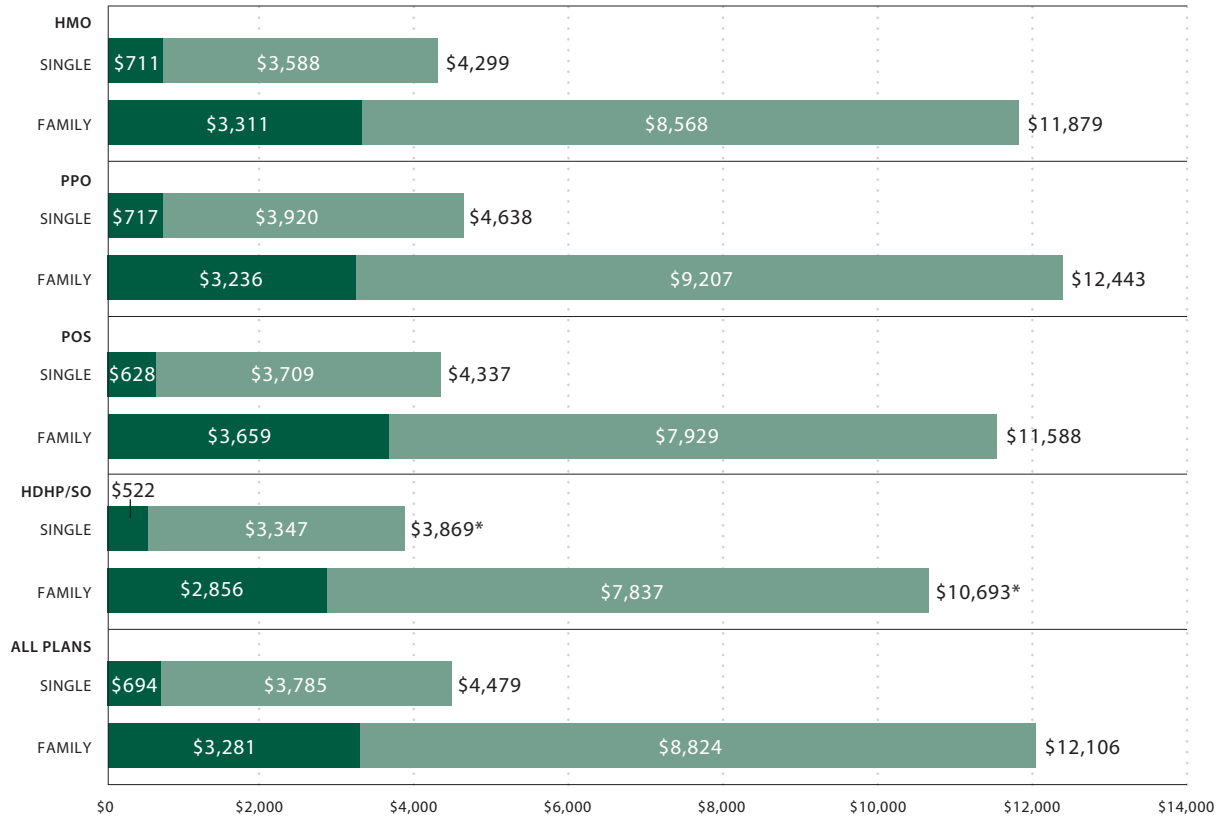


EXHIBIT 6.3

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

■ WORKER CONTRIBUTION  
■ FIRM CONTRIBUTION

\* Estimate of Total Premium is statistically different from All Plans estimate by coverage type (p<.05).

## EXHIBIT 6.4

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single Coverage, by Plan Type and Firm Size, 2007

	Worker Contribution	Employer Contribution	Total Premium
<b>HMO</b>			
All Small Firms (3–199 Workers)	\$697	\$3,559	\$4,255
All Large Firms (200 or More Workers)	\$718	\$3,602	\$4,320
<b>PPO</b>			
All Small Firms (3–199 Workers)	\$520*	\$4,361	\$4,881
All Large Firms (200 or More Workers)	\$792*	\$3,755	\$4,546
<b>POS</b>			
All Small Firms (3–199 Workers)	\$583	\$3,775	\$4,358
All Large Firms (200 or More Workers)	\$685	\$3,624	\$4,310
<b>HDHP/SO</b>			
All Small Firms (3–199 Workers)	\$388*	\$3,493	\$3,881
All Large Firms (200 or More Workers)	\$652*	\$3,204	\$3,856
<b>ALL PLANS</b>			
All Small Firms (3–199 Workers)	\$561*	\$3,992	\$4,553
All Large Firms (200 or More Workers)	\$759*	\$3,683	\$4,442

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 6.5

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Family Coverage, by Plan Type and Firm Size, 2007

	Worker Contribution	Employer Contribution	Total Premium
<b>HMO</b>			
All Small Firms (3–199 Workers)	\$4,433*	\$7,026*	\$11,459
All Large Firms (200 or More Workers)	\$2,830*	\$9,228*	\$12,059
<b>PPO</b>			
All Small Firms (3–199 Workers)	\$4,233*	\$7,986*	\$12,219
All Large Firms (200 or More Workers)	\$2,869*	\$9,656*	\$12,525
<b>POS</b>			
All Small Firms (3–199 Workers)	\$4,413*	\$7,458	\$11,871
All Large Firms (200 or More Workers)	\$2,725*	\$8,512	\$11,237
<b>HDHP/SO</b>			
All Small Firms (3–199 Workers)	\$3,280	\$6,836*	\$10,116
All Large Firms (200 or More Workers)	\$2,501	\$8,675*	\$11,176
<b>ALL PLANS</b>			
All Small Firms (3–199 Workers)	\$4,236*	\$7,599*	\$11,835
All Large Firms (200 or More Workers)	\$2,831*	\$9,402*	\$12,233

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 6.6

Average Monthly and Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2007

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>HMO</b>				
All Small Firms (3–199 Workers)	\$58	\$369*	\$697	\$4,433*
All Large Firms (200 or More Workers)	60	236*	718	2,830*
<b>ALL FIRM SIZES</b>	<b>\$59</b>	<b>\$276</b>	<b>\$711</b>	<b>\$3,311</b>
<b>PPO</b>				
All Small Firms (3–199 Workers)	\$43*	\$353*	\$520*	\$4,233*
All Large Firms (200 or More Workers)	66*	239*	792*	2,869*
<b>ALL FIRM SIZES</b>	<b>\$60</b>	<b>\$270</b>	<b>\$717</b>	<b>\$3,236</b>
<b>POS</b>				
All Small Firms (3–199 Workers)	\$49	\$368*	\$583	\$4,413*
All Large Firms (200 or More Workers)	57	227*	685	2,725*
<b>ALL FIRM SIZES</b>	<b>\$52</b>	<b>\$305</b>	<b>\$628</b>	<b>\$3,659</b>
<b>HDHP/SO</b>				
All Small Firms (3–199 Workers)	\$32*	\$273	\$388*	\$3,280
All Large Firms (200 or More Workers)	54*	208	652*	2,501
<b>ALL FIRM SIZES</b>	<b>\$43</b>	<b>\$238</b>	<b>\$522</b>	<b>\$2,856</b>
<b>ALL PLANS</b>				
All Small Firms (3–199 Workers)	\$47*	\$353*	\$561*	\$4,236*
All Large Firms (200 or More Workers)	63*	236*	759*	2,831*
<b>ALL FIRM SIZES</b>	<b>\$58</b>	<b>\$273</b>	<b>\$694</b>	<b>\$3,281</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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



## EXHIBIT 6.7

Average Monthly and Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type and Region, 2007

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
<b>HMO</b>				
Northeast	\$63	\$244	\$753	\$2,933
Midwest	59	235	706	2,814
South	70	338*	835	4,062*
West	47	260	561	3,118
<b>ALL REGIONS</b>	<b>\$59</b>	<b>\$276</b>	<b>\$711</b>	<b>\$3,311</b>
<b>PPO</b>				
Northeast	\$75*	\$247	\$898*	\$2,967
Midwest	62	237*	748	2,840*
South	56	295*	669	3,543*
West	47*	294	560*	3,533
<b>ALL REGIONS</b>	<b>\$60</b>	<b>\$270</b>	<b>\$717</b>	<b>\$3,236</b>
<b>POS</b>				
Northeast	\$71*	\$257	\$849*	\$3,080
Midwest	72	272	865	3,260
South	42	335	507	4,018
West	38	327	453	3,921
<b>ALL REGIONS</b>	<b>\$52</b>	<b>\$305</b>	<b>\$628</b>	<b>\$3,659</b>
<b>HDHP/SO</b>				
Northeast	\$44	\$230	\$523	\$2,755
Midwest	46	202	547	2,427
South	44	233	525	2,792
West	40	294	485	3,533
<b>ALL REGIONS</b>	<b>\$43</b>	<b>\$238</b>	<b>\$522</b>	<b>\$2,856</b>
<b>ALL PLANS</b>				
Northeast	\$70*	\$247*	\$843*	\$2,958*
Midwest	62	237*	739	2,845*
South	56	304*	676	3,643*
West	44*	291	534*	3,488
<b>ALL REGIONS</b>	<b>\$58</b>	<b>\$273</b>	<b>\$694</b>	<b>\$3,281</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 6.8

## Average Monthly Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Single Coverage</b>									
HMO	\$28	\$26	\$32	\$38	\$42	\$46	\$47	\$49	\$59
PPO	27	29	29	39*	44	48	50	53	60*
POS	27	28	29	40*	41	45	61*	53	52
HDHP/SO	^	^	^	^	^	^	^	47	43
<b>ALL PLANS</b>	<b>\$27</b>	<b>\$28</b>	<b>\$30</b>	<b>\$39*</b>	<b>\$42</b>	<b>\$47</b>	<b>\$51</b>	<b>\$52</b>	<b>\$58*</b>
<b>Family Coverage</b>									
HMO	\$124	\$131	\$150	\$164	\$179	\$223*	\$217	\$257*	\$276
PPO	128	141	153	188*	210*	224	220	243*	270*
POS	141	136	143	180*	206	218	271*	269	305
HDHP/SO	^	^	^	^	^	^	^	187	238
<b>ALL PLANS</b>	<b>\$129</b>	<b>\$135</b>	<b>\$149*</b>	<b>\$178*</b>	<b>\$201*</b>	<b>\$222*</b>	<b>\$226</b>	<b>\$248*</b>	<b>\$273*</b>

## SOURCE:

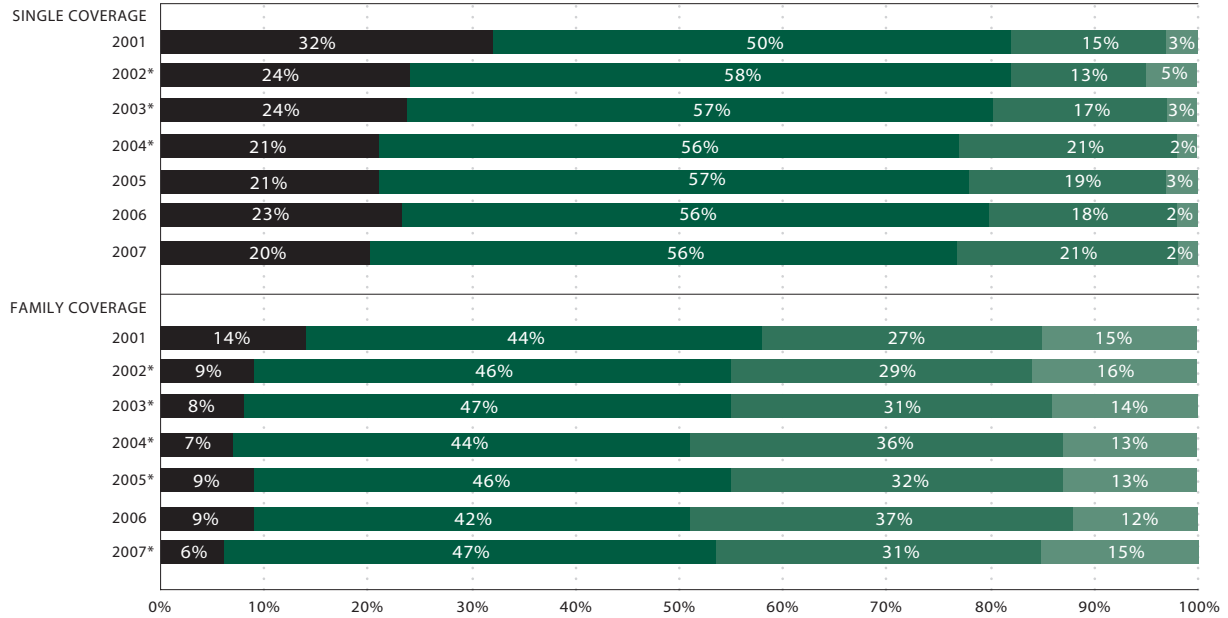
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

EXHIBIT 6.9

Distribution of Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 2001–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2007.

\* Distribution is statistically different within coverage type from distribution for the previous year shown (p<.05).

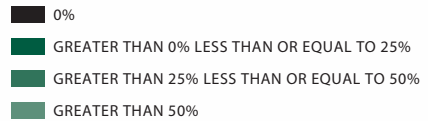
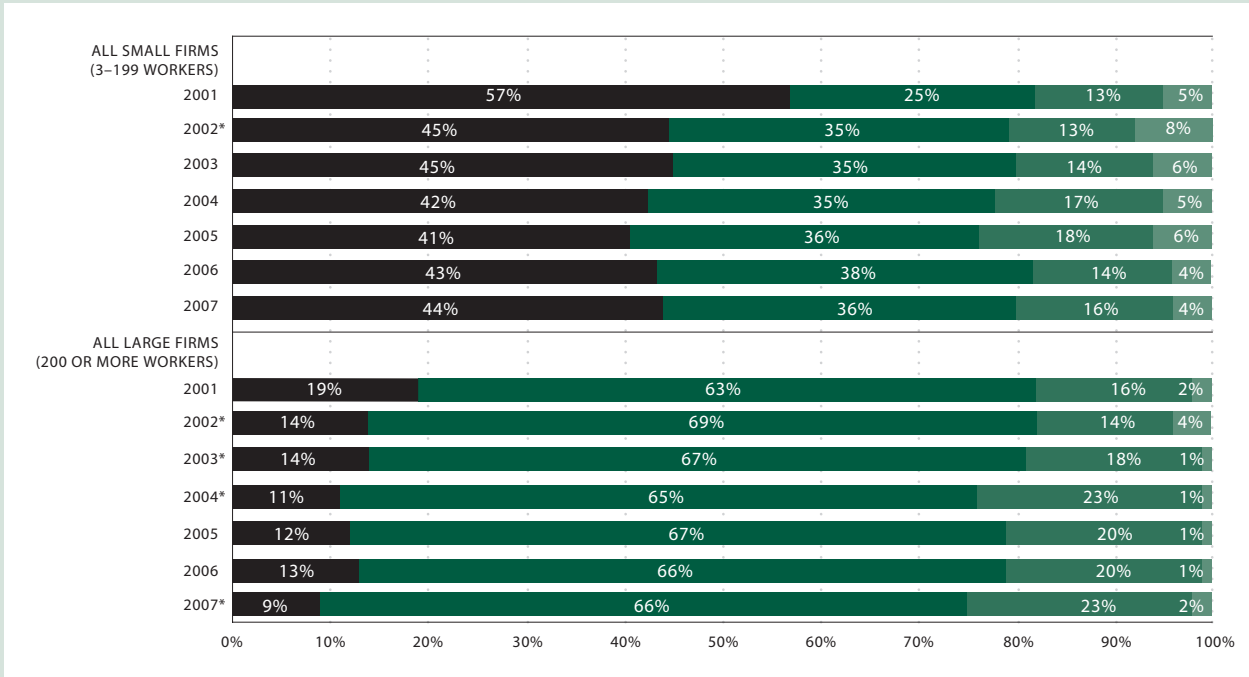


EXHIBIT 6.10

Distribution of Percentage of Premium Paid by Covered Workers for Single Coverage, by Firm Size, 2001–2007



SOURCE:

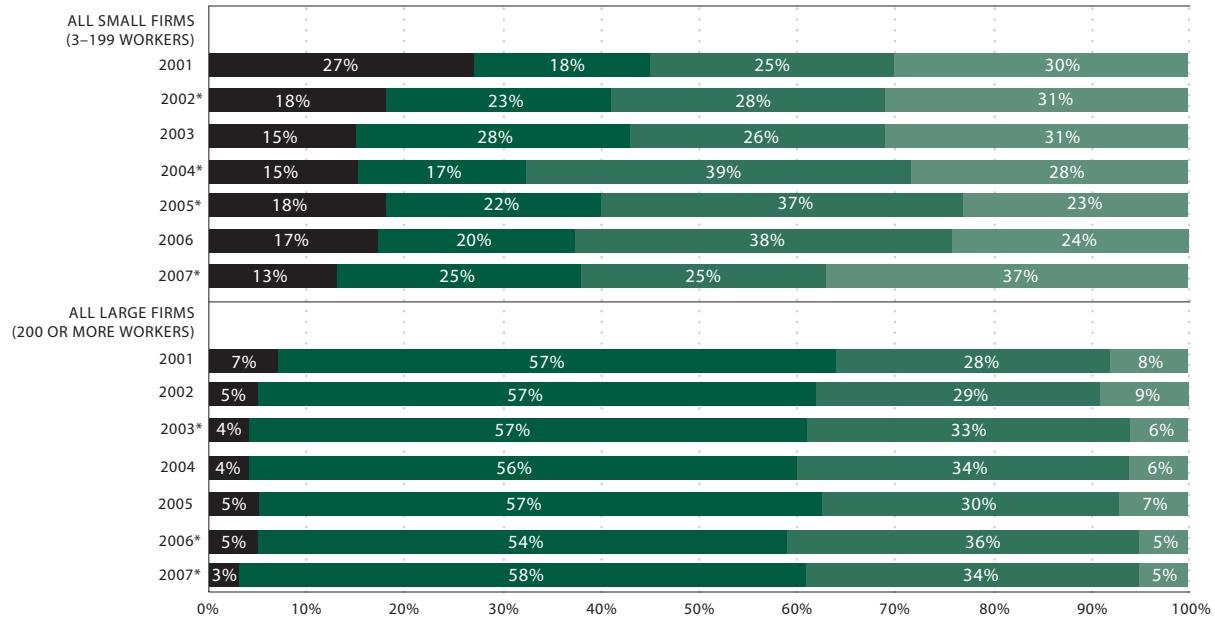
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2007.

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

- 0%
- GREATER THAN 0% LESS THAN OR EQUAL TO 25%
- GREATER THAN 25% LESS THAN OR EQUAL TO 50%
- GREATER THAN 50%

EXHIBIT 6.11

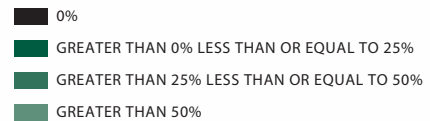
Distribution of Percentage of Premium Paid by Covered Workers for Family Coverage, by Firm Size, 2001–2007



SOURCE:

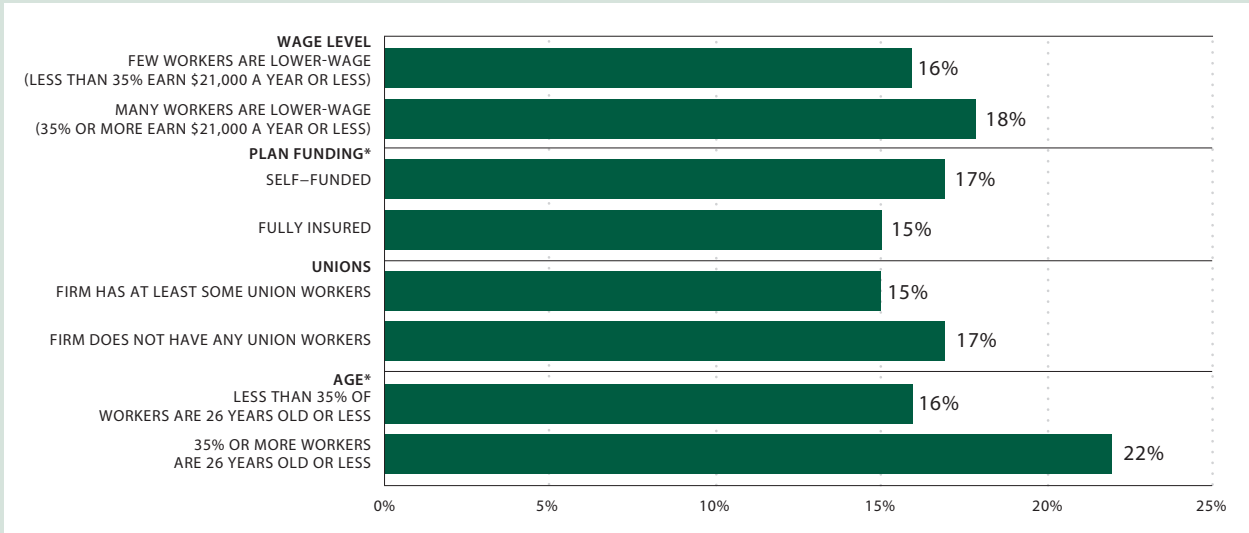
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2007.

\* Distribution is statistically different within size category from distribution for the previous year shown (p<.05).



**EXHIBIT 6.12**

**Average Percentage of Premiums Paid by Covered Workers for Single Coverage, by Firm Characteristics, 2007**



**SOURCE:**

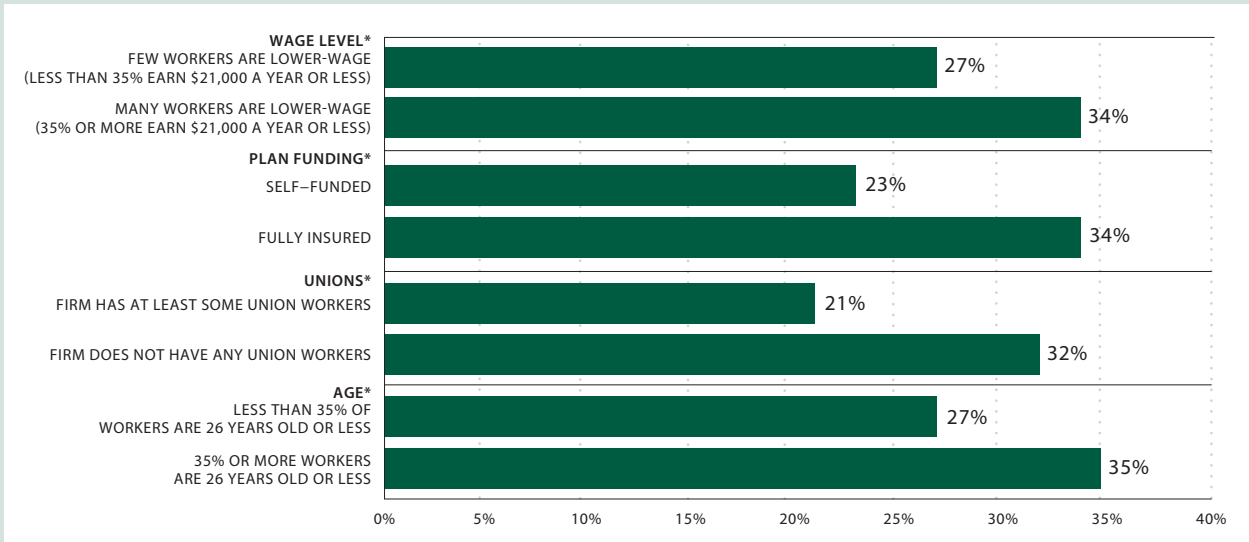
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category ( $p < .05$ ).

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

**EXHIBIT 6.13**

**Average Percentage of Premiums Paid by Covered Workers for Family Coverage, by Firm Characteristics, 2007**



**SOURCE:**

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category ( $p < .05$ ).

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

## EXHIBIT 6.14

## Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2007

	Single Coverage	Family Coverage
<b>HMO</b>		
All Small Firms (3–199 Workers)	16%	38%*
All Large Firms (200 or More Workers)	17	24*
<b>ALL FIRM SIZES</b>	<b>17%</b>	<b>28%</b>
<b>PPO</b>		
All Small Firms (3–199 Workers)	12%*	37%*
All Large Firms (200 or More Workers)	19*	24*
<b>ALL FIRM SIZES</b>	<b>17%</b>	<b>27%</b>
<b>POS</b>		
All Small Firms (3–199 Workers)	13%	39%*
All Large Firms (200 or More Workers)	16	24*
<b>ALL FIRM SIZES</b>	<b>14%</b>	<b>32%</b>
<b>HDHP/SO</b>		
All Small Firms (3–199 Workers)	12%	32%
All Large Firms (200 or More Workers)	17	23
<b>ALL FIRM SIZES</b>	<b>15%</b>	<b>27%</b>
<b>ALL PLANS</b>		
All Small Firms (3–199 Workers)	13%*	37%*
All Large Firms (200 or More Workers)	18*	24*
<b>ALL FIRM SIZES</b>	<b>16%</b>	<b>28%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 6.15

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Single Coverage</b>									
HMO	16%	14%	18%	16%	17%	16%	16%	15%	17%
PPO	13	14	13	16*	16	16	15	15	17
POS	15	14	13	16*	16	16	19	16	14
HDHP/SO	^	^	^	^	^	^	^	18	15
<b>ALL PLANS</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>
<b>Family Coverage</b>									
HMO	28%	26%	29%	27%	26%	29%	26%	28%	28%
PPO	26	27	26	29*	28	27	25	26	27
POS	28	26	25	28	28	28	31	30	32
HDHP/SO	^	^	^	^	^	^	^	25	27
<b>ALL PLANS</b>	<b>27%</b>	<b>26%</b>	<b>26%</b>	<b>28%</b>	<b>27%</b>	<b>28%</b>	<b>26%</b>	<b>27%</b>	<b>28%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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



## EXHIBIT 6.16

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type and Region, 2007

	Single Coverage	Family Coverage
<b>HMO</b>		
Northeast	18%	24%
Midwest	16	23
South	20	34*
West	13*	27
<b>ALL REGIONS</b>	<b>17%</b>	<b>28%</b>
<b>PPO</b>		
Northeast	21%*	23%*
Midwest	17	24*
South	16	31*
West	13*	30
<b>ALL REGIONS</b>	<b>17%</b>	<b>27%</b>
<b>POS</b>		
Northeast	18%	25%*
Midwest	16	28
South	13	36
West	12	36
<b>ALL REGIONS</b>	<b>14%</b>	<b>32%</b>
<b>HDHP/SO</b>		
Northeast	13%	26%
Midwest	18	26
South	15	28
West	13	30
<b>ALL REGIONS</b>	<b>15%</b>	<b>27%</b>
<b>ALL PLANS</b>		
Northeast	19%*	24%*
Midwest	17	24*
South	17	32*
West	12*	30
<b>ALL REGIONS</b>	<b>16%</b>	<b>28%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 6.17

## Average Percentage of Premium Paid by Covered Workers, by Plan Type and Industry, 2007

	Single Coverage	Family Coverage
<b>HMO</b>		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	16%	24%
Transportation/Communications/Utilities	12*	19*
Wholesale	NSD	NSD
Retail	15	30
Finance	19	34
Service	16	29
State/Local Government	14	22
Health Care	15	24
<b>ALL INDUSTRIES</b>	<b>17%</b>	<b>28%</b>
<b>PPO</b>		
Agriculture/Mining/Construction	16%	32%
Manufacturing	19	25
Transportation/Communications/Utilities	13	17*
Wholesale	23*	29
Retail	23*	33*
Finance	17	31
Service	17	30*
State/Local Government	13	22
Health Care	12*	27
<b>ALL INDUSTRIES</b>	<b>17%</b>	<b>27%</b>
<b>POS</b>		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	16%	32%
Transportation/Communications/Utilities	NSD	NSD
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	NSD	NSD
Service	14	34
State/Local Government	9	24*
Health Care	13	27
<b>ALL INDUSTRIES</b>	<b>14%</b>	<b>32%</b>

Continued on next page

EXHIBIT 6.17 *Continued from previous page*

## Average Percentage of Premium Paid by Covered Workers, by Plan Type and Industry, 2007

	Single Coverage	Family Coverage
<b>HDHP/SO</b>		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	18%	29%
Transportation/Communications/Utilities	NSD	NSD
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	20	28
Service	9*	16*
State/Local Government	NSD	NSD
Health Care	NSD	NSD
<b>ALL INDUSTRIES</b>	<b>15%</b>	<b>27%</b>
<b>ALL PLANS</b>		
Agriculture/Mining/Construction	17%	36%
Manufacturing	18	25*
Transportation/Communications/Utilities	15	19*
Wholesale	23*	32
Retail	20*	32*
Finance	17	32*
Service	16	30
State/Local Government	13	22*
Health Care	12*	26
<b>ALL INDUSTRIES</b>	<b>16%</b>	<b>28%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

NSD: Not Sufficient Data.

## EXHIBIT 6.18

Percentage of Covered Workers in Firms That Vary Worker Premium Contributions by Wage or Participation in Wellness Program, by Firm Size and Region, 2007

	Percentage of Covered Workers in Firms That Vary Worker Contributions by Wage Level	Percentage of Covered Workers in Firms That Vary Worker Premium Contributions by Participation in Wellness Program
<b>FIRM SIZE</b>		
200–999 Workers	10%	7%
1,000–4,999 Workers	15*	9
5,000 or More Workers	16*	10*
<b>All Small Firms (3–199 Workers)</b>	<b>2%*</b>	<b>1%*</b>
<b>All Large Firms (200 or More Workers)</b>	<b>14%*</b>	<b>9%*</b>
<b>REGION</b>		
Northeast	18%*	9%
Midwest	8	7
South	10	5
West	5*	5
<b>ALL FIRMS</b>	<b>10%</b>	<b>6%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

EMPLOYER HEALTH BENEFITS

2007 ANNUAL SURVEY

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Employee  
Cost Sharing

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SECTION

7

## EMPLOYEE COST SHARING

IN ADDITION TO ANY PREMIUM CONTRIBUTION RESPONSIBILITIES, WORKERS FACE A VARIETY OF DIFFERENT TYPES OF COST SHARING. THE TYPES OF COST SHARING A WORKER MAY BE RESPONSIBLE FOR INCLUDE DEDUCTIBLES, COPAYMENTS (FIXED DOLLAR AMOUNTS), AND/OR COINSURANCE (A PERCENTAGE OF THE CHARGE FOR SERVICES). GENERALLY, THE TYPE AND AMOUNT OF COST SHARING OFTEN DEPENDS ON THE TYPE OF PLAN IN WHICH THE WORKER IS ENROLLED AND THE TYPE OF SERVICE RECEIVED.

THIS YEAR WE REVISITED THE TOPICS OF SEPARATE DEDUCTIBLES FOR HOSPITAL ADMISSIONS AND OUT-OF-NETWORK OFFICE VISIT COST SHARING. WE ALSO ADDED NEW QUESTIONS TO GAUGE THE PREVALENCE OF DIFFERENT TYPES OF COST SHARING FOR A VARIETY OF SERVICES SUCH AS EMERGENCY ROOM VISITS. AS IN 2006, WE CONTINUE TO COLLECT A VARIETY OF INFORMATION ON GENERAL ANNUAL PLAN DEDUCTIBLES AND OUT-OF-POCKET MAXIMUM AMOUNTS. BECAUSE OF CHANGES TO THE INFORMATION COLLECTED LAST YEAR, IN MANY CASES, DATA ARE NOT COMPARABLE TO DATA PRESENTED PRIOR TO 2006. WHERE APPROPRIATE, NOTES ARE INCLUDED IN THE TEXT AND IN THE EXHIBITS IN THIS SECTION TO ALERT READERS OF COMPARABILITY ISSUES.

### PLAN DEDUCTIBLES

- ▶ Many covered workers are enrolled in plans with no general annual deductible;<sup>1</sup> however, the likelihood of not having a deductible varies by plan type.
  - Eighty-two percent of workers with single coverage in HMOs do not have a general annual deductible, compared to 52% of workers in POS plans and 29% of workers in PPO plans. The percentages are similar for those enrolled in family coverage (Exhibit 7.1). From 2006 to 2007, the percentage of covered workers without a deductible decreased for POS single coverage and HMO and POS family coverage.
  - Even when covered workers do not have a general annual plan deductible, the majority face other forms of cost sharing. For example, among workers with no general annual deductible who have single coverage, 68% of workers in HMOs, and 77% of workers in PPOs and POS plans have per-episode cost sharing for outpatient surgery (Exhibit 7.2).
- ▶ In 2007, the general annual deductible levels remain similar to the values reported in 2006 and vary by plan type and size.
  - Among covered workers with a general annual deductible, the average annual deductible amounts for single coverage are \$461 for PPOs, \$401 for HMOs, \$621 for POS plans, and \$1,729 for HDHP/SOs (Exhibit 7.3). These amounts are not statistically different from the amounts reported in 2006 (Exhibit 7.5). For PPOs, POS plans, and HDHP/SOs, covered workers in plans sponsored by small firms (3–199 workers) generally have higher average deductibles for single coverage than covered workers employed in large firms (200 or more workers) (Exhibit 7.3).<sup>2</sup>
  - For family coverage, the majority of workers with general annual deductibles have an aggregate deductible, meaning all covered expenses from family members count toward meeting the deductible amount. Looking exclusively at workers with a deductible, the percentage of covered workers with an aggregate general annual deductible ranges from 66% for POS plans to 89% for HDHP/SO plans (Exhibit 7.8).

#### NOTE:

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

<sup>2</sup> There is insufficient data to report the average HMO deductible for workers in small firms.

- For covered workers with an aggregate family general annual deductible, the average annual amounts are \$759 for HMOs, \$1,040 for PPOs, \$1,359 for POS plans, and \$3,596 for HDHP/SOs (Exhibit 7.9). These amounts are also similar to the amounts reported in 2006 for aggregate family deductibles (Exhibit 7.10).
  - The other type of family deductible, a separate per-person deductible, requires each family member to meet a separate per-person deductible amount before the plan covers expenses for that member. Most plans with separate per person family deductibles consider the deductible met if a prescribed number of family members reach their separate deductible amounts.
  - For covered workers in health plans that have separate per-person deductible amounts for family coverage, the average plan deductible amounts are \$492 in PPOs and \$592 in POS plans (Exhibit 7.9).<sup>3</sup> Generally, there is a limit to the number of family members required to meet the separate deductible amounts; this year the average is three (Exhibit 7.12).
- ▶ Not all covered workers with a deductible must meet the deductible before certain services are covered.
- Among covered workers in HMOs and PPOs with general plan deductibles, over two-thirds are enrolled in plans where the general plan deductible does not have to be met before prescription drugs are covered (77% and 69%, respectively). Eighty percent of workers in HMOs with a general annual deductible do not have to meet the deductible before preventive care is covered (Exhibit 7.13).

#### COST SHARING FOR PHYSICIAN OFFICE VISITS

- ▶ This year, the survey asked about primary care and specialty care office-visit cost sharing for both in-network and out-of-network providers.<sup>4</sup>
- ▶ For in-network office visits, the majority of covered workers face office-visit cost sharing in addition to any general annual deductible. For in-network visits, the most common form of cost sharing is copayments. In contrast, the most common form of cost sharing for out-of-network visits is coinsurance.<sup>5</sup>
  - In addition to any deductible the plan may have, 79% of covered workers have a copayment when they visit an in-network physician, while only 12% have coinsurance. Workers in HMOs, PPOs, and POS plans are much more likely to have a copayment than workers enrolled in HDHP/SOs, where only 19% of covered workers have a copayment (Exhibit 7.18).
  - Among covered workers with a copayment for in-network office visits, the average copayment is \$19 for primary care and \$24 for specialty physicians (Exhibit 7.19). Fifty-nine percent of covered workers with copayments for a primary care in-network office visit have a copayment of \$15 or \$20 per visit (Exhibit 7.21). For specialty care, 43% of covered workers with an in-network office visit copayment have a copayment of \$20 or \$25 per visit (Exhibit 7.22).

#### NOTE:

<sup>3</sup> There is insufficient data to report the average separate annual deductible amounts for HMOs and HDHP/SOs. Separate deductible amounts cannot be compared between 2006 and 2007 due to a change in methodology.

<sup>4</sup> The survey asks respondents if they have cost sharing for in-network or out-of-network office visits. If the respondent indicates they have a copayment for office visits, we assume they have a copay for both primary and specialty care visits. The survey does not allow for a respondent to have a copayment for primary care visits and coinsurance for specialty care visits. A very small percentage (<0.01%) of respondents that indicated copayments for office visits are missing from the specialty copayment averages because they indicated having coinsurance for specialty visits.

<sup>5</sup> For out-of-network office-visit cost sharing, the 2007 survey collected information on copayments and coinsurance but did not collect information on out-of-network deductibles.

- In contrast to cost sharing for in-network office visits, the majority of workers who visit out-of-network providers face coinsurance rather than copayments (80% vs. 9%) (Exhibit 7.18). Among workers with coinsurance for out-of-network office visits, the average coinsurance is 33% (Exhibit 7.20). Thirty-three percent of workers enrolled in PPOs and 30% of workers in HDHP/SOs with coinsurance face coinsurance rates of 30% or 35% for out-of-network physician office visits (Exhibit 7.24).

#### HOSPITAL COST SHARING

- ▶ This year, we collected information on separate hospital deductibles that are in addition to any general annual deductible the plan may have and also on cost-sharing provisions for hospital admissions and outpatient surgery. Workers may face a general annual deductible, a separate hospital deductible, or both when they are admitted to a hospital. Whether or not a worker has a deductible, most workers face additional types of cost sharing when admitted to a hospital, such as a copayment, coinsurance, or a per diem charge.
  - Over 95% of covered workers face cost sharing in various forms for a hospital admission, such as a separate hospital deductible, copayment, coinsurance, or a per diem charge (charge per day). Twelve percent of workers in PPOs have a separate hospital deductible, compared to 15% in HMOs and 23% in POS plans (Exhibit 7.14). The average hospital deductibles are similar across plan types, ranging from \$323 for workers in HMOs to \$340 for workers in POS plans (Exhibit 7.14).
  - In addition to any plan deductible, workers face additional cost sharing for each hospital admission. Coinsurance is more prevalent, with 43% of covered workers having coinsurance only, compared to 20% of covered workers with copayments only (Exhibit 7.15). The average coinsurance for covered workers with coinsurance is 17%. The average copayment is \$208 (Exhibit 7.16). Four percent of covered workers face a per diem charge when admitted to the hospital, averaging \$228 per day.
- ▶ Regardless of any deductible the worker may have, 79% of covered workers have some sort of cost sharing for outpatient surgery. Coinsurance is more common than copayments, with 47% of covered workers facing coinsurance for outpatient surgery and 27% facing copayments (Exhibit 7.15). The average coinsurance is 18%, and the average copayment is \$114 (Exhibit 7.16).

#### OTHER COST SHARING

- ▶ This year, we also collected information on cost sharing provisions related to emergency room visits, urgent care visits, and advanced diagnostic tests.
  - In addition to any deductible the worker may have, most workers face some form of cost sharing when visiting the emergency room, for urgent care, or for an advanced diagnostic procedure. Copayments are most common for emergency room and urgent care visits (62% and 65%, respectively), and coinsurance is most common for advanced diagnostic tests (47%) (Exhibit 7.15).

#### OUT-OF-POCKET MAXIMUM AMOUNTS

- ▶ Most covered workers are in a plan that partially or totally limits the cost sharing that a plan enrollee must pay in a year (Exhibit 7.25). These limits are generally referred to as out-of-pocket maximum amounts.
- ▶ We continue to ask a variety of questions related to a covered worker's out-of-pocket maximum liability. Like last year, we asked what types of out-of-pocket expenses plans count when determining whether an enrollee has met the out-of-pocket maximum. Plans may or may not count spending for the general deductible or cost sharing for certain services when determining if an enrollee or family has met their out-of-pocket maximum. When a plan does not count certain types of spending, it effectively increases the amount a worker may pay out-of-pocket under a plan. Like deductibles, some plans have an aggregate out-of-pocket maximum amount that applies to cost sharing for all family members, while others apply a per-family member out-of-pocket maximum that limits the amount of cost sharing that the family must pay on behalf of each family member.



- ▶ For workers with single or family coverage, 29% are enrolled in a plan that does not limit the amount of cost sharing that plan enrollees may have to pay (Exhibit 7.25). The percentage of workers with no out-of-pocket limit increased from 2006 to 2007, but it should be noted that, among workers with no limit for single coverage, the percentage of workers with no general annual deductible also increased significantly, from 54% to 66%. Among those with no out-of-pocket limit for single coverage, 88% have a deductible of less than \$500, 16% face coinsurance for hospital admissions, and 22% face coinsurance for an outpatient surgery episode.
  - Workers in HMOs and POS plans are more likely than workers in PPOs to be in a plan without an out-of-pocket maximum. As mentioned above, many workers with no out-of-pocket limit in HMOs and POS plans have no general annual deductible and may not face significant cost-sharing exposure under their plan. For example, for workers in HMOs with no out-of-pocket maximum for single coverage, 89% have no deductible and 4% have coinsurance for hospital admissions and 2% have coinsurance for each outpatient surgery episode. For workers in POS plans with no out-of-pocket limit, 70% have no deductible and 11% have coinsurance for hospital admissions but about 26% have coinsurance for outpatient surgery. In contrast, among workers enrolled in PPOs with no out-of-pocket limit, 51% have no deductible and 29% and 35% have coinsurance for hospital admissions or outpatient surgery, respectively.
- HSA-qualified HDHPs are required by law to have an out-of-pocket maximum of \$5,500 for single coverage and \$11,000 for family coverage in 2007. Among HDHP/HRAs, 10% of workers in these plans have no out-of-pocket maximum for single coverage and 11% have no out-of-pocket limit for family coverage.
- Among those covered workers with an out-of-pocket limit, just over 50% have an out-of-pocket maximum of less than \$2,000 for single coverage (Exhibit 7.27). Among those workers with an aggregate limit for family coverage, 50% have an out-of-pocket limit of less than \$4,000 (Exhibit 7.29). For workers enrolled in plans with separate, per-person out-of-pocket limits for family coverage, 86% have out-of-pocket limits of less than \$4,000 (Exhibit 7.30). As noted above, these limits may not apply to all required cost sharing under the plan, including plan deductibles.
- As previously mentioned, not all services count toward the out-of-pocket limit, potentially exposing workers to higher spending. Among covered workers with an annual out-of-pocket maximum, 32% of covered workers enrolled in PPOs are in plans that do not count spending for the general annual deductible towards the out-of-pocket limit. Higher percentages of covered workers are in plans that do not count prescription drug cost sharing towards the out-of-pocket limit, ranging from 40% of workers in HDHP/SOs to 79% of workers in PPOs (Exhibit 7.26).

## EXHIBIT 7.1

## Percentage of Covered Workers With No General Annual Health Plan Deductible for Single and Family Coverage, by Plan Type and Firm Size, 2007

	Single Coverage	Family Coverage
<b>HMO</b>		
200–999 Workers	91%*	89%
1,000–4,999 Workers	80	80
5,000 or More Workers	78	76
<b>All Small Firms (3–199 Workers)</b>	<b>86%</b>	<b>84%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>80%</b>	<b>79%</b>
<b>ALL FIRM SIZES</b>	<b>82%</b>	<b>81%</b>
<b>PPO</b>		
200–999 Workers	33%	33%
1,000–4,999 Workers	29	29
5,000 or More Workers	28	28
<b>All Small Firms (3–199 Workers)</b>	<b>28%</b>	<b>25%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>29%</b>	<b>29%</b>
<b>ALL FIRM SIZES</b>	<b>29%</b>	<b>28%</b>
<b>POS</b>		
200–999 Workers	62%	62%
1,000–4,999 Workers	60	57
5,000 or More Workers	55	54
<b>All Small Firms (3–199 Workers)</b>	<b>47%</b>	<b>46%</b>
<b>All Large Firms (200 or More Workers)</b>	<b>59%</b>	<b>57%</b>
<b>ALL FIRM SIZES</b>	<b>52%</b>	<b>51%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

Note: HDHP/SOs are not shown because all covered workers in these plans face a minimum deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA-qualified HDHPs, the legal minimum deductible for 2007 is \$1,100 for single coverage and \$2,200 for family coverage.

## EXHIBIT 7.2

Among Covered Workers with No General Annual Health Plan Deductible for Single and Family Coverage, Percentage Who Have the Following Types of Cost Sharing, by Plan Type, 2007<sup>‡</sup>

	Single Coverage	Family Coverage
<b>Separate Cost Sharing for Each Hospital Admission</b>		
HMO	56%	56%
PPO	68	68
POS	72	71
<b>Separate Cost Sharing for Each Outpatient Surgery Episode</b>		
HMO	68%	68%
PPO	77	76
POS	77	76
<b>Separate Cost Sharing for an Emergency Room Visit</b>		
HMO	95%	95%
PPO	96	96
POS	97	97
<b>Separate Cost Sharing for an Urgent Care Visit</b>		
HMO	90%	90%
PPO	91	92
POS	91	90
<b>Separate Cost Sharing for an Advanced Diagnostic Test</b>		
HMO	53%	53%
PPO	64	64
POS	68	67

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

<sup>‡</sup> Separate cost sharing for each hospital admission includes the following types: copayment only, coinsurance only, both copayment and coinsurance, either a copayment or coinsurance (whichever is greater), and a charge per day (per diem). Cost sharing for each outpatient surgery episode, emergency room visit, urgent care visit, and advanced diagnostic test includes the following types: copayment only, coinsurance only, both copayment and coinsurance, and either a copayment or coinsurance, whichever is greater.

Note: HDHP/SOs are not shown because all covered workers in these plans face a deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA-qualified HDHPs, the legal minimum deductible for 2007 is \$1,100 for single coverage and \$2,200 for family coverage.

## EXHIBIT 7.3

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type and Firm Size, 2007

	Single Coverage
<b>HMO</b>	
All Small Firms (3–199 Workers)	NSD
All Large Firms (200 or More Workers)	343
<b>ALL FIRM SIZES</b>	<b>\$401</b>
<b>PPO</b>	
All Small Firms (3–199 Workers)	\$667*
All Large Firms (200 or More Workers)	382*
<b>ALL FIRM SIZES</b>	<b>\$461</b>
<b>POS</b>	
All Small Firms (3–199 Workers)	\$751*
All Large Firms (200 or More Workers)	408*
<b>ALL FIRM SIZES</b>	<b>\$621</b>
<b>HDHP/SO</b>	
All Small Firms (3–199 Workers)	\$1,865*
All Large Firms (200 or More Workers)	1,596*
<b>ALL FIRM SIZES</b>	<b>\$1,729</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

NSD: Not Sufficient Data.

Note: Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

## EXHIBIT 7.4

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type and Region, 2007

	Single Coverage
<b>HMO</b>	
Northeast	NSD
Midwest	NSD
South	NSD
West	NSD
<b>ALL REGIONS</b>	<b>\$401</b>
<b>PPO</b>	
Northeast	\$394
Midwest	462
South	496
West	433
<b>ALL REGIONS</b>	<b>\$461</b>
<b>POS</b>	
Northeast	NSD
Midwest	\$657
South	1,003*
West	382*
<b>ALL REGIONS</b>	<b>\$621</b>
<b>HDHP/SO</b>	
Northeast	\$1,603
Midwest	1,888
South	1,614
West	1,771
<b>ALL REGIONS</b>	<b>\$1,729</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

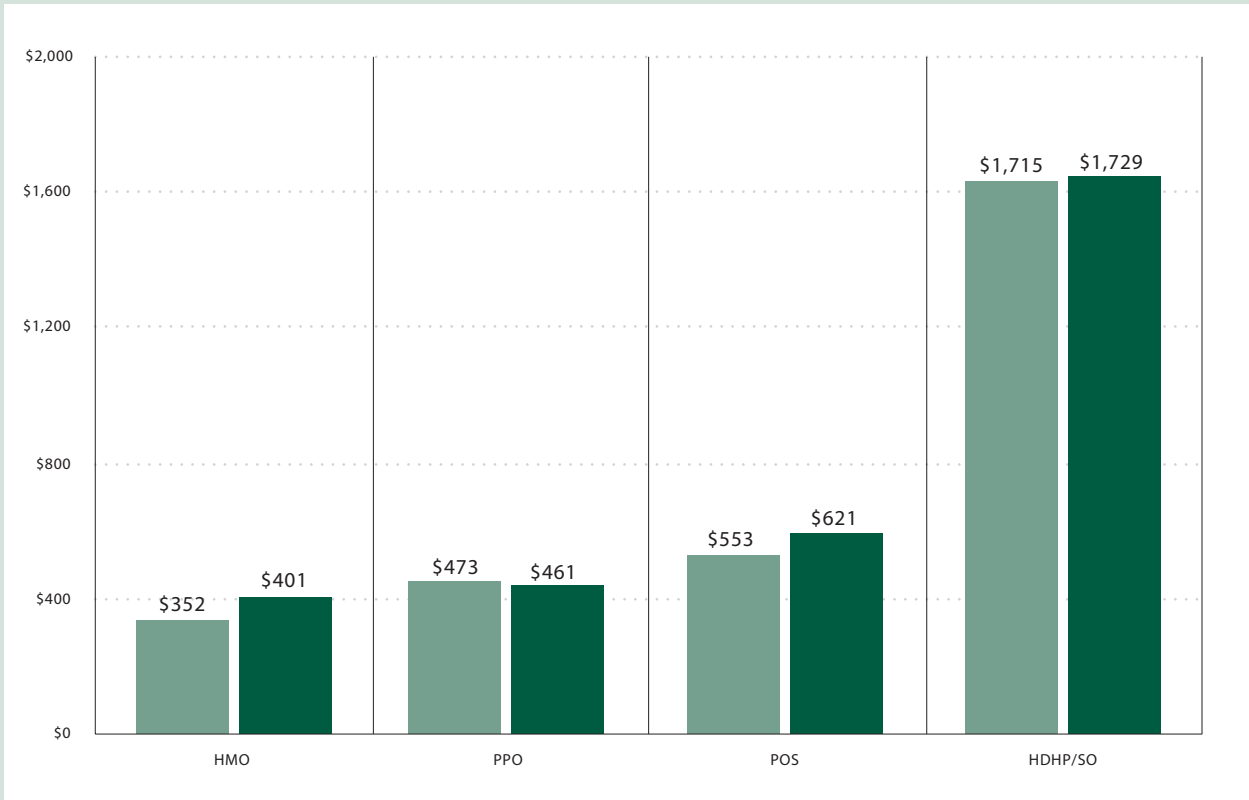
\* Estimate is statistically different from estimate for all other firms not in the indicated region ( $p < .05$ ).

NSD: Not Sufficient Data.

Note: Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

EXHIBIT 7.5

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type, 2006–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

2006  
2007

\* Tests found no significant differences from estimate from previous year by plan type ( $p < .05$ ).

Note: Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

## EXHIBIT 7.6

Among Covered Workers With a General Annual Health Plan Deductible for Single PPO Coverage, Distribution of Deductibles, 2000–2007

	\$1–\$499	\$500–\$999	\$1,000–\$1,999	\$2,000 or More
2000	86%	13%	1%	<1%
2001*	80	16	4	<1
2002*	77	16	5	2
2003*	69	20	9	2
2004	71	20	6	2
2005*	67	20	10	3
2006*	62	26	8	4
2007*	64	24	10	2

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

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

Note: Deductibles for PPOs are for in-network services.

## EXHIBIT 7.7

Among Covered Workers With a General Annual Health Plan Deductible for Single POS Coverage, Distribution of Deductibles, 2000–2007

	\$1–\$499	\$500–\$999	\$1,000–\$1,999	\$2,000 or More
2000	74%	20%	7%	0%
2001	77	14	7	2
2002*	79	20	1	0
2003*	73	17	10	0
2004*	54	23	10	13
2005*	58	24	17	1
2006*	38	44	16	1
2007*	50	26	19	5

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

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

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

## EXHIBIT 7.8

## Distribution of Type of Deductible for Family Coverage, by Plan Type and Firm Size, 2007\*

	No Deductible	Aggregate Amount	Separate Amount per Person
<b>HMO</b>			
All Small Firms (3–199 Workers)	84%	10%	6%
All Large Firms (200 or More Workers)	79	17	4
<b>ALL FIRM SIZES</b>	<b>81%</b>	<b>15%</b>	<b>5%</b>
<b>PPO</b>			
All Small Firms (3–199 Workers)	25%	51%	24%
All Large Firms (200 or More Workers)	29	51	20
<b>ALL FIRM SIZES</b>	<b>28%</b>	<b>51%</b>	<b>21%</b>
<b>POS</b>			
All Small Firms (3–199 Workers)	46%	31%	23%
All Large Firms (200 or More Workers)	57	35	8
<b>ALL FIRM SIZES</b>	<b>51%</b>	<b>33%</b>	<b>17%</b>
<b>HDHP/SO</b>			
All Small Firms (3–199 Workers)	NA	96%	4%
All Large Firms (200 or More Workers)	NA	83	17
<b>ALL FIRM SIZES</b>	<b>NA</b>	<b>89%</b>	<b>11%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

NA: Not Applicable. All covered workers in HDHP/SOs face a general annual deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA-qualified HDHPs, the legal minimum deductible for 2007 is \$1,100 for single coverage and \$2,200 for family coverage.

Note: The survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount. Among workers with a deductible, 76% of workers in HMOs have an aggregate deductible, 71% in PPOs have an aggregate deductible, and 66% in POS plans have an aggregate deductible. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.



## EXHIBIT 7.9

Among Covered Workers with a General Annual Health Plan Deductible, Average Deductibles for Family Coverage, by Deductible Type, Plan Type, and Firm Size, 2007

	Aggregate Amount	Separate Amount per Person
<b>HMO</b>		
All Small Firms (3–199 Workers)	NSD	NSD
All Large Firms (200 or More Workers)	637	NSD
<b>ALL FIRM SIZES</b>	<b>\$759</b>	<b>NSD</b>
<b>PPO</b>		
All Small Firms (3–199 Workers)	\$1,419*	\$788*
All Large Firms (200 or More Workers)	899*	363*
<b>ALL FIRM SIZES</b>	<b>\$1,040</b>	<b>\$492</b>
<b>POS</b>		
All Small Firms (3–199 Workers)	\$1,786*	\$454
All Large Firms (200 or More Workers)	885*	NSD
<b>ALL FIRM SIZES</b>	<b>\$1,359</b>	<b>\$592</b>
<b>HDHP/SO</b>		
All Small Firms (3–199 Workers)	\$3,976*	NSD
All Large Firms (200 or More Workers)	3,231*	NSD
<b>ALL FIRM SIZES</b>	<b>\$3,596</b>	<b>NSD</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

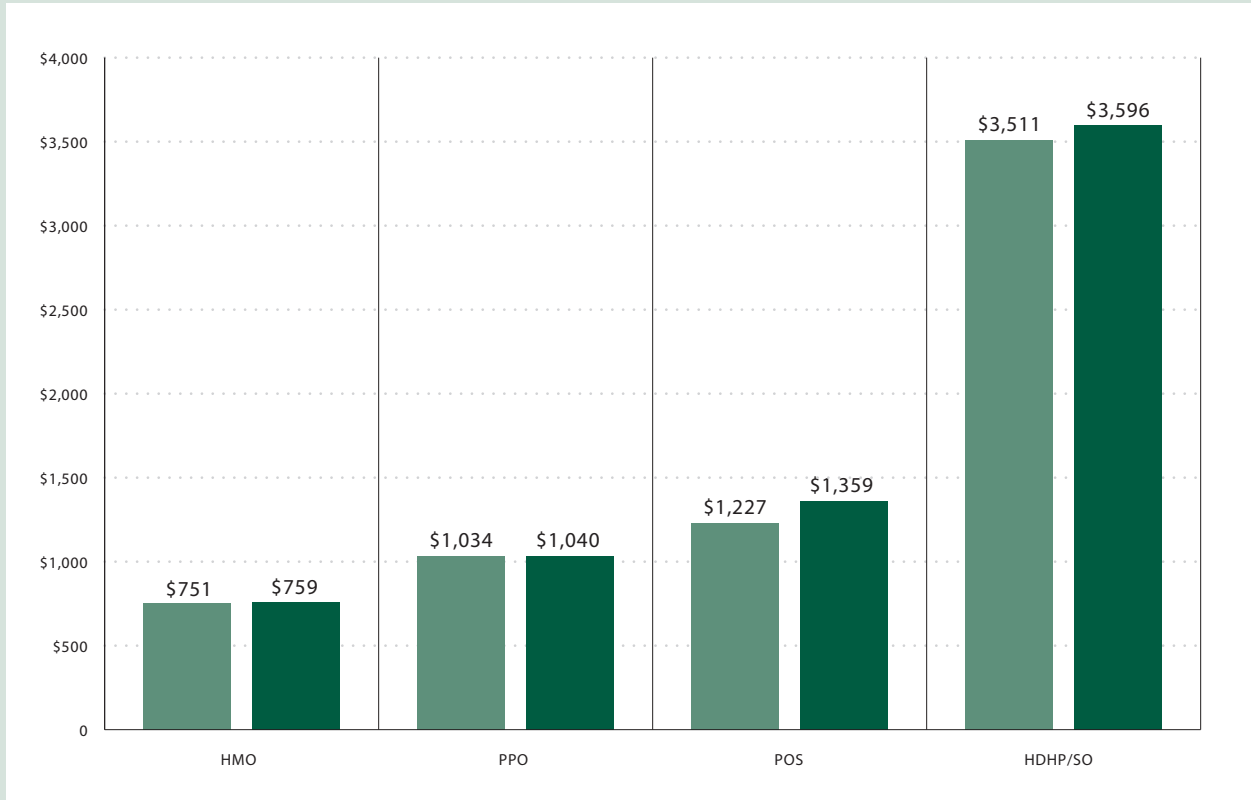
\* Estimates are statistically different within plan type between All Small Firms and All Large Firms ( $p < .05$ ).

NSD: Not Sufficient Data.

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

EXHIBIT 7.10

Among Covered Workers with a General Annual Health Plan Deductible for Family Coverage, Average Aggregate Deductible, by Plan Type, 2006–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

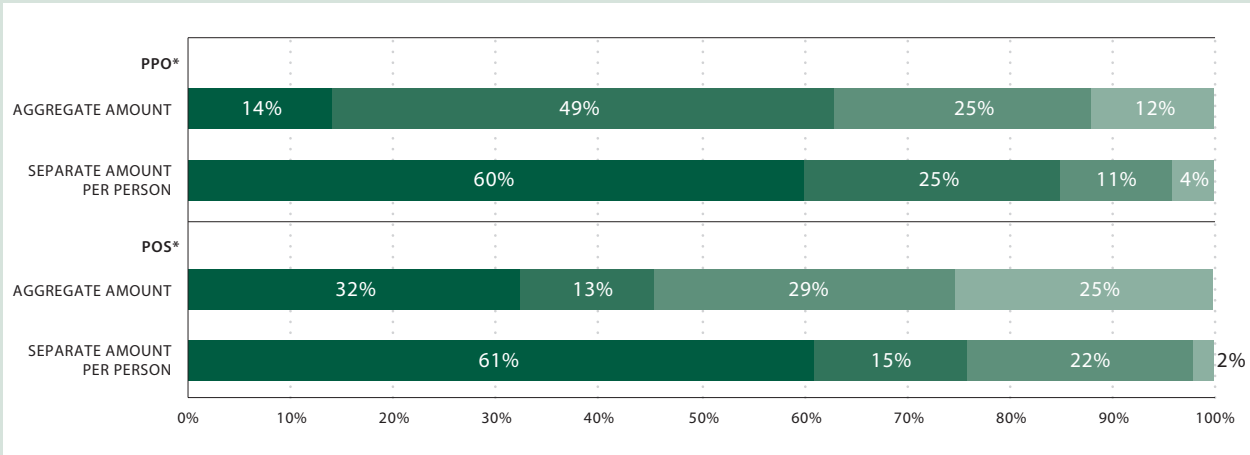


\* Tests found no significant differences from estimate from previous year by plan type ( $p < .05$ ).

Note: Separate per person deductibles are not presented or comparable between 2006 and 2007 due to a change in methodology. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

EXHIBIT 7.11

Among Covered Workers With a General Annual Health Plan Deductible for Family Coverage, Distribution of Deductibles for PPO and POS Plans, by Deductible Type, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distributions are statistically different within plan type (p < .05).

Note: Distributions for HMO and HDHP/SO plans are not included because sufficient data were not available. Deductibles are for in-network services. The survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount. Due to a change in methodology, separate deductibles reported in 2007 are not comparable to separate deductibles reported in 2006.

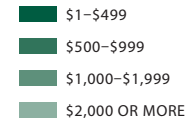
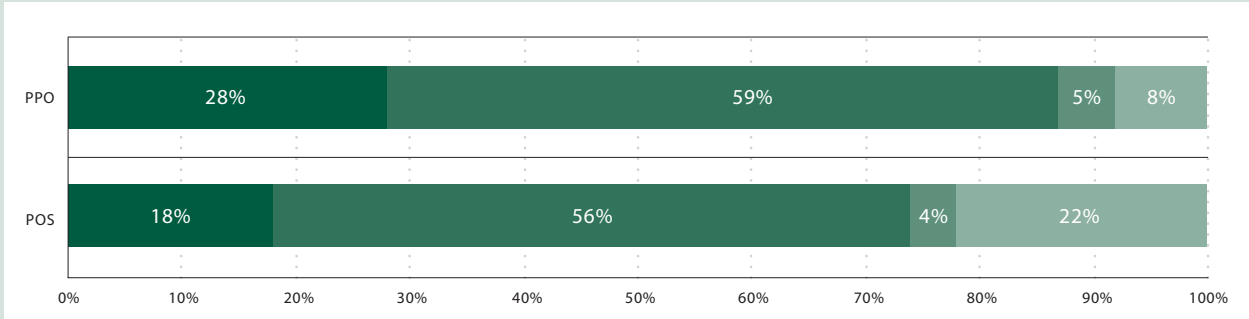


EXHIBIT 7.12

Among Covered Workers With a Separate per Person General Annual Health Plan Deductible for Family Coverage, Distribution of Maximum Number of Family Members Required to Meet the Deductible for PPO and POS Plans, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

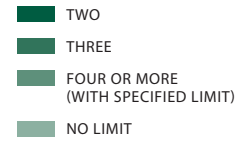


EXHIBIT 7.13

Among Covered Workers with a General Annual Health Plan Deductible, Percentage with Coverage for the Following Services Without Having to First Meet the Deductible, by Plan Type, 2007

	HMO	PPO	POS
Physician Office Visit	71%	59%	37%
Preventive Care	80%	66%	36%
Prescription Drugs	77%	69%	45%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: These questions are asked for single coverage only. We make the assumption that they apply to workers enrolled in family coverage as well. For PPOs and POS plans, we ask about deductibles for in-network services. Due to a difference in the structure of the questions, data for HDHP/SO are presented in Section 8. For example, firms with HMOs, PPOs, and POS plans are asked, "Does the general annual deductible have to be met before preventive care is covered?" while firms with HDHP/SOs are asked, "Are there preventive benefits that are paid for by the plan (that is, not through the savings account) before the employee meets the deductible under the plan?"

## EXHIBIT 7.14

## Percentage of Covered Workers with a Separate Hospital Deductible and Average Separate Hospital Deductibles, by Plan Type, 2007

	Percentage of Covered Workers with a Separate Hospital Deductible	Among Workers with a Separate Hospital Deductible, Average Separate Hospital Deductible
HMO	15%	\$323
PPO	12%	\$334
POS	23%	\$340

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: Separate Hospital Deductible questions were not asked of HDHP/SOs.

## EXHIBIT 7.15

Distribution of Covered Workers With the Following Types of Cost Sharing in Addition to Any Plan Deductible, by Plan Type, 2007

	Copayment Only	Coinsurance Only	Both Copay and Coinsurance <sup>‡</sup>	Charge Per Day	None
<b>Separate Cost Sharing for Each Hospital Admission</b>					
HMO*	34%	14%	4%	7%	40%
PPO*	13	56	9	3	20
POS*	37	23	7	8	24
HDHP/SO*	3	64	1	2	31
<b>ALL PLANS</b>	<b>20%</b>	<b>43%</b>	<b>7%</b>	<b>4%</b>	<b>26%</b>
<b>Separate Cost Sharing for Each Outpatient Surgery</b>					
HMO*	53%	13%	4%	NA	30%
PPO*	17	59	6	NA	17
POS*	39	38	4	NA	18
HDHP/SO*	2	68	1	NA	29
<b>ALL PLANS</b>	<b>27%</b>	<b>47%</b>	<b>5%</b>	<b>NA</b>	<b>21%</b>
<b>Separate Cost Sharing for Emergency Room Visit</b>					
HMO*	86%	6%	2%	NA	6%
PPO*	55	24	15	NA	7
POS*	83	10	5	NA	3
HDHP/SO*	12	57	3	NA	28
<b>ALL PLANS</b>	<b>62%</b>	<b>20%</b>	<b>11%</b>	<b>NA</b>	<b>7%</b>
<b>Separate Cost Sharing for Urgent Care Visit</b>					
HMO*	83%	3%	1%	NA	13%
PPO*	59	23	6	NA	13
POS*	84	7	2	NA	7
HDHP/SO*	15	58	0	NA	27
<b>ALL PLANS</b>	<b>65%</b>	<b>17%</b>	<b>4%</b>	<b>NA</b>	<b>14%</b>
<b>Separate Cost Sharing for Advanced Diagnostic Test</b>					
HMO*	40%	13%	1%	NA	45%
PPO*	14	60	3	NA	23
POS*	35	36	1	NA	27
HDHP/SO*	2	62	1	NA	35
<b>ALL PLANS</b>	<b>21%</b>	<b>47%</b>	<b>2%</b>	<b>NA</b>	<b>30%</b>

## SOURCE

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution (p<.05).

<sup>‡</sup> This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

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

## EXHIBIT 7.16

Among Covered Workers With Separate Cost Sharing for Each Hospital Admission or Each Outpatient Surgery in Addition to Any Plan Deductible, Average Cost Sharing, by Plan Type, 2007

	Average Copayment	Average Coinsurance	Charge Per Day
<b>Separate Cost Sharing for Each Hospital Admission</b>			
HMO	\$243*	15%*	\$209
PPO	192	17	187
POS	194	19*	NSD
HDHP/SO	NSD	18	NSD
<b>ALL PLANS</b>	<b>\$208</b>	<b>17%</b>	<b>\$228‡</b>
<b>Separate Cost Sharing for Each Outpatient Surgery</b>			
HMO	\$110	15%	NA
PPO	119	17	NA
POS	110	19	NA
HDHP/SO	NSD	20	NA
<b>ALL PLANS</b>	<b>\$114‡</b>	<b>18%</b>	<b>NA</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from All Plans estimate ( $p < .05$ ).

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

NSD: Not Sufficient Data.

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

Note: All Plans estimates are weighted by workers in firms that reported cost sharing. See the Survey Design and Methods Section for more information on weighting.

**EXHIBIT 7.17**

In Addition to Any Plan Deductible, Percentage of Covered Workers with Emergency Room Cost Sharing, by Plan Type, 2007

	Percentage of Covered Workers with Emergency Room Cost Sharing	Among those with Emergency Room Cost Sharing, Percentage of Covered Workers with Cost Sharing Waived if Individual is Admitted to the Hospital
HMO	94%	86%
PPO	93	74
POS	97*	98*
HDHP/SO	72*	41*
<b>ALL PLANS</b>	<b>93%</b>	<b>79%</b>

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from All Plans estimate (p<.05).

**EXHIBIT 7.18**

In Addition to Any Plan Deductible, Percentage of Covered Workers With the Following Types of Cost Sharing for Physician Office Visits, by Plan Type, 2007

	Copay Only	Coinsurance Only	Both Copay and Coinsurance <sup>‡</sup>	Neither
<b>In-Network</b>				
HMO*	93%	2%	1%	4%
PPO*	77	13	6	3
POS*	90	4	4	2
HDHP/SO*	19	56	2	23
<b>ALL PLANS</b>	<b>79%</b>	<b>12%</b>	<b>5%</b>	<b>4%</b>
<b>Out-of-Network</b>				
HMO	NA	NA	NA	NA
PPO	8%	78%	8%	6%
POS*	18	71	5	6
HDHP/SO* <sup>§</sup>	9	79	2	11
<b>ALL PLANS</b>	<b>9%</b>	<b>80%</b>	<b>6%</b>	<b>5%</b>

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution (p<.05).

<sup>‡</sup> This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

<sup>§</sup> For HDHP/SOs, the questions on out-of-network cost sharing are asked only of those that indicated in a previous question that the plan has a preferred provider network.

NA: Not applicable. Questions on out-of-network office visit cost sharing are not asked of HMO plans.



## EXHIBIT 7.19

## Among Workers with Copayments for In-Network or Out-of-Network Office Visits, Average Copayments, by Plan Type, 2007

	HMO	PPO	POS	HDHP/SO	ALL PLANS
<b>In-Network Office Visits</b>					
Average Copay for Primary Care Physician Office Visit	\$18*	\$19	\$19	\$24*	\$19
Average Copay for Specialist Physician Office Visit	\$23	\$24	\$26	\$30*	\$24
<b>Out-of-Network Office Visits</b>					
Average Copay for Primary Care Physician Office Visit	NA	\$29	\$28	NSD	\$29
Average Copay for Specialist Physician Office Visit	NA	\$33	\$33	NSD	\$33

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from All Plans estimate (p&lt;.05).

NSD: Not Sufficient Data.

NA: Not Applicable. Questions on out-of-network office visit cost sharing are not asked of HMO plans.

Note: The survey asks respondents if they have cost sharing for in-network or out-of-network office visits. If the respondent indicates they have a copayment for office visits, we assume they have a copayment for both primary and specialty care visits. The survey does not allow for a respondent to have a copayment for primary care visits and coinsurance for specialty care visits. A very small percentage (<0.01%) of respondents that indicated copayments for office visits are missing from the specialty copayment averages because they indicated having coinsurance for specialty visits.

## EXHIBIT 7.20

## Among Workers with Coinsurance for In-Network or Out-of-Network Office Visits, Average Coinsurance, by Plan Type, 2007\*

	HMO	PPO	POS	HDHP/SO	ALL PLANS
<b>In-Network Office Visits</b>					
Average Coinsurance for Primary Care Physician Office Visit	NSD	18%	20%	17%	17%
<b>Out-of-Network Office Visits<sup>‡</sup></b>					
Average Coinsurance for Primary Care Physician Office Visit	NA	33%	32%	34%	33%

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Tests found no statistical difference from All Plans estimate (p&lt;.05).

<sup>‡</sup> For HDHP/SOs, the questions on out-of-network cost sharing are asked only of those that indicated in a previous question that the plan has a preferred provider network.

NSD: Not Sufficient Data.

NA: Not Applicable. Questions regarding out-of-network office visit cost sharing are not asked of HMO plans.

## EXHIBIT 7.21

Among Covered Workers With Copayments for A Physician Office Visit with a Primary Care Physician, Distribution of Copayments, by Plan Type, 2004–2007

	\$5 Per Visit	\$10 Per Visit	\$15 Per Visit	\$20 Per Visit	\$25 Per Visit	\$30 Per Visit	Other
<b>HMO</b>							
2004	3%	28%	40%	22%	3%	3%	1%
2005*	5	23	34	27	6	4	1
2006	3	21	37	25	8	5	2
2007*	3	20	25	34	13	4	1
<b>PPO</b>							
2004	1%	17%	35%	28%	11%	4%	3%
2005*	<1	16	25	34	15	5	4
2006	<1	12	25	35	17	7	3
2007*	2	11	24	35	19	7	2
<b>POS</b>							
2004	3%	17%	34%	36%	8%	<1%	1%
2005*	2	16	35	30	11	6	1
2006*	2	22	26	27	16	6	<1
2007*	2	10	36	25	15	6	5
<b>HDHP/SO†</b>							
2007	7%	<1%	12%	38%	13%	19%	12%
<b>ALL PLANS</b>							
2004	1%	19%	37%	27%	9%	3%	3%
2005*	2	17	29	32	12	5	3
2006	2	15	28	32	15	6	3
2007	2	14	25	34	17	7	2

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2004–2007.

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

† In 2006, there is insufficient data to report the results. Information was not obtained for HDHP/SOs prior to 2006.

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

## EXHIBIT 7.22

Among Covered Workers With Copayments for A Physician Office Visit with a Specialty Care Physician, Distribution of Copayments, by Plan Type, 2006–2007

	\$5 Per Visit	\$10 Per Visit	\$15 Per Visit	\$20 Per Visit	\$25 Per Visit	\$30 Per Visit	Other
<b>HMO</b>							
2006	3%	14%	20%	20%	17%	13%	15%
2007*	2	11	12	26	22	14	14
<b>PPO</b>							
2006	<1%	9%	15%	25%	20%	15%	16%
2007	1	8	13	24	18	16	19
<b>POS</b>							
2006	2%	13%	13%	17%	18%	17%	21%
2007*	7	6	10	21	19	16	21
<b>HDHP/SO†</b>							
2007	0%	7%	5%	23%	7%	18%	41%
<b>ALL PLANS</b>							
2006	2%	10%	15%	22%	19%	16%	16%
2007	2	8	12	24	20	16	18

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

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

† In 2006, there is insufficient data to report the results.

Note: Copayments for PPO, POS, and HDHP/SO plans are for in-network providers. Information on copayments for specialty physician office visits was not obtained prior to 2006. The survey asks respondents if they have cost sharing for in-network or out-of-network office visits. If the respondent indicates they have a copayment for office visits, we assume they have a copayment for both primary and specialty care visits. The survey does not allow for a respondent to have a copayment for primary care visits and coinsurance for specialty care visits. A very small percentage (<0.01%) of respondents that indicated copayments for office visits are missing from the specialty copayment averages because they indicated having coinsurance for specialty visits.

## EXHIBIT 7.23

Among Covered Workers in HMOs With a Copayment for a Physician Office Visit, Percentage with Various Copayments, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
\$5 Per Visit	23%	22%	15%*	7%*	4%	3%	5%	3%	3%
\$10 Per Visit	60	54	56	52	35*	28	23	21	20
\$15 Per Visit	12	16	22*	27	37*	40	34	37	25*
\$20 Per Visit	1	3	3	11*	12	22*	27	25	34*
Other	3	6	4	3	12*	7	11	15	18

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

Note: In 2005, 2006, and 2007 the survey asked about primary care physicians (if the copayments were different for specialist care). This distinction was not made prior to 2005.

## EXHIBIT 7.24

Among Covered Workers With Coinsurance for Physician Office Visits, Distribution of Average Coinsurance Rates, by Plan Type, 2007

COINSURANCE RATES	10% or 15%	20% or 25%	30% or 35%	40% or 45%	Other
PPO In-Network Provider	32%	62%	6%	<1%	<1%
PPO Out-of-Network Provider	1	24	33	30	12
POS In-Network Provider	15	74	10	1	0
POS Out-of-Network Provider	1	28	41	19	12
HDHP/SO In-Network Provider	37	59	4	0	<1
HDHP/SO Out-of-Network Provider	2	22	30	33	13

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: HMO coinsurance rates are not shown because there is not sufficient data as only 2% of covered workers face coinsurance for office visits. For PPOs, POS plans, and HDHP/SOs, the survey asked about coinsurance rates for both in-network and out-of-network providers. However, for HDHP/SOs, the questions regarding out-of-network cost sharing were only asked of those that reported having a preferred provider network. For HMOs, the distinction is not applicable.

## EXHIBIT 7.25

Percentage of Covered Workers With "No Limit" for Annual Out-of-Pocket Maximum for Single and Family Coverage, by Plan Type, 2007

	Single Coverage	Family Coverage
HMO	41%*	41%*
PPO	23*	24*
POS	47*	47*
HDHP/SO	NA	NA
<b>ALL PLANS</b>	<b>29%</b>	<b>29%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from All Plans estimate ( $p < .05$ ).

NA: Not Applicable. HSA-qualified HDHPs are required to have an annual maximum out-of-pocket liability of no more than \$5,500 for single coverage and \$11,000 for family coverage. HDHP/HRAs have no such requirement, and the percentage of covered workers in HDHP/HRAs with "No Limit" for annual out-of-pocket maximum for single and family coverage is 10% and 11%, respectively.

## EXHIBIT 7.26

Among Covered Workers with an Annual Out-of-Pocket-Maximum, Percentage Whose Spending for Various Services Does Not Count Towards the Out-of-Pocket Limit, 2007

	HMO	PPO	POS	HDHP/SO <sup>‡</sup>
General Plan Deductible	28%	32%	30%	26%
Any Additional Plan Deductibles	29	53	18	42
Office Visit Copayments	45	73	52	NSD
Office Visit Coinsurance	NSD	12	NSD	1
Prescription Drug Cost Sharing	61	79	60	40

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

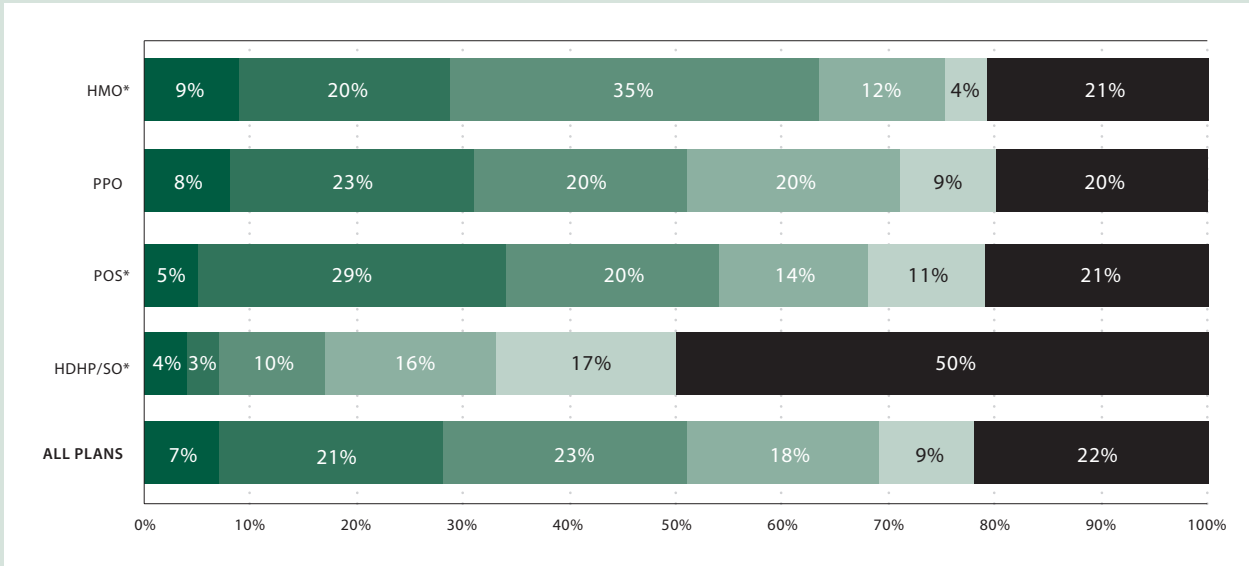
<sup>‡</sup> Among HDHP/SO plans, questions other than "overall plan deductible" were asked only of HDHP/HRAs and not of HSA-qualified HDHPs. HSA-qualified HDHPs are required to apply most cost sharing to the out-of-pocket maximum. When HDHP/HRAs are considered exclusively, among covered workers with an annual out-of-pocket maximum, the percentage whose out-of-pocket maximum does not include certain services is as follows: any additional plan deductibles is 41%, office visit coinsurance is 1%, and prescription drug cost sharing is 41%.

NSD: Not Sufficient Data.

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

EXHIBIT 7.27

Among Covered Workers with an Out-of-Pocket Maximum for Single Coverage, Distribution of Out-of-Pocket Maximums, by Plan Type, 2007

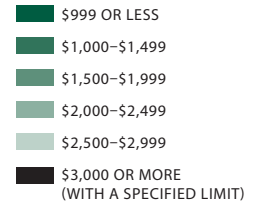


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution ( $p < .05$ ).

Note: Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts. HSA-qualified HDHPs have an out-of-pocket maximum of \$5,500 for single coverage and \$11,000 for family coverage in 2007.



## EXHIBIT 7.28

## Distribution of Type of Out-of-Pocket Maximum for Covered Workers with Family Coverage, by Plan Type and Firm Size, 2007\*

	No Limit	Aggregate Amount	Separate Amount per Person
<b>HMO</b>			
All Small Firms (3–199 Workers)	39%	58%	4%
All Large Firms (200 Or More Workers)	42	50	8
<b>ALL FIRM SIZES</b>	<b>41%</b>	<b>52%</b>	<b>7%</b>
<b>PPO</b>			
All Small Firms (3–199 Workers)	23%	58%	19%
All Large Firms (200 Or More Workers)	24	57	20
<b>ALL FIRM SIZES</b>	<b>24%</b>	<b>57%</b>	<b>20%</b>
<b>POS</b>			
All Small Firms (3–199 Workers)	42%	37%	21%
All Large Firms (200 Or More Workers)	54	36	10
<b>ALL FIRM SIZES</b>	<b>47%</b>	<b>37%</b>	<b>16%</b>
<b>HDHP/SO†</b>			
All Small Firms (3–199 Workers)	6%	91%	3%
All Large Firms (200 Or More Workers)	6	83	11
<b>ALL FIRM SIZES</b>	<b>6%</b>	<b>86%</b>	<b>7%</b>
<b>ALL FIRMS</b>			
All Small Firms (3–199 Workers)	29%	56%	15%
All Large Firms (200 Or More Workers)	29	55	17
<b>ALL FIRM SIZES</b>	<b>29%</b>	<b>55%</b>	<b>16%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

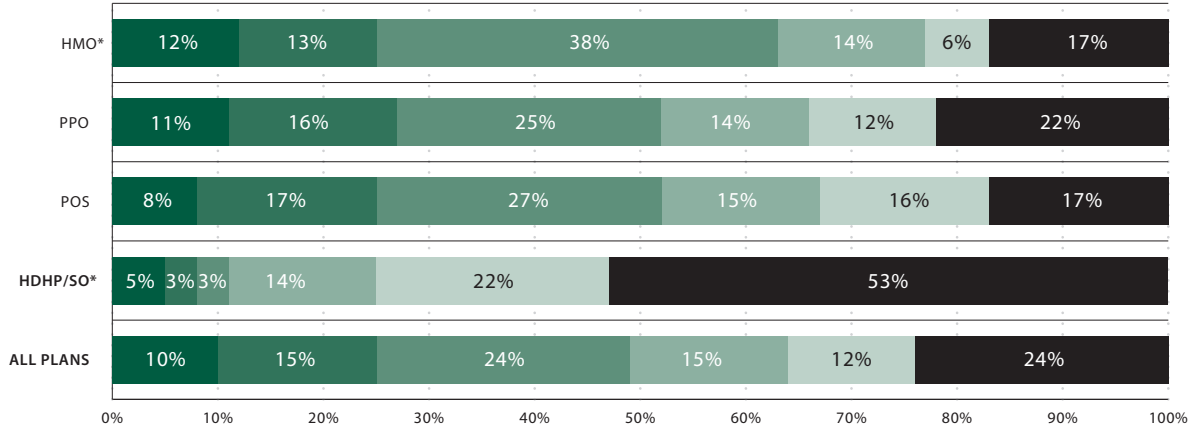
\* No statistical difference between All Small Firms and All Large Firms distributions within plan type ( $p < .05$ ).

† HSA-qualified HDHPs are required to have an annual maximum out-of-pocket liability of no more than \$5,500 for single coverage and \$11,000 for family coverage in 2007. When they are excluded from the calculation, the distribution of type of out-of-pocket maximum for HDHP/HRAs only is as follows: All Small Firms – Not Sufficient Data; All Large Firms – 9% No Limit, 80% Aggregate Amount, and 11% Separate Amount per Person; All Firm Sizes – 11% No Limit, 82% Aggregate Amount, and 7% Separate Amount per Person.

Note: The survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members. Among workers with an out-of-pocket maximum, 88% of workers in HMOs have an aggregate out-of-pocket maximum, 74% in PPOs have an aggregate out-of-pocket maximum, 70% in POS plans have an aggregate out-of-pocket maximum and 77% in All Plans have an aggregate out-of-pocket maximum.

EXHIBIT 7.29

Among Covered Workers with an Aggregate Out-of-Pocket Maximum for Family Coverage, Distribution of Out-of-Pocket Maximums, by Plan Type, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution ( $p < .05$ ).

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

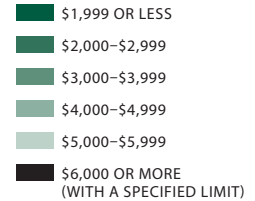
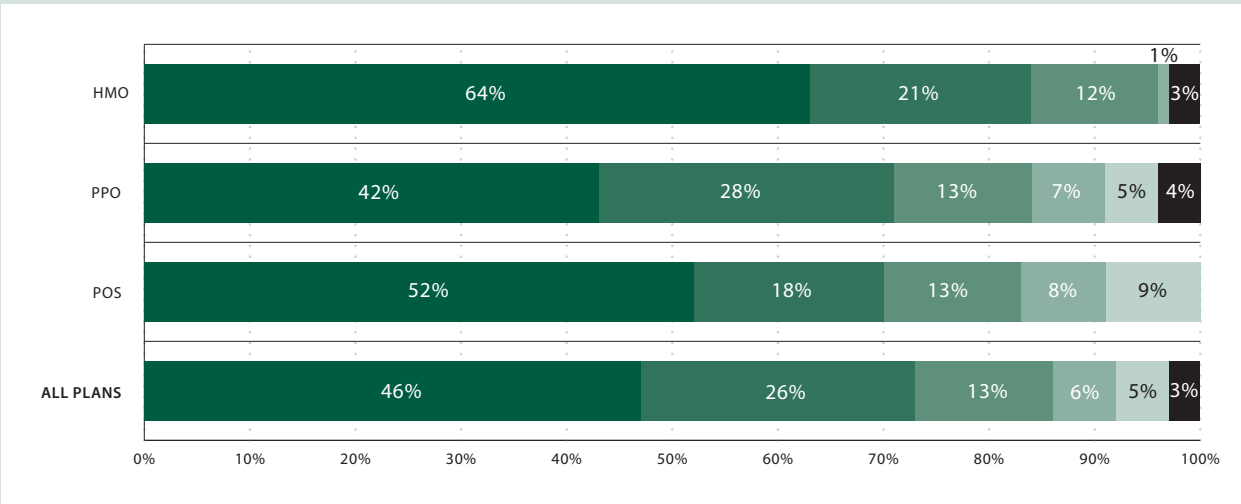




EXHIBIT 7.30

Among Covered Workers with a Separate per Person Out-of-Pocket Maximum for Family Coverage, Distribution of Out-of-Pocket Maximums, by Plan Type, 2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Tests found no statistical difference from All Plans distribution (p<.05).

Note: Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts. The survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members. Distribution for out-of-pocket maximum for HDHP/SO plans is not shown due to an insufficient number of observations.

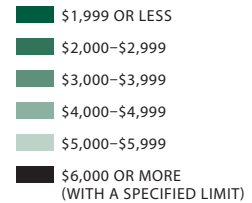
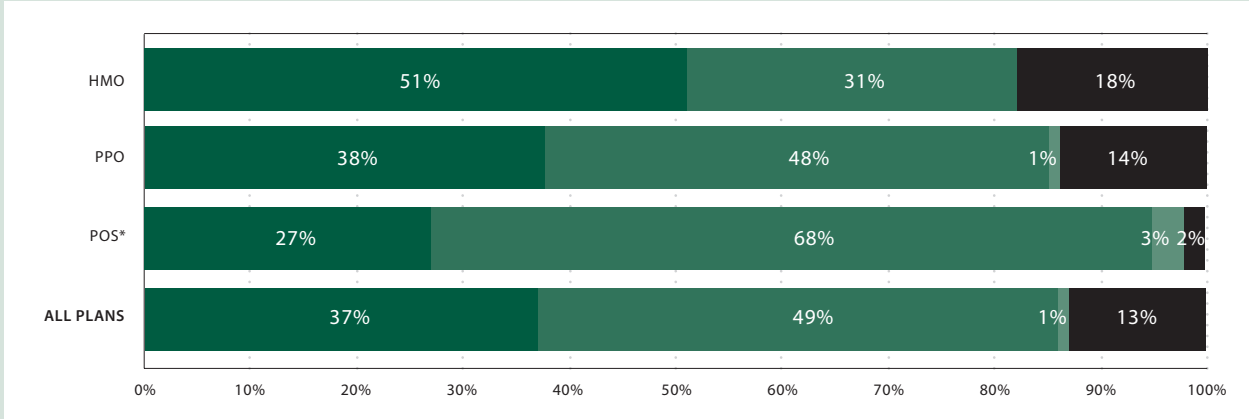


EXHIBIT 7.31

Among Covered Workers with a Separate per Person Out-of-Pocket Maximum for Family Coverage, Distribution of Maximum Number of Family Members Required to Meet the Maximum, by Plan Type, 2007

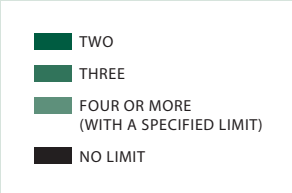


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution (p<.05).

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



EMPLOYER HEALTH BENEFITS

2007 ANNUAL SURVEY

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High-Deductible  
Health Plans  
with Savings  
Option

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SECTION

8

## HIGH-Deductible Health Plans with Savings Option

CHANGES IN LAW OVER THE PAST FEW YEARS HAVE PERMITTED THE ESTABLISHMENT OF NEW TYPES OF SAVINGS ARRANGEMENTS FOR HEALTH CARE. THE TWO MOST COMMON ARE HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs) AND HEALTH SAVINGS ACCOUNTS (HSAs). HRAs AND HSAs ARE BOTH FINANCIAL ACCOUNTS THAT WORKERS OR OTHER INDIVIDUALS CAN USE TO PAY FOR HEALTH CARE SERVICES. THESE SAVINGS ARRANGEMENTS ARE OFTEN (OR, IN THE CASE OF HSAs, ALWAYS) PAIRED WITH HEALTH PLANS WITH HIGH DEDUCTIBLES. THE SURVEY TREATS HIGH-Deductible PLANS THAT CAN BE PAIRED WITH A SAVINGS OPTION AS A DISTINCT PLAN TYPE—HIGH-Deductible Health Plan with Savings Option (HDHP/SO)—EVEN IF THE PLAN WOULD OTHERWISE BE CONSIDERED A PPO, HMO, POS OR CONVENTIONAL HEALTH PLAN. SPECIFICALLY FOR THE SURVEY, HDHP/SOs ARE DEFINED AS (1) HEALTH PLANS WITH A DEDUCTIBLE OF AT LEAST \$1,000 FOR SINGLE COVERAGE AND \$2,000 FOR FAMILY COVERAGE<sup>1</sup> OFFERED WITH AN HRA (REFERRED TO AS HDHP/HRAs); AND (2) HIGH-Deductible HEALTH PLANS THAT MEET THE FEDERAL LEGAL REQUIREMENTS TO PERMIT AN ENROLLEE TO ESTABLISH AND CONTRIBUTE TO AN HSA (REFERRED TO AS HSA-QUALIFIED HDHPs).<sup>2</sup>

TEN PERCENT OF FIRMS OFFERING HEALTH BENEFITS OFFER AN HDHP/HRA, AN HSA-QUALIFIED HDHP, OR BOTH IN 2007. FIVE PERCENT OF COVERED WORKERS ARE ENROLLED IN HDHP/SOs IN 2007 (EXHIBIT 5.1). THE AVERAGE PREMIUMS FOR SINGLE COVERAGE IN HDHP/HRAs AND HSA-QUALIFIED HDHPs, AND THE AVERAGE PREMIUM FOR FAMILY COVERAGE IN HSA-QUALIFIED HDHPs, ARE LOWER THAN THE OVERALL AVERAGE PREMIUMS FOR PLANS THAT ARE NOT HDHP/SOs.

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

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

- ▶ Ten percent of firms offering health benefits offer an HDHP/HRA, an HSA-qualified HDHP, or both in 2007 (Exhibit 8.1). This is a higher percentage than we reported for 2006 (7%), but the difference is not statistically significant. Among firms offering health benefits, 3% offer an HDHP/HRA and 7% offer an HSA-qualified HDHP (Exhibit 8.1).
- Larger firms are more likely to offer an HDHP/HRA, an HSA-qualified HDHP, or both than smaller firms. For example, 18% of firms with 1,000 or more workers offer an HDHP/SO, compared to 10% of firms with 3 to 199 workers, and 13% of firms with 200 to 999 workers (Exhibit 8.2).

#### NOTE:

<sup>1</sup> There is no legal requirement for the minimum deductible in a plan offered with an HRA. The survey defines a high deductible plan as a plan with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage. Federal law requires a deductible of at least \$1,100 for single coverage and \$2,200 for family coverage for HSA-qualified HDHPs in 2007. See the Text Box for more information on HSA-qualified HDHPs and HDHP/HRAs.

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

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

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

**Health Savings Accounts (HSAs)** are savings accounts created by individuals to pay for health care. An individual may establish an HSA if he or

she is covered by a “qualified health plan” which is a plan with a high deductible (i.e., a deductible of at least \$1,100 for single coverage and \$2,200 for family coverage in 2007) that also meets other requirements.<sup>1</sup> Employers can encourage their employees to create HSAs by offering an HDHP that meets the federal requirements. Employers in some cases also may assist their employees by identifying HSA options, facilitating applications, or negotiating favorable fees from HSA vendors.

Both employers and employees can contribute to an HSA, up to the statutory cap of \$2,850 for single coverage and \$5,650 for family coverage in 2007. Employee contributions to the HSA are made on a pre-income tax basis, and some employers arrange for their employees to fund their HSAs through payroll deduction. Employers are not required to contribute to HSAs established by their employees, but if they elect to do so, their contributions are not taxable to the employee. Interest and other earnings on amounts in an HSA are not taxable. Withdrawals from the HSA by the account owner to pay for qualified health care expenses are not taxed. The savings account is owned by the individual who creates the account, so employees retain their HSA balances if they leave their job.

<sup>1</sup> See U.S. Department of the Treasury, *2007 HSA Indexed Amounts*, available at <http://www.ustreas.gov/offices/public-affairs/hsa/07IndexedAmounts.shtml>.

- Between 2006 and 2007, the percentage of firms with 200 to 999 workers offering an HDHP/SO increased from 5% to 13% (Exhibit 8.3).
- ▶ Five percent of covered workers are enrolled in HDHP/SOs in 2007, similar to the 4% enrollment reported for 2006 (Exhibit 5.1). Fewer than 3% of covered workers are enrolled in HDHP/HRAs and a similar percentage is enrolled in HSA-qualified HDHPs.
- Eight percent of workers in small firms (3–199 workers) are enrolled in HDHP/SOs compared to 4% of workers in large firms (200 or more workers) (Exhibit 5.2).

#### DEDUCTIBLE LEVELS AND OUT-OF-POCKET LIMITS

- ▶ Average general annual deductibles in HDHP/SOs are relatively high (as expected) when compared to the average annual deductibles for health plans generally.
- The average general annual deductible for single coverage is \$1,556 in HDHP/HRAs and \$1,923 in HSA-qualified HDHPs (Exhibit 8.4). However, there is variation around these averages, particularly in the case of HSA-qualified HDHPs, where 24% of covered workers are in a plan with a deductible amount between \$1,100 and \$1,499, and 54% of covered workers are in a plan with a deductible of \$2,000 or more (Exhibit 8.6). Eighty-eight percent of workers enrolled in

HDHP/HRAs and 86% of workers enrolled in HSA-qualified HDHPs are in a plan that does not require the deductible to be met before the plan pays for some preventive services (Exhibit 8.9).

- The 2006 survey was modified to collect additional information about family general annual deductible amounts. Since 2006, the survey asks employers whether the family deductible amount is (1) an aggregate amount (i.e., the out-of-pocket expenses of all family members are counted until the deductible is satisfied), or (2) a per-person amount that applies to each family member (typically with a limit on the number of family members that would be required to meet the deductible amount). Due to this change, the amounts reported this year for family deductibles can be compared (by deductible type) to amounts reported in 2006 but not to amounts reported prior to 2006.
- Average aggregate deductibles for family coverage are \$3,342 for HDHP/HRAs and \$3,883 for HSA-qualified HDHPs (Exhibit 8.4). As with deductibles for single coverage, there is substantial variation among covered workers for their family coverage deductibles. Twenty-eight percent of covered workers in HSA-qualified HDHPs have aggregate family deductibles between \$2,200 and \$2,999, while 33% have family aggregate deductibles of \$5,000 or more (Exhibit 8.8).
- ▶ HSA-qualified HDHPs are legally required to have a maximum annual out-of-pocket liability (for 2007) of \$5,500 for single coverage and \$11,000 for family coverage, while HDHP/HRAs have no similar requirement.
- The 2006 survey questions on out-of-pocket maximum liability data were revised to collect additional information. As with deductibles, the survey asks employers whether the family out-of-pocket maximum liability is (1) an aggregate amount that applies to spending by any covered person in the family, or (2) a separate per person amount that applies to spending by each family member or a limited number of family members. The survey also asks whether spending by enrollees that counts towards meeting the plan deductible counts towards meeting the plan out-of-pocket

maximum. Because of these changes, the amounts reported this year for family out-of-pocket maximums can be compared to amounts reported in the 2006 survey but cannot be compared to amounts reported for years prior to 2006.

- The average out-of-pocket maximum for covered workers in HDHP/HRAs with single coverage is \$3,088, which is similar to the \$3,090 average out-of-pocket maximum for covered workers in HSA-qualified HDHPs with single coverage (Exhibit 8.4).<sup>3</sup> Among covered workers with family coverage whose out-of-pocket maximum is an aggregate amount that applies to spending by any covered person in the family, the average amounts are \$6,678 for covered workers in HDHP/HRAs and \$6,505 for those in HSA-qualified HDHPs (Exhibit 8.4).

#### PREMIUMS

- ▶ Average annual premiums for HDHP/HRAs are \$3,894 for single coverage and \$11,492 for family coverage (Exhibit 8.4). The HDHP/HRA premium amount for covered workers with single coverage is lower than the average single premium for workers in plans that are not HDHP/SOs (Exhibit 8.5).
- ▶ Average annual premiums for HSA-qualified HDHPs are \$3,826 for single coverage and \$9,666 for family coverage (Exhibit 8.4). These premium amounts are lower than the average single and family premiums for plans that are not HDHP/SOs (Exhibit 8.5).

#### WORKER CONTRIBUTIONS TO PREMIUMS

- ▶ The average annual worker premium contributions for HDHP/HRAs are \$617 for single coverage and \$3,113 for family coverage (Exhibit 8.4). The differences between these amounts and the average premium contributions for plans that are not HDHP/SOs for single and family coverage are not statistically significant (Exhibit 8.5).
- ▶ The average annual worker premium contributions for HSA-qualified HDHPs are \$413 for single coverage and \$2,564 for family coverage (Exhibit 8.4). These premium contribution amounts are lower than the average single and family contributions paid by workers in plans that are not HDHP/SOs (Exhibit 8.5).

#### NOTE:

<sup>3</sup>The average out-of-pocket maximum for HDHP/HRAs is calculated for plans with an out-of-pocket maximum. About 10% of covered workers in HDHP/HRAs with single coverage and 11% of covered workers in HDHP/HRAs for family coverage are in plans that reported having no limit on out-of-pocket expenses.

## EMPLOYER CONTRIBUTIONS TO PREMIUMS AND SAVINGS OPTIONS

- ▶ Employers contribute to HDHP/SOs in two ways: through their contributions toward the premium for the health plan and through their contributions (if any in the case of HSAs) to the savings account option (i.e., the HRAs or HSAs themselves).
  - Looking just at annual employer contributions to the premiums for HDHP/SOs, covered workers in HDHP/HRAs on average have employer contributions of \$3,277 towards the premium for single coverage and \$8,379 towards the premium for family coverage (Exhibit 8.5). The average amount contributed by employers for single coverage in HDHP/HRAs is lower than average amount contributed by employers for single coverage for health plans that are not HDHP/SOs.
  - Covered workers in HSA-qualified HDHPs on average have employer contributions of \$3,412 towards the premium for single coverage and \$7,102 towards the premium for family coverage (Exhibit 8.5). The average amount contributed by employers for family coverage in HSA-qualified HDHPs is lower than average amount contributed by employers for family coverage for health plans that are not HDHP/SOs.
- ▶ On average, workers enrolled in an HDHP/HRA receive an annual employer contribution to their HRA of \$915 for single coverage and \$1,800 for family coverage. Workers enrolled in HSA-qualified HDHPs on average receive an employer contribution to their HSA of \$428 for single coverage and \$714 for family coverage (Exhibit 8.5). There are important caveats, however, for interpreting these averages.
  - In looking at employer contributions to HRAs, it is important to note that some HRAs are structured in such a way that employers may not actually spend the whole amount that they make available to their employees' HRAs.<sup>4</sup> Amounts committed to an employees' HRA that are not used by the employee generally roll over and can be used in future years, but any balance may revert back to the employer if the employee leaves his or her job. Thus, the employer contribution amounts to HRAs that we capture in the survey may exceed the amount that employers will actually spend.
- In looking at employer contributions to HSAs, it is important to note that not all employers make contributions towards HSAs established by their employees. Almost two-thirds (66%) of employers offering single coverage through HSA-qualified HDHPs do not make contributions towards the HSAs that their workers establish (covering 47% of covered workers enrolled in HSA-qualified HDHPs for single coverage). For family coverage in HSA-qualified HDHPs, about 47% of employers offering family coverage through HSA-qualified HDHPs do not make contributions to the HSAs established by their employees (covering about 45% of workers covered by such plans).<sup>5</sup> The averages that we show include the large portion of covered workers whose employer contribution to the HSA is zero. When those firms that do not contribute to the HSA are excluded from the calculation, the average employer contribution for covered workers is \$806 for single coverage and \$1,294 for family coverage.
- ▶ Employer contributions to savings account options (i.e., the HRAs and HSAs themselves) for their employees can be added to their health plan premium contributions to calculate total employer contributions toward HDHP/SOs.
  - For HDHP/HRAs, the average total employer contribution for covered workers is \$4,192 for workers with single coverage and \$10,179 for workers with family coverage (Exhibit 8.5). The average total employer contribution amount for single and family coverage in HDHP/HRAs is higher than the average amount that employers contribute towards single and family coverage in health plans that are not HDHP/SOs.
  - For HSA-qualified HDHPs, the average total employer contribution for covered workers is \$3,840 for workers with single coverage and \$7,815 for workers with family coverage (Exhibit 8.5). The average total employer contribution amount for family coverage in HSA-qualified HDHPs is lower than the average amount that employers contribute towards family coverage in health plans that are not HDHP/SOs.

### NOTE:

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

<sup>5</sup>The differences in percentages between single and family coverage occur because some employers report offering single but not family coverage.

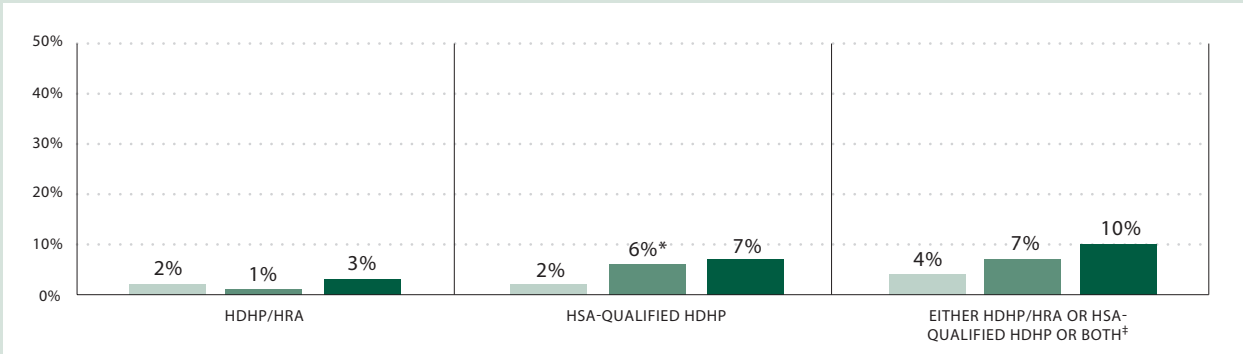
**FUTURE PLANS**

- ▶ Firms indicate some interest in offering HDHP/HRAs and HSA-qualified HDHPs in the next year.
- Three percent of firms not currently offering an HDHP/HRA report that they are “very likely” to offer an HDHP/HRA in the next year, and another 21% of such firms report that they are “somewhat likely” to do so (Exhibit 8.14). Among firms not currently offering a HSA-qualified HDHP, 2% say that they are “very likely” to do so next year and another 18% say that they are “somewhat likely” to offer such a plan (Exhibit 8.15).



**EXHIBIT 8.1**

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA-Qualified HDHP, 2005–2007

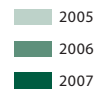


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

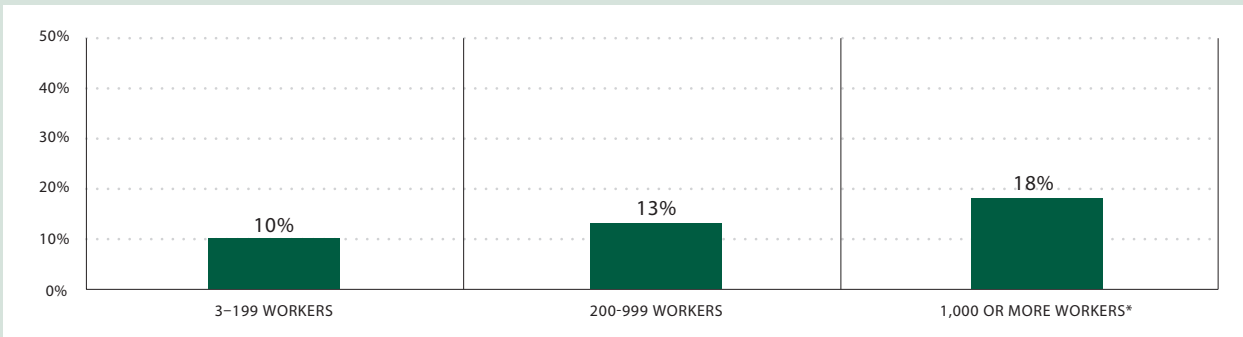
\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

† The 2007 estimate includes 0.2% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentages for 2005 and 2006 are 0.3% and 0.4%, respectively.



**EXHIBIT 8.2**

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/SO, by Firm Size, 2007



SOURCE:

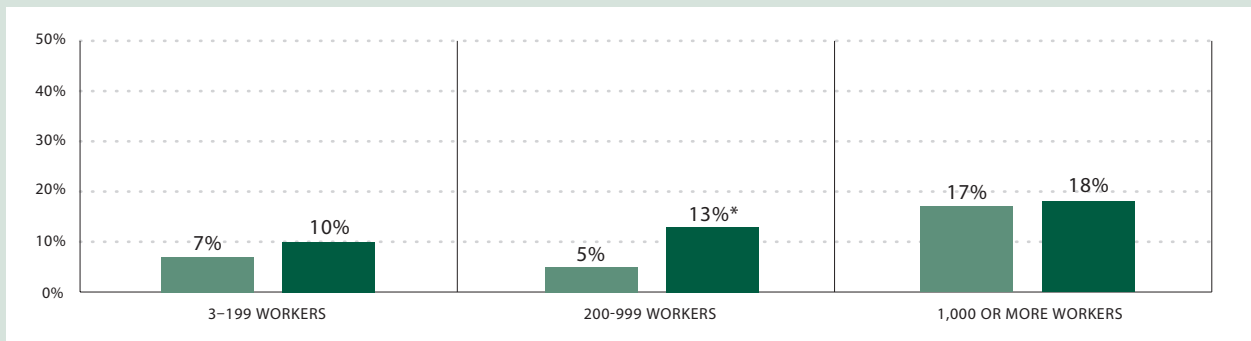
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

Note: The 2007 estimates include 0.2% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP.

**EXHIBIT 8.3**

**Among Firms Offering Health Benefits, Percentage That Offer an HDHP/SO, by Firm Size, 2006–2007**



**SOURCE:**

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

■ 2006  
■ 2007

\* Estimate is statistically different from estimate for previous year shown (p<.05).

Note: The 2007 estimate includes 0.2% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentage for 2006 is 0.4%.

**EXHIBIT 8.4**

**HDHP/HRA and HSA-Qualified HDHP Features, 2007**

Annual Plan Averages for:	HDHP/HRA		HSA-Qualified HDHP	
	Single	Family	Single	Family
Premium	\$3,894	\$11,492	\$3,826	\$9,666
Worker Contribution to Premium	\$617	\$3,113	\$413	\$2,564
Deductible <sup>‡</sup>	\$1,556	\$3,342	\$1,923	\$3,883
Out-of-Pocket Maximum Liability <sup>‡</sup>	\$3,088	\$6,678	\$3,090	\$6,505

**SOURCE:**

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

<sup>‡</sup>Ten percent of workers enrolled in HDHP/HRAs have employers that reported no out-of-pocket maximum for single coverage. The similar percentage for family coverage is 11%. These workers are excluded from the HDHP/HRA out-of-pocket maximum liability calculation. The deductible and out-of-pocket maximum averages shown for both HDHP/HRAs and HSA-qualified HDHPs for family coverage are for covered workers whose firms report that they face an aggregate amount. Among covered workers in HDHP/HRAs, 14% are in plans whose family deductible is a separate per person amount. Among covered workers in HDHP/HRA with an out-of-pocket maximum, 8% report that the family amount for out-of-pocket maximum is a separate per person amount. Among covered workers in HSA-qualified HDHPs, the percentages are 8% for deductibles and 8% for out-of-pocket maximum.

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

## EXHIBIT 8.5

## Average Annual Premiums and Contributions to Spending Accounts For Covered Workers, HDHP/HRAs, HSA-Qualified HDHPs and All Other Non-HDHP/SO Plans, 2007

	HDHP/HRA		HSA-Qualified HDHP		All Other Non-HDHP/SO Plans <sup>§</sup>	
	Single	Family	Single	Family	Single	Family
<b>Total Annual Premium</b>	\$3,894*	\$11,492	\$3,826*	\$9,666*	\$4,514	\$12,183
Worker Contribution to Premium	\$617	\$3,113	\$413*	\$2,564*	\$704	\$3,304
Firm Contribution to Premium	\$3,277*	\$8,379	\$3,412	\$7,102*	\$3,810	\$8,879
<b>Annual Firm Contribution to the HRA or HSA<sup>‡</sup></b>	\$915	\$1,800	\$428	\$714	NA	NA
<b>Total Annual Firm Contribution</b> (Firm Share of Premium Plus Firm Contribution to HRA or HSA)	\$4,192*	\$10,179*	\$3,840	\$7,815*	\$3,810	\$8,879
<b>Total Annual Spending</b> (Total Premium Plus Firm Contribution to HRA or HSA, if Applicable)	\$4,809	\$13,292*	\$4,254	\$10,380*	\$4,514	\$12,183

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different from estimate for All Other Non-HDHP/SO Plans ( $p < .05$ ).

<sup>‡</sup> When those firms that do not contribute to the HSA (66% for single coverage and 47% for family coverage) are excluded from the calculation, the average firm contribution to the HSA for covered workers is \$806 for single coverage and \$1,294 for family coverage. For HDHP/HRAs, we refer to the amount that the employer commits to make available to an HRA as a contribution for ease of discussion. HRAs are notional accounts, and employers are not required to actually transfer funds until an employee incurs expenses. Thus, employers may not expend the entire amount that they commit to make available to their employees through an HRA. As such, the employer contribution amounts to HRAs that we capture in the survey may exceed the amount that employers will actually spend.

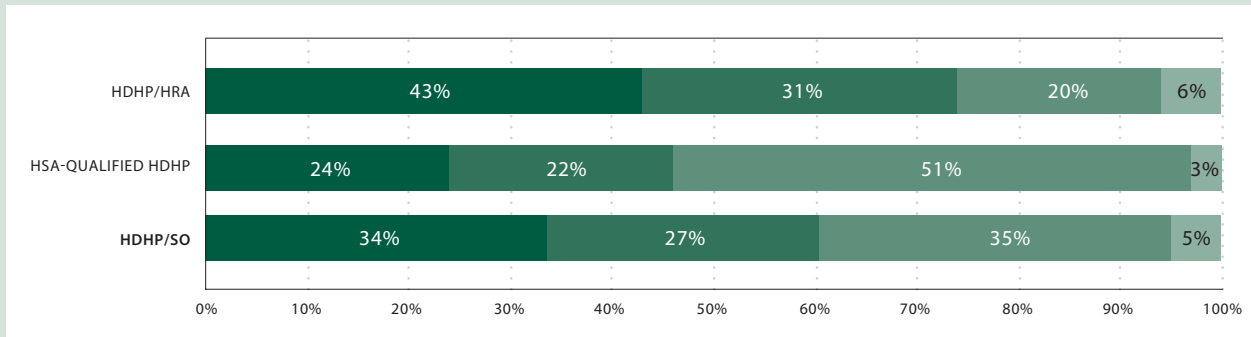
<sup>§</sup> In order to compare spending for HDHP/SOs to all other plans that are not HDHP/SOs, we created composite variables excluding HDHP/SO data.

NA: Not Applicable.

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

**EXHIBIT 8.6**

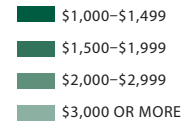
Distribution of Covered Workers with the Following General Annual Deductible Amounts for Single Coverage, HSA-Qualified HDHPs and HDHP/HRAs, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: For definitions of HDHP/HRAs and HSA-qualified HDHPs, see the introduction to Section 8. The minimum annual deductible for workers enrolled in HSA-qualified HDHPs is \$1,100 in 2007 according to federal regulation. Therefore, the distribution for HSA-qualified HDHPs starts at \$1,100.



**EXHIBIT 8.7**

Among Covered Workers, Distribution of Type of General Annual Deductible for Family Coverage, HDHP/HRAs and HSA-Qualified HDHPs, 2007

	Aggregate Amount	Separate Amount per Person
HDHP/HRA	86%	14%
HSA-Qualified HDHP	92	8
HDHP/SO	89%	11%

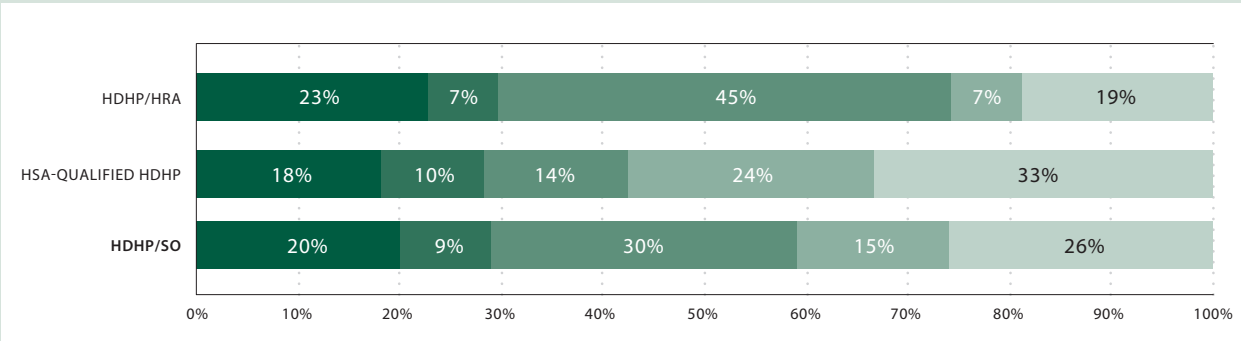
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

**EXHIBIT 8.8**

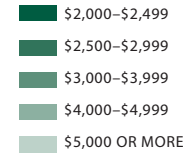
Distribution of Covered Workers with the Following Aggregate Family Deductible Amounts, HDHP/HRAs and HSA-Qualified HDHPs, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: For definitions of HDHP/HRAs and HSA-qualified HDHPs, see the introduction to Section 8. The survey distinguished between family deductibles that are an aggregate amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount. The minimum annual family deductible for workers enrolled in HSA-qualified HDHP is \$2,200 in 2007 according to federal regulation. Therefore, the distribution for HSA-qualified HDHPs starts at \$2,200.



**EXHIBIT 8.9**

Percentage of Covered Workers with Benefits Paid for by the Plan Without Having to First Meet the Deductible, HDHP/HRAs and HSA-Qualified HDHPs, by Benefit Type, 2007

	HDHP/HRA	HSA-Qualified HDHP	HDHP/SO
Preventive Benefits	88%	86%	87%
Prescription Drugs	46%	NA	NA

SOURCE:

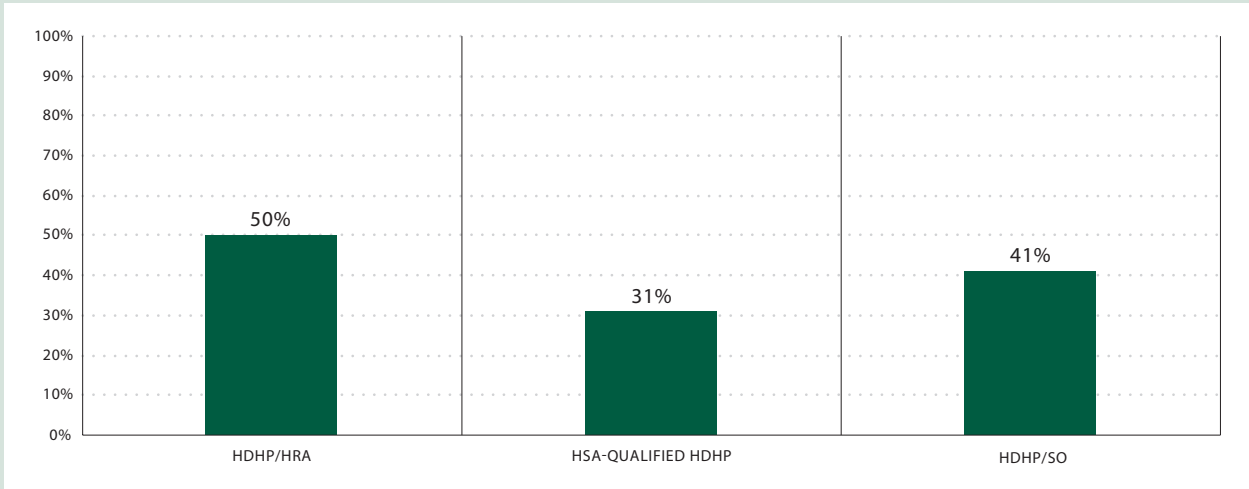
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

NA: Not Applicable. Both HDHP/HRAs and HSA-qualified HDHPs were asked about preventive benefits, but only HDHP/HRAs were asked about prescription drugs. HSA-qualified HDHPs are required by law to apply the plan deductible to nearly all services.

Note: These questions are asked for single coverage only. We make the assumption that they apply to workers enrolled in family coverage as well. Due to a difference in the structure of the questions, data for HMOs, PPOs, and POS plans are presented in Section 7. For example, firms with HMOs, PPOs, and POS plans are asked, "Does the general annual deductible have to be met before preventive care is covered?" while firms with HDHP/SOs are asked, "Are there preventive benefits that are paid for by the plan (that is, not through the savings account) before the employee meets the deductible under the plan?"

**EXHIBIT 8.10**

Percentage of Covered Workers in Partially or Completely Self-Funded HDHP/HRAs and HSA-Qualified HDHPs, 2007



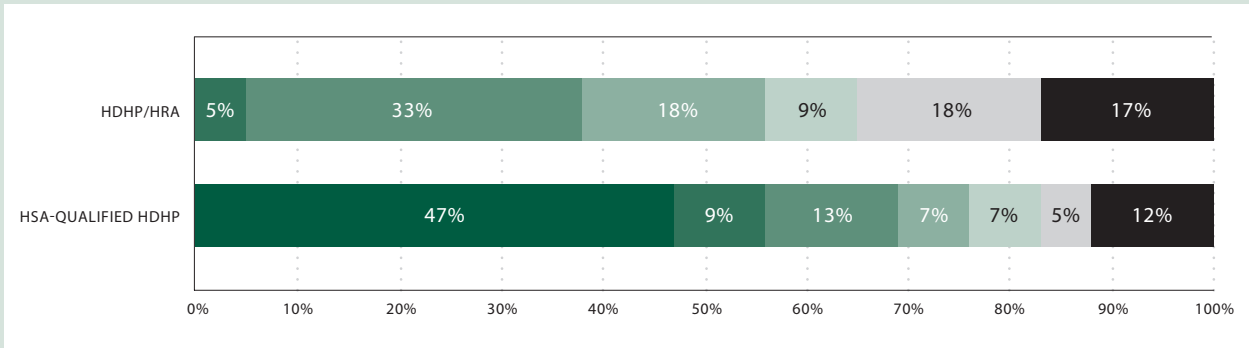
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

**EXHIBIT 8.11**

Distribution of Covered Workers with the Following Annual Employer Contributions to their HRA or HSA, for Single Coverage, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. For single coverage, 66% of employers offering HSA qualified HDHPs (covering 47% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish.

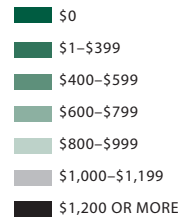
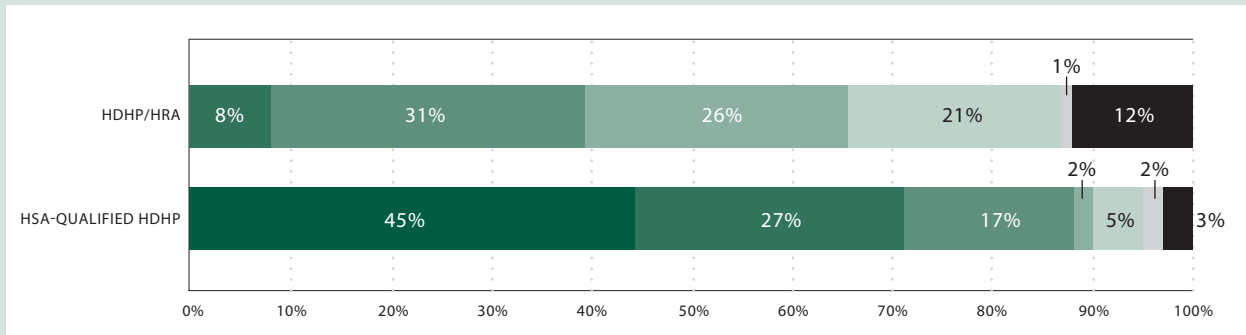


EXHIBIT 8.12

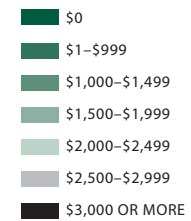
Distribution of Covered Workers with the Following Annual Employer Contributions to their HRA or HSA, for Family Coverage, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: For definitions of HDHP/HRAs and HSA qualified HDHPs, see the introduction to Section 8. For family coverage, 47% of employers offering HSA qualified HDHPs (covering 45% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish.



## EXHIBIT 8.13

Distribution of Covered Workers in HDHP/HRAs and HSA-Qualified HDHPs With the Following Types of Cost Sharing in Addition to General Annual Deductible, 2007

	Copay Only	Coinsurance Only	Both Copay and Coinsurance <sup>‡</sup>	Charge Per Day	None
<b>Separate Cost Sharing for Each Hospital Admission</b>					
HDHP/HRA	4%	78%	1%	0%	17%
HSA-Qualified HDHP	3	48	<1	3	46
HDHP/SO	3	64	1	2	31
<b>Separate Cost Sharing for Each Outpatient Surgery Episode</b>					
HDHP/HRA	3%	78%	2%	NA	17%
HSA-Qualified HDHP	0	58	0	NA	42
HDHP/SO	2	68	1	NA	29
<b>Separate Cost Sharing for Physician Office Visit (In-Network)</b>					
HDHP/HRA	30%	54%	3%	NA	12%
HSA-Qualified HDHP	7	57	<1	NA	36
HDHP/SO	19	56	2	NA	23
<b>Separate Cost Sharing for Physician Office Visit (Out-of-Network)<sup>§</sup></b>					
HDHP/HRA	12%	82%	2%	NA	4%
HSA-Qualified HDHP	5	75	1	NA	18
HDHP/SO	8	79	2	NA	11

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

<sup>‡</sup> This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

<sup>§</sup> For HDHP/SOs, the questions on out-of-network cost sharing are asked only of those that indicated in a previous question that the plan has a preferred provider network.

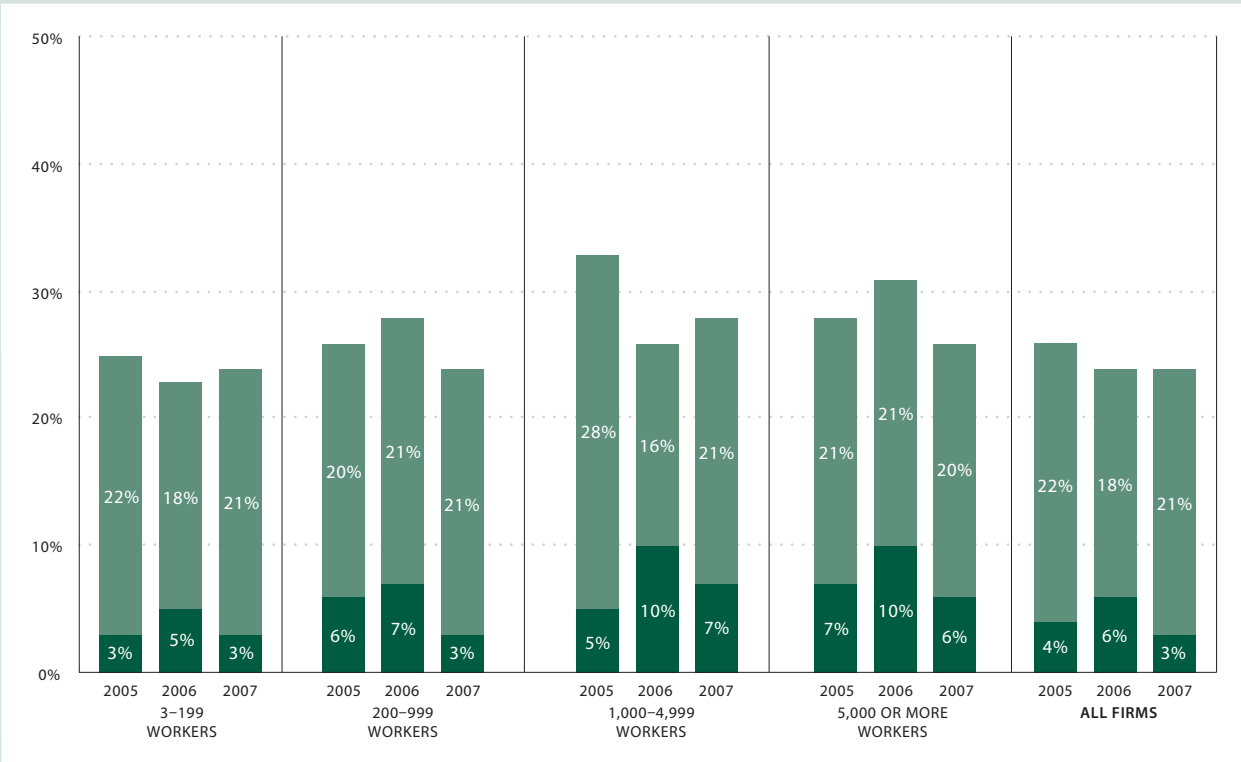
NA: Not Applicable. Respondents did not have a "Charge Per Day" (per diem) response option for questions regarding separate cost sharing for outpatient surgery and separate cost sharing for physician office visit.

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



EXHIBIT 8.14

Among Firms Not Currently Offering an HDHP/HRA, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HDHP/HRA in the Next Year, 2005–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

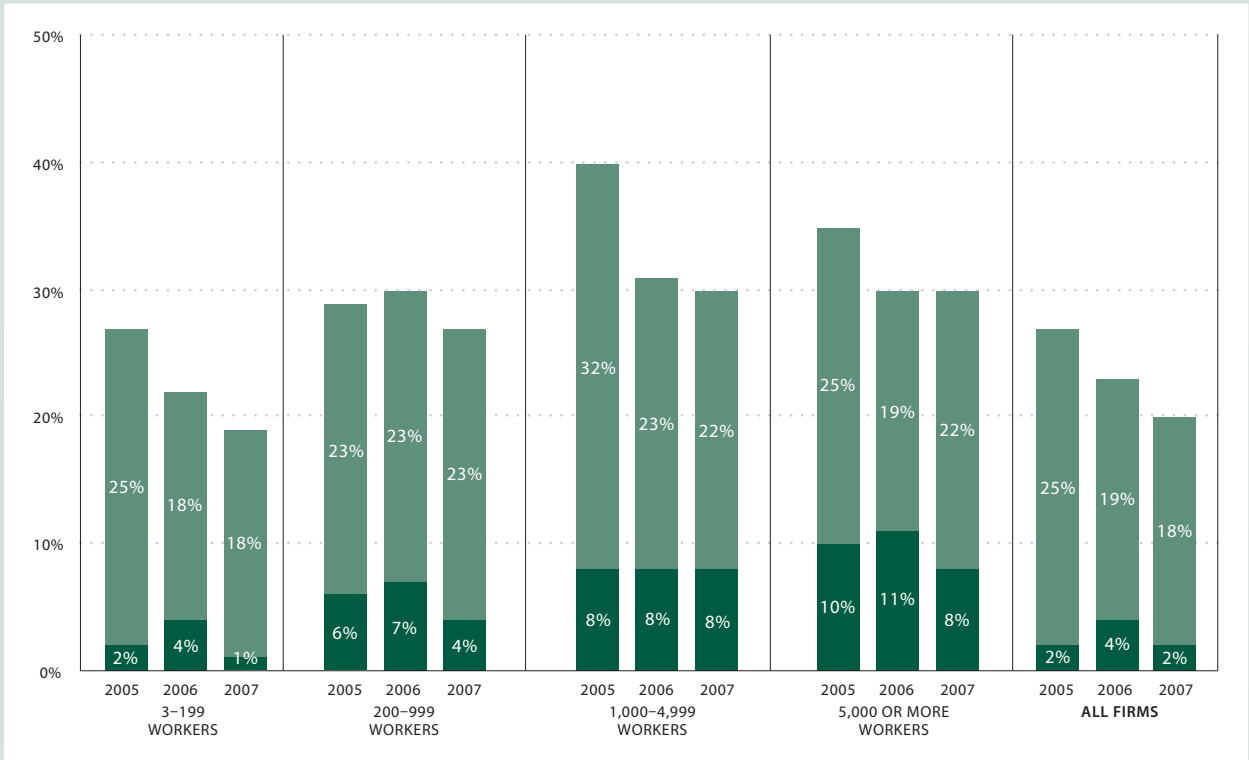
■ SOMEWHAT LIKELY  
■ VERY LIKELY

\* Tests found no statistical difference from estimates for previous year shown (p<.05).

Note: For definitions of HDHP/HRA and HSA qualified HDHPs, see the introduction to Section 8. In 2007, less than one percent of firms not currently offering an HDHP/HRA reported “Don’t Know” to whether they would offer one in the next year. In 2006, 1.4% reported “Don’t Know” and in 2005, 2.5% of firms reported “Don’t Know.”

EXHIBIT 8.15

Among Firms Not Currently Offering an HSA-Qualified HDHP, Percentage That Say They Are “Very Likely” or “Somewhat Likely” to Offer an HSA-Qualified HDHP in the Next Year, 2005–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

■ SOMEWHAT LIKELY  
■ VERY LIKELY

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

Note: For definitions of HDHP/HRAs and HSA-qualified HDHPs, see the introduction to Section 8. In 2007, 3% of firms not currently offering an HSA-qualified HDHP reported “Don’t Know” to whether they would offer one in the next year. In 2006, 2.8% reported “Don’t Know” and in 2005, 2% reported “Don’t Know.”

EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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# Prescription Drug Benefits

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SECTION

9

## PRESCRIPTION DRUG BENEFITS

VIRTUALLY ALL COVERED WORKERS HAVE PRESCRIPTION DRUG BENEFITS. ABOUT THREE IN FOUR COVERED WORKERS ARE IN PLANS WITH A THREE-TIER OR FOUR-TIER COST-SHARING ARRANGEMENT FOR PRESCRIPTION DRUGS. THE AVERAGE COPAYMENT AMOUNTS IN THESE PLANS HAVE RISEN STEADILY OVER THE PAST FEW YEARS.

THIS YEAR WE CHANGED THE WAY IN WHICH WE CALCULATE ESTIMATES RELATED TO PRESCRIPTION DRUG COST SHARING. IN PREVIOUS YEARS, THE VALUES REPORTED FOR THOSE WITH THE SAME COST SHARING REGARDLESS OF THE TYPE OF DRUG WERE USED IN CALCULATING THE PREFERRED AND NONPREFERRED DRUG AVERAGE COPAYS AND COINSURANCE. SIMILARLY, FOR THOSE REPORTING A TWO-TIER COST SHARING STRUCTURE, WE APPLIED THE SECOND-TIER INFORMATION TO THE NONPREFERRED DRUG COPAYS AND COINSURANCE. FOR THE FIRST TIME THIS YEAR, WE PRESENT COST SHARING FOR PRESCRIPTION DRUGS BY TIER LEVEL. FOR EXAMPLE, AVERAGE COPAYMENTS ARE PRESENTED SEPARATELY FOR THOSE THAT REPORT THREE OR FOUR-TIER COST SHARING, TWO-TIER COST SHARING, OR THE SAME COST SHARING REGARDLESS OF TYPE OF DRUG. WE HAVE APPLIED THE NEW METHODS TO DATA FROM PRIOR YEARS TO SHOW THE CHANGE OVER TIME.

- ▶ As in prior years, nearly all (98%) covered workers in employer-sponsored plans have a prescription drug benefit.
- ▶ A majority of covered workers (91%) in 2007 have some sort of tiered cost-sharing formula for prescription drugs (Exhibit 9.1). Cost-sharing tiers generally are associated with the placement by a health plan of a drug on a formulary or preferred drug list. The formulary or drug list generally classifies drugs as a generic, a preferred brand-name, or a nonpreferred brand-name drug. More recently, a few plans have created a fourth tier of cost sharing, which is used in some cases for lifestyle drugs or expensive biologics.<sup>1</sup>
- ▶ Seventy-five percent of covered workers are enrolled in plans with three or four tiers of cost sharing for prescription drugs, a similar percentage to last year (74%) (Exhibit 9.1).
  - HDHP/SOs have different cost-sharing patterns for prescription drugs than other plan types. Only 45% of covered workers in HDHP/SOs are in a plan with three or four tiers of cost sharing for prescription drugs, compared with 75% of covered workers overall. Twenty-eight percent of covered workers in HDHP/SOs are in plans that apply the same cost-sharing structure regardless of the type of drug, and an additional 15% are in plans that pay 100% of prescription costs once the plan deductible is met (Exhibit 9.2).
- ▶ Among workers covered by plans with three or four tiers of cost sharing for prescription drugs, a large majority face copayments rather than coinsurance when they use generic, preferred, and nonpreferred drugs (Exhibit 9.3). The percentages differ slightly across drug types because some plans have copayments for some drug types and coinsurance for other drug types.
  - For covered workers in plans with three or four tiers of cost sharing for prescription drugs, the average drug copayments for generic (\$11), preferred (\$25), and nonpreferred (\$43) drugs are the same amounts as last year (Exhibit 9.4).
  - For covered workers in plans with three or four tiers of cost sharing for prescription drugs who face coinsurance rather than copayments, coinsurance levels average 21% for generic drugs, 26% for preferred drugs, and 40% for nonpreferred drugs (Exhibit 9.5).

### NOTE:

<sup>1</sup> See Text Box for descriptions of drug types.

- ▶ Seven percent of covered workers are in a plan that has a fourth tier of cost sharing for prescription drugs (Exhibit 9.1). Some plans use these fourth tiers for lifestyle drugs or specialty drugs such as biologics. For covered workers in plans with four cost-sharing tiers, 42% face a copayment for fourth-tier drugs and 38% face coinsurance (Exhibit 9.3).
  - The average copayment for fourth-tier drugs is \$71 (Exhibit 9.4). The average coinsurance amount for fourth-tier drugs is 36% (Exhibit 9.5).
- ▶ Sixteen percent of covered workers are in a plan that has two tiers for prescription drug cost sharing (Exhibit 9.1). Of those with two-tier cost sharing, 78% have copayments for the first tier (generic drugs) and 68% have copayments for the second tier (preferred drugs) (Exhibit 9.6). The average copayment for the first tier is \$10, while the average copayment for the second tier is \$23 (Exhibit 9.7).
- ▶ Six percent of covered workers are covered by plans in which cost sharing is the same regardless of the type of drug chosen (Exhibit 9.1). Among these covered workers, 55% are in plans that apply copayments and 42% are in plans that apply coinsurance (Exhibit 9.9). These percentages vary by plan type. The vast majority of covered workers in HDHP/SOs with this type of cost sharing face coinsurance rather than copayments (94% vs. 6%) when filling prescriptions.
  - For those workers with the same cost sharing regardless of the type of drug, the average copayment is \$13 (Exhibit 9.10) and the average coinsurance is 22% (Exhibit 9.11).
- ▶ About 11% of covered workers with drug coverage face a separate drug deductible, in addition to any general annual deductible the plan may have. There were no statistically significant increases or decreases from the levels reported in 2005, the last time the question was asked (Exhibit 9.12).
- ▶ For the first time this year, the survey asked about a separate out-of-pocket maximum for prescription drugs. A small percentage (8%) of covered workers have a separate annual out-of-pocket maximum that applies to prescription drugs (Exhibit 9.13). The variation between plan types is not statistically significant.

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

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

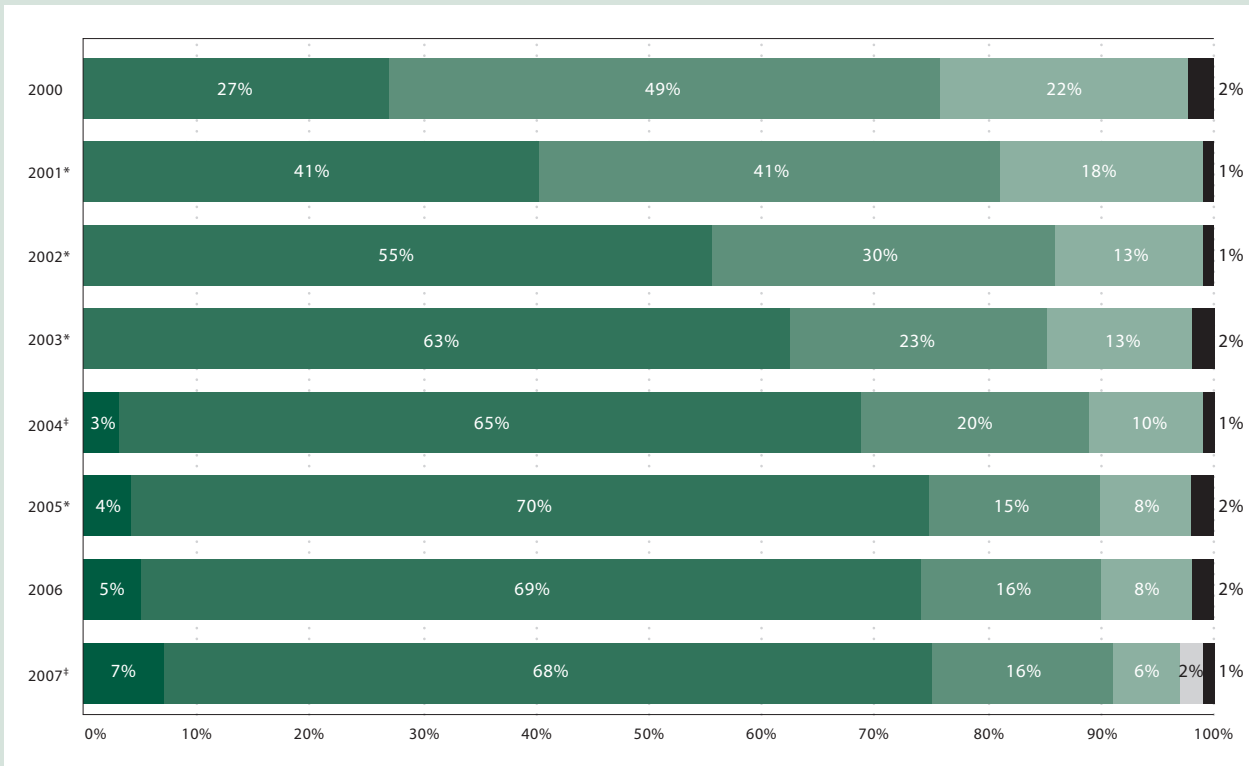
**Nonpreferred drugs:** Drugs not included on a formulary or preferred drug list; for example, a brand-name drug with a generic substitute.

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

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

EXHIBIT 9.1

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

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

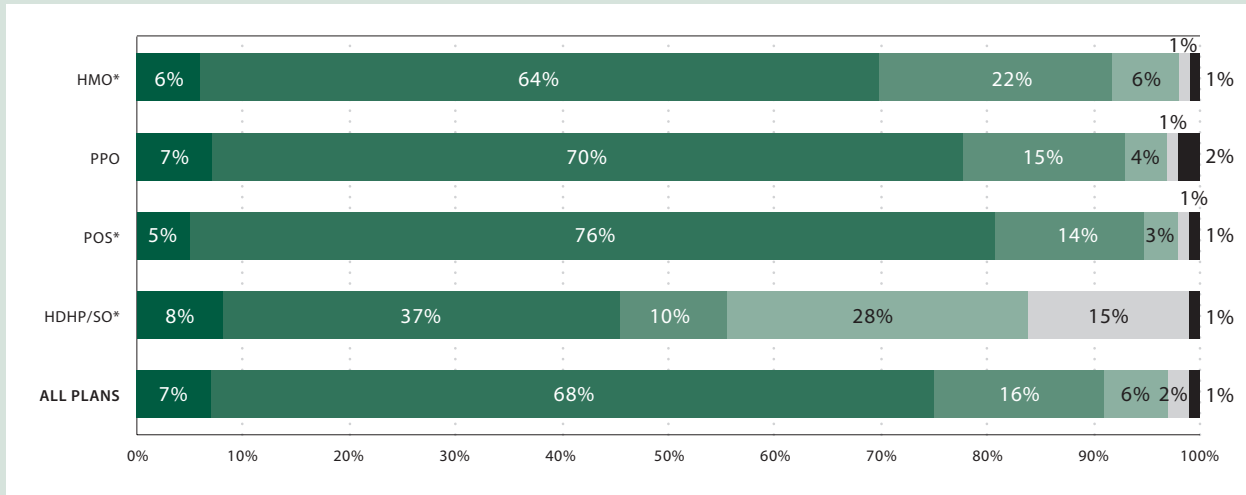
† No statistical tests are conducted between 2003 and 2004 or between 2006 and 2007 due to the addition of a new category.

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

- FOUR-TIER
- THREE-TIER
- TWO-TIER
- PAYMENT IS THE SAME REGARDLESS OF TYPE OF DRUG
- NO COST SHARING AFTER DEDUCTIBLE IS MET
- OTHER

EXHIBIT 9.2

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, by Plan Type, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution (p<.05).

- FOUR-TIER
- THREE-TIER
- TWO-TIER
- PAYMENT IS THE SAME REGARDLESS OF TYPE OF DRUG
- NO COST SHARING AFTER DEDUCTIBLE IS MET
- OTHER

## EXHIBIT 9.3

Among Workers with Three or Four-Tier Cost Sharing, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2007

	Copay Only	Coinsurance Only	Either Copay or Coinsurance <sup>‡</sup>	Plan Pays Entire Cost After Any Deductibles Are Met <sup>§</sup>	Some Other Amount
<b>Generic Drugs</b>					
HMO*	93%	1%	2%	1%	4%
PPO	86	6	3	2	4
POS*	86	8	2	1	4
HDHP/SO*	74	18	0	5	2
<b>ALL PLANS</b>	<b>87%</b>	<b>6%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>
<b>Copay or Coinsurance Plus Any Difference<sup>§</sup></b>					
<b>Preferred Drugs</b>					
HMO*	90%	4%	3%	0%	3%
PPO	81	9	4	<1	6
POS*	86	8	2	0	4
HDHP/SO*	75	18	<1	1	6
<b>ALL PLANS</b>	<b>84%</b>	<b>8%</b>	<b>3%</b>	<b>&lt;1%</b>	<b>4%</b>
<b>Nonpreferred Drugs</b>					
HMO*	84%	6%	4%	1%	6%
PPO	79	11	5	1	5
POS*	92	5	2	<1	1
HDHP/SO*	79	16	<1	0	4
<b>ALL PLANS</b>	<b>82%</b>	<b>9%</b>	<b>4%</b>	<b>1%</b>	<b>5%</b>
<b>Fourth-Tier Drugs</b>					
HMO	42%	37%	0%	10%	11%
PPO	38	39	0	12	11
POS	NSD	NSD	NSD	NSD	NSD
HDHP/SO	NSD	NSD	NSD	NSD	NSD
<b>ALL PLANS</b>	<b>42%</b>	<b>38%</b>	<b>1%</b>	<b>9%</b>	<b>10%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution within drug type ( $p < .05$ ).

<sup>‡</sup> This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

<sup>§</sup> In order to collect information on plans that pay 100% of the cost of generic drugs after any deductibles have been met, this response option was added to the question on cost sharing for generic drugs. In addition, the response option for cost sharing in the form of a "copay or coinsurance plus the difference between the cost of the prescription and the cost of a comparable generic" was added to the cost sharing questions for preferred, nonpreferred, and fourth-tier drugs.

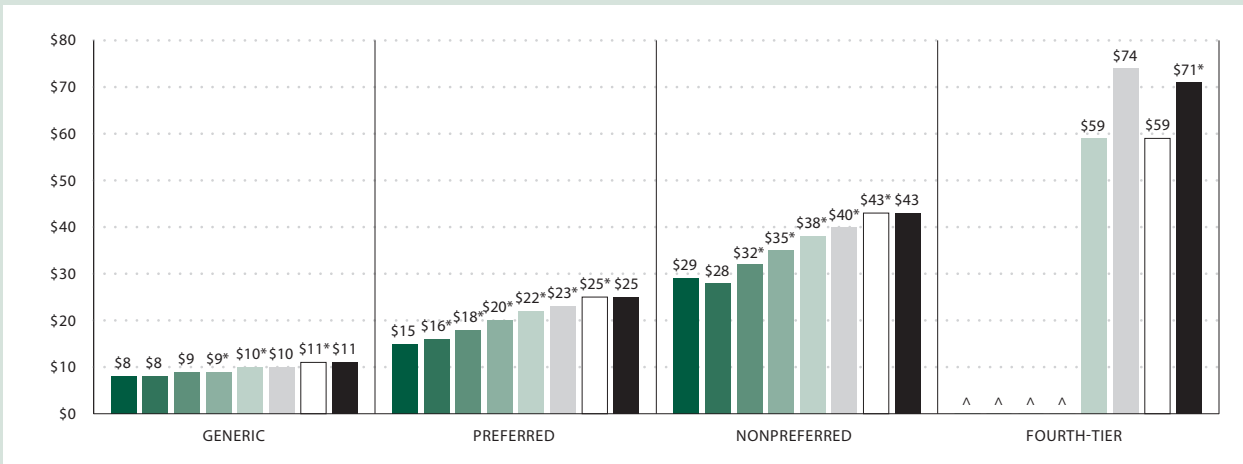
NSD: Not Sufficient Data.

Note: These distributions do not include the 1% of covered workers whose employers report "none of the above" to what type of prescription drug cost-sharing formula. For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the introduction to Section 9.



EXHIBIT 9.4

Among Covered Workers with Three or Four-Tier Prescription Drug Cost Sharing, Average Copayments, 2000–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

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

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

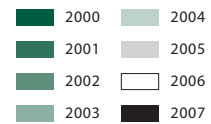
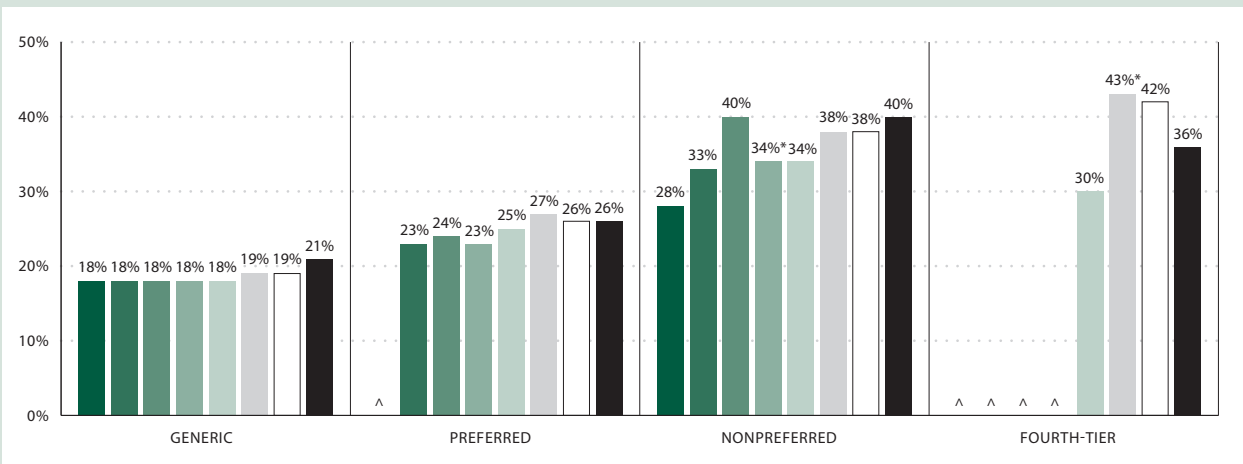


EXHIBIT 9.5

Among Covered Workers with Three or Four-Tier Prescription Drug Cost Sharing, Average Coinsurance, 2000–2007

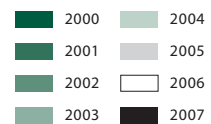


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

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

^ Fourth-tier drug copayment information was not obtained prior to 2004. There is insufficient data to report the average coinsurance amount for 2000.



## EXHIBIT 9.6

Among Those with Two-Tier Cost Sharing for Prescription Drugs, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2007

	Copay Only	Coinsurance Only	Either Copay or Coinsurance <sup>‡</sup>	Plan Pays Entire Cost After Any Deductibles Are Met <sup>§</sup>	Some Other Amount
<b>Generic</b>					
HMO*	90%	5%	<1%	0%	4%
PPO	72	15	6	3	4
POS*	81	10	8	1	<1
HDHP/SO	NSD	NSD	NSD	NSD	NSD
<b>ALL PLANS</b>	<b>78%</b>	<b>12%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>
<b>Copay or Coinsurance Plus Difference<sup>§</sup></b>					
<b>Preferred</b>					
HMO*	87%	8%	<1%	0%	4%
PPO	59	24	7	2	9
POS	72	15	4	3	5
HDHP/SO	NSD	NSD	NSD	NSD	NSD
<b>ALL PLANS</b>	<b>68%</b>	<b>19%</b>	<b>4%</b>	<b>1%</b>	<b>7%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution within drug type ( $p < .05$ ).

<sup>‡</sup> This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

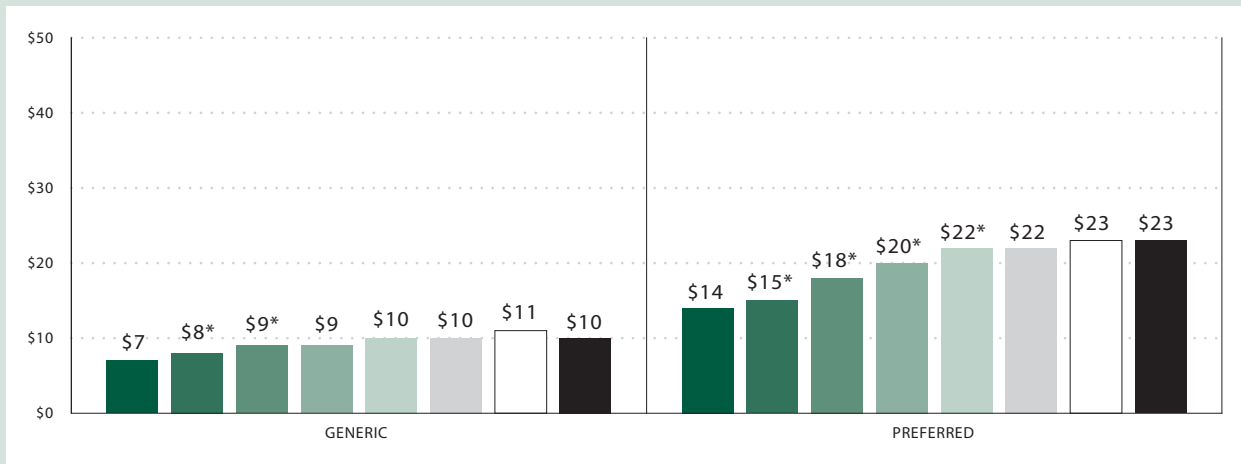
<sup>§</sup> In order to collect information on plans that pay 100% of the cost of generic drugs after any deductibles have been met, this response option was added to the question on cost sharing for generic drugs. In addition, the response option for cost sharing in the form of a "copay or coinsurance plus the difference between the cost of the prescription and the cost of a comparable generic" was added to the cost sharing questions for preferred, nonpreferred, and fourth-tier drugs.

NSD: Not Sufficient Data.

Note: These distributions do not include the 1% of covered workers whose employers report "none of the above" to what type of prescription drug cost-sharing formula. For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the introduction to Section 9.

EXHIBIT 9.7

Among Covered Workers with Two-Tier Prescription Drug Cost Sharing, Average Copayments, 2000–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

\* Estimate is statistically different from estimate for the previous year shown (p<.05).

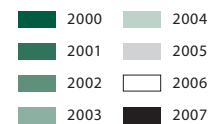
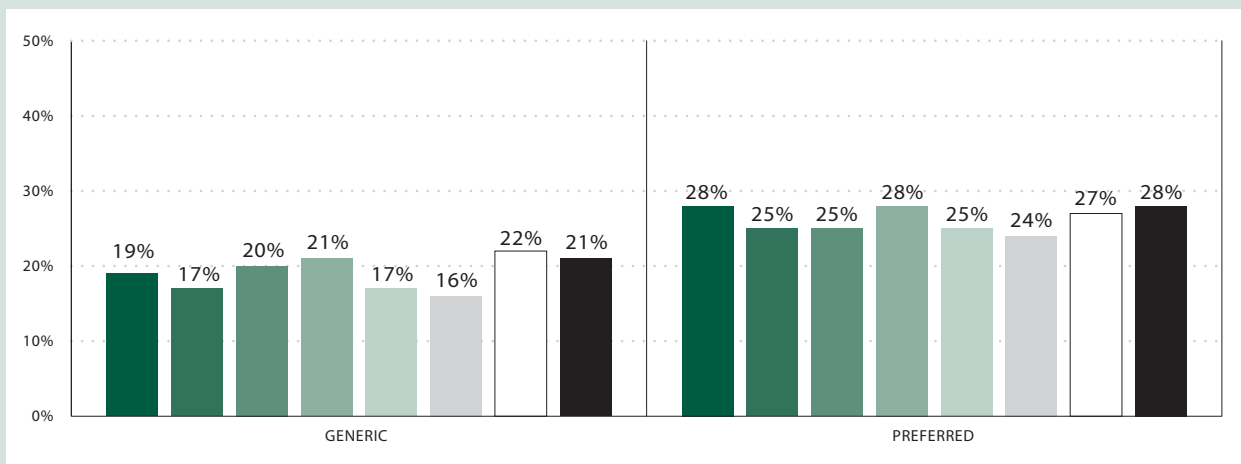


EXHIBIT 9.8

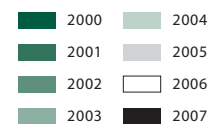
Among Covered Workers with Two-Tier Prescription Drug Cost Sharing, Average Coinsurance, 2000–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

\* Tests found no statistical differences from estimate for previous year shown (p<.05).



**EXHIBIT 9.9**

Among Workers with Same Cost Sharing Regardless of Type of Drug, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Plan Type, 2007

	Copay Only	Coinsurance Only	Either Copay or Coinsurance <sup>‡</sup>	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO*	96%	3%	1%	0%	0%
PPO	51	43	3	0	3
POS	NSD	NSD	NSD	NSD	NSD
HDHP/SO*	6	94	0	0	0
<b>ALL PLANS</b>	<b>55%</b>	<b>42%</b>	<b>1%</b>	<b>0%</b>	<b>2%</b>

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distribution is statistically different from All Plans distribution within drug type (p<.05).

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

NSD: Not Sufficient Data.

Note: These distributions do not include the 1% of covered workers whose employers report “none of the above” to what type of prescription drug cost sharing formula. For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the introduction to Section 9. Figure does not include 2% (for All Plans) of workers in firms that responded that cost sharing is the same regardless of drug type and then reported no cost sharing after deductibles are met.

**EXHIBIT 9.10**

Among Covered Workers with Same Cost Sharing Regardless of Type of Drug, Average Copayments, 2000–2007



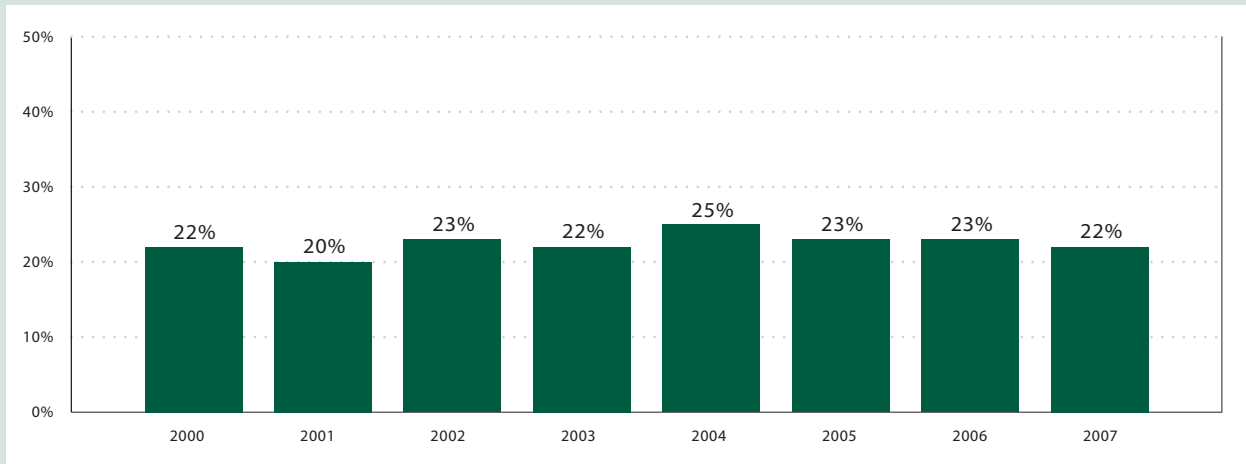
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

\* Estimate is statistically different from estimate for the previous year shown (p<.05).

**EXHIBIT 9.11**

Among Covered Workers with Same Cost Sharing Regardless of Type of Drug, Average Coinsurance, 2000–2007\*



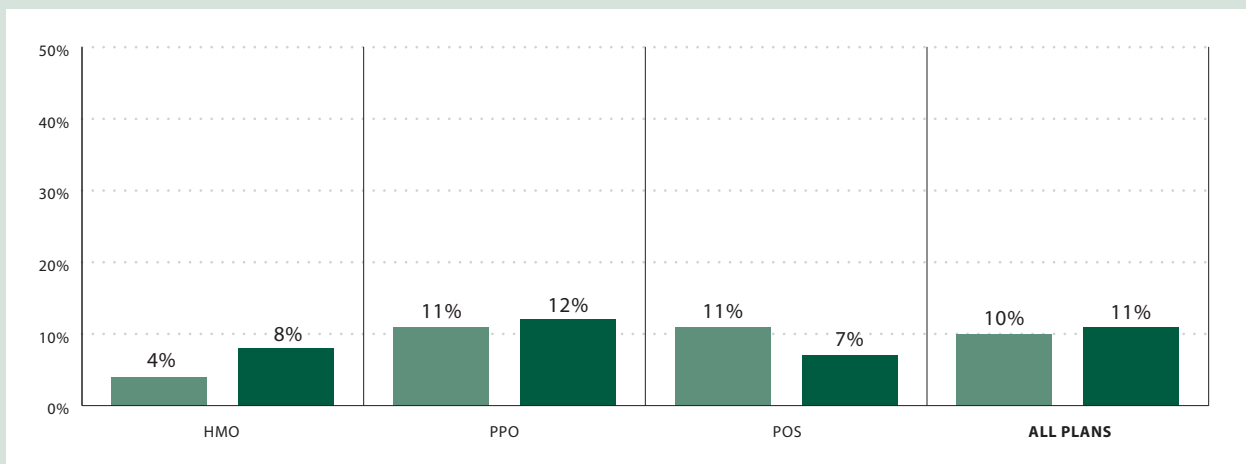
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2007.

\* Tests found no statistical differences from estimate for previous year shown ( $p < .05$ ).

**EXHIBIT 9.12**

Percentage of Covered Workers with Drug Coverage Who Face a Separate Drug Deductible, by Plan Type, 2005–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

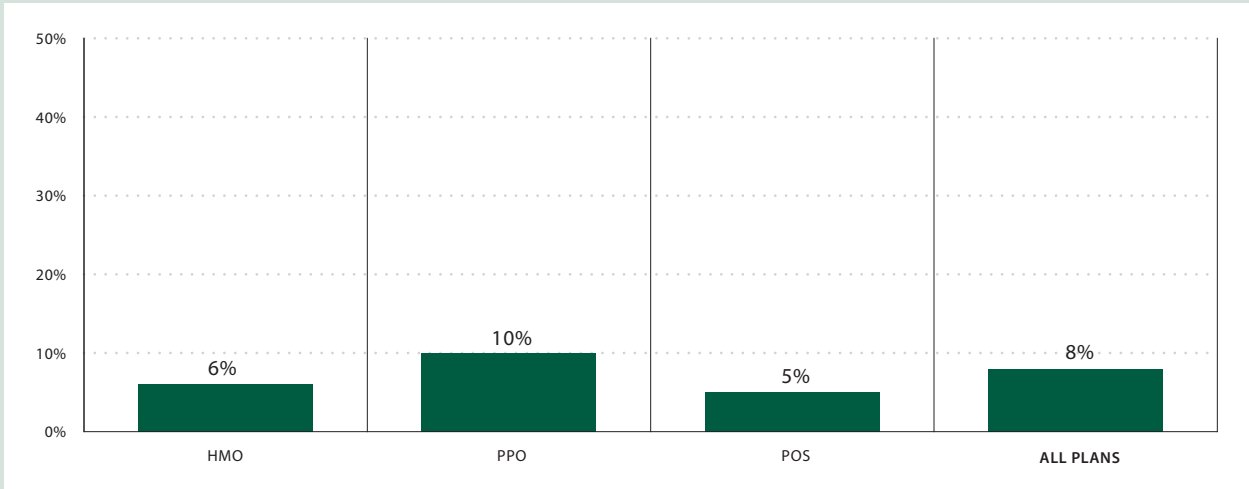
2005  
2007

\* Tests found no statistical differences from estimate for previous year shown ( $p < .05$ ).

Note: Information on HDHP/SOs was not collected because, due to federal regulations, it is unlikely a plan would have a separate deductible for prescription drugs. Information on whether a plan has a separate drug deductible was not imputed for one PPO and one POS plan that cover prescription drugs. If these responses had been imputed, the prevalence of separate drug deductibles would not have changed for PPOs and would have increased or decreased no more than 1% for POS plans.

EXHIBIT 9.13

Percentage of Covered Workers with Drug Coverage with a Separate Annual Out-of-Pocket Limit that Applies to Prescription Drugs, by Plan Type, 2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Tests found no statistical difference from All Plans estimate ( $p < .05$ ).

Note: Data for HDHP/SOs are not included in this exhibit because HSA-qualified HDHPs are required by law to have an annual out-of-pocket limit of \$5,500 for single coverage and \$11,000 for family coverage, making it unlikely a plan would include a separate out-of-pocket maximum for prescription drugs. As a result, only firms offering HDHP/HRAs were asked if the plan has a separate out-of-pocket maximum that applies to prescription drugs. Among covered workers enrolled in HDHP/HRAs, 7% are enrolled in plans with a separate annual out-of-pocket limit that applies to prescription drugs.

EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Plan  
Funding

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SECTION

10

## PLAN FUNDING

THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA) OF 1974 EXEMPTS SELF-FUNDED PLANS FROM STATE INSURANCE LAWS, INCLUDING RESERVE REQUIREMENTS, MANDATED BENEFITS, PREMIUM TAXES, AND CONSUMER PROTECTION REGULATIONS. OVER HALF (53%) OF LARGE FIRMS (200 OR MORE WORKERS) ARE SELF-FUNDED. BECAUSE LARGER FIRMS HAVE MORE EMPLOYEES OVER WHOM TO SPREAD THE RISK OF COSTLY CLAIMS, SELF-FUNDING IS MORE COMMON AND LESS RISKY AMONG LARGER FIRMS THAN AMONG SMALLER ONES.

- ▶ The number of covered workers that are in a plan that is completely or partially self-funded has remained stable over the last few years. Slightly more than half (55%) of covered workers are in a self-funded plan (Exhibit 10.1).
  - As expected, covered workers in large firms (200 or more workers) are more likely to be in a self-funded plan than workers in small firms (3–199 workers). Seventy-seven percent of workers in large firms (200 or more workers) are in self-funded plans, compared to 12% of workers in small firms (3 to 199 workers) (Exhibit 10.3). The percentage of covered workers in self-funded plans increases as the number of employees increases. Fifty-three percent of workers in firms with 200 to 999 workers are in self-funded plans, compared to 76% of workers in firms with 1,000 to 4,999 workers, and 86% of workers in firms with 5,000 or more workers. As mentioned, these percentages have changed little over the past several years (Exhibit 10.1).
- A higher percentage of workers in PPOs are in a self-funded plan (65%), compared to 41% in HDHP/SOs, 34% in HMOs, and 34% in POS plans (Exhibit 10.2).

**Self-Funded Plan:** An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan. In some cases, the employer may buy stop-loss coverage from an insurer to protect the employer against very large claims.

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



## EXHIBIT 10.1

## Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999–2007\*

	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–199 Workers	13%	15%	17%	13%	10%	10%	13%	13%	12%
200–999 Workers	51	53	52	48	50	50	53	53	53
1,000–4,999 Workers	62	69	66	67	71	78	78	77	76
5,000 or More Workers	62	72	70	72	79	80	82	89	86
<b>ALL FIRMS</b>	<b>44%</b>	<b>49%</b>	<b>49%</b>	<b>49%</b>	<b>52%</b>	<b>54%</b>	<b>54%</b>	<b>55%</b>	<b>55%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

Note: Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in this figure for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

## EXHIBIT 10.2

## Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Conventional	65%	64%	65%	58%	49%	43%	53%	^	53%
HMO	16	23*	31*	27	29	29	32	33	34
PPO	60	63	61	61	61	64	65	63	65
POS	42	45	42	40	44	46	36	32	34
HDHP/SO	^	^	^	^	^	^	^	50	41
<b>ALL PLANS</b>	<b>44%</b>	<b>49%</b>	<b>49%</b>	<b>49%</b>	<b>52%</b>	<b>54%</b>	<b>54%</b>	<b>55%</b>	<b>55%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

Note: Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in this figure for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

## EXHIBIT 10.3

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, Region, and Industry, 2007

	Self-Funded (Employer Bears Some or All of Financial Risk)
<b>FIRM SIZE</b>	
200–999 Workers	53%
1,000–4,999 Workers	76*
5,000 or More Workers	86*
<b>All Small Firms (3–199 Workers)</b>	<b>12%*</b>
<b>All Large Firms (200 or More Workers)</b>	<b>77%*</b>
<b>REGION</b>	
Northeast	51%
Midwest	63*
South	58
West	43*
<b>INDUSTRY</b>	
Agriculture/Mining/Construction	35%*
Manufacturing	71*
Transportation/Communications/Utilities	52
Wholesale	48
Retail	58
Finance	46*
Service	48*
State/Local Government	58
Health Care	68*
<b>ALL FIRMS</b>	<b>55%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

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

## EXHIBIT 10.4

## Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type and Firm Size, 2007

	Conventional	HMO	PPO	POS	HDHP/SO
3–199 Workers	17%*	1%*	17%*	14%*	4%*
200–999 Workers	NSD	19*	65	33	27
1,000–4,999 Workers	81*	44	87*	47	86*
5,000 or More Workers	99*	58*	90*	89*	97*
<b>ALL FIRMS</b>	<b>53%</b>	<b>34%</b>	<b>65%</b>	<b>34%</b>	<b>41%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

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

NSD: Not Sufficient Data.

## EXHIBIT 10.5

## Percentage of Covered Workers in Partially or Completely Self-Funded Conventional Plans, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–199 Workers	17%	23%	12%	7%	6%	5%	11%	^	17%
200–999 Workers	71	72	58	63	28*	59*	33	^	NSD
1,000–4,999 Workers	86	79	66	79	67	74	90	^	81
5,000 or More Workers	97	96	96	97	86	90	98	^	99
<b>ALL CONVENTIONAL PLANS</b>	<b>65%</b>	<b>64%</b>	<b>65%</b>	<b>58%</b>	<b>49%</b>	<b>43%</b>	<b>53%</b>	<b>^</b>	<b>53%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007.

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

^ Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in this figure for 2006.

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

NSD: Not Sufficient Data.

## EXHIBIT 10.6

## Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–199 Workers	5%	4%	14%	10%	5%	4%	10%	3%	1%
200–999 Workers	14	13	23	16	21	18	17	29	19
1,000–4,999 Workers	22	27	32	31	37	49	50	54	44
5,000 or More Workers	19	35*	40	38	44	40	44	47	58
<b>ALL HMO PLANS</b>	<b>16%</b>	<b>23%*</b>	<b>31%*</b>	<b>27%</b>	<b>29%</b>	<b>29%</b>	<b>32%</b>	<b>33%</b>	<b>34%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

## EXHIBIT 10.7

## Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–199 Workers	19%	23%	23%	15%	13%	13%	18%	19%	17%
200–999 Workers	69	72	66	63	60	63	67	61	65
1,000–4,999 Workers	84	89	87	83	85	88	88	85	87
5,000 or More Workers	87	88	87	93	93	93	95	97	90*
<b>ALL PPO PLANS</b>	<b>60%</b>	<b>63%</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>	<b>64%</b>	<b>65%</b>	<b>63%</b>	<b>65%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

## EXHIBIT 10.8

## Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–199 Workers	10%	10%	10%	10%	8%	9%	9%	6%	14%
200–999 Workers	35	39	40	21*	42*	42	31	36	33
1,000–4,999 Workers	62	71	60	67	73	63	48	62	47
5,000 or More Workers	75	77	76	67	71	77	74	80	89
<b>ALL POS PLANS</b>	<b>42%</b>	<b>45%</b>	<b>42%</b>	<b>40%</b>	<b>44%</b>	<b>46%</b>	<b>36%</b>	<b>32%</b>	<b>34%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

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

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

## EXHIBIT 10.9

## Percentage of Covered Workers in Partially or Completely Self-Funded HDHP/SOs, by Firm Size, 2006–2007\*

	2006	2007
3–199 Workers	7%	4%
200–999 Workers	57	27
1,000–4,999 Workers	81	86
5,000 or More Workers	100	97
<b>ALL HDHP/SOs</b>	<b>50%</b>	<b>41%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

\* Tests found no statistical difference for estimate for the previous year shown ( $p < .05$ ).

Note: Information on funding status for HDHP/SOs was not collected prior to 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.



EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Retiree  
Health  
Benefits

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SECTION

11

## RETIREE HEALTH BENEFITS

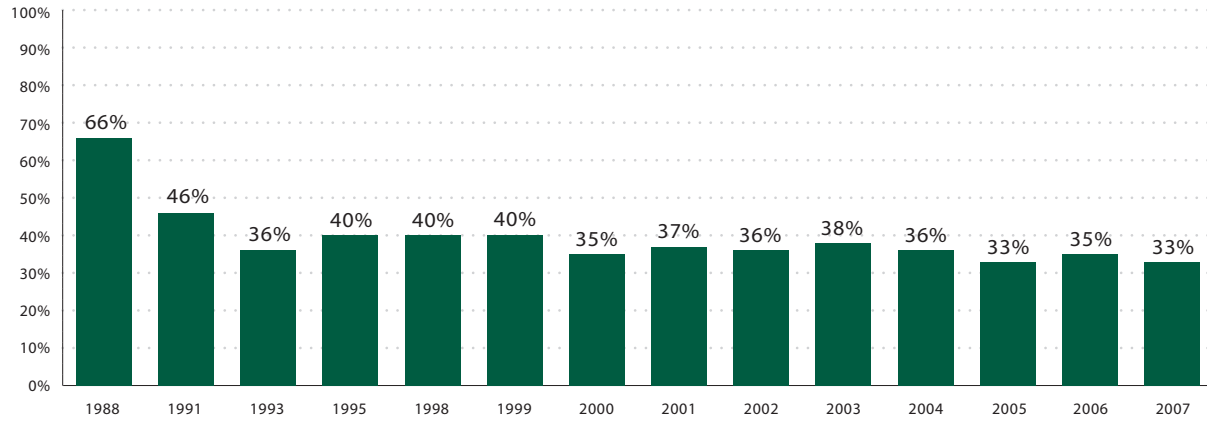
RETIREE HEALTH BENEFITS ARE AN IMPORTANT CONSIDERATION FOR OLDER WORKERS MAKING DECISIONS ABOUT THEIR RETIREMENT. HEALTH BENEFITS FOR RETIREES ALSO PROVIDE AN IMPORTANT SUPPLEMENT TO MEDICARE FOR RETIREES AGE 65 AND OVER. AMONG FIRMS OFFERING HEALTH BENEFITS TO THEIR WORKERS, LARGE FIRMS (200 OR MORE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

- ▶ Thirty-three percent of large firms (200 or more workers) that offer health benefits to their employees offer retiree coverage in 2007, similar to 35% in 2006 but down from 66% in 1988 (Exhibit 11.1).
- ▶ Retiree benefits vary substantially with firm size, industry, whether workers are unionized, wage level, and many other factors.
  - Large firms are much more likely to offer retiree benefits than small firms. Among firms that offer health benefits, 33% of large firms (200 or more workers) offer retiree benefits, compared to just 5% of small firms (3–199 workers) (Exhibit 11.2).
  - Among large firms (200 or more workers) that offer health benefits, state and local governments and firms in the finance industry are more likely than firms in other industries to offer retiree benefits (Exhibit 11.2). In contrast, firms in the retail and wholesale industries are less likely than firms in other industries to offer retiree health benefits.
- Large firms (200 or more workers) with union workers are significantly more likely to offer retiree health benefits than large firms without union workers—51% of all large firms with union employees that offer health benefits offer retiree benefits, compared with 24% for all large firms that do not have union employees (Exhibit 11.3).
- Large firms (200 or more workers) with fewer lower-wage workers (where less than 35% of workers earn \$21,000 a year or less annually) are significantly more likely to offer retiree health benefits than large firms with a greater proportion of lower-wage workers (where 35% or more workers earn \$21,000 a year or less)—36% versus 21% (Exhibit 11.3).
- ▶ Most large firms (200 or more workers) that offer retiree benefits offer them to early retirees under the age of 65 (92%). A lower percentage (71%) of large firms offering retiree benefits offer them to Medicare-age retirees (Exhibit 11.4).



EXHIBIT 11.1

Among Firms Offering Health Benefits to Active Workers, Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, 1988–2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

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

## EXHIBIT 11.2

Among Firms that Offer Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, by Firm Size, Region, and Industry, 2007

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)
<b>FIRM SIZE</b>		
3–199 Workers	5%	—
200–999 Workers	—	29%*
1,000–4,999 Workers	—	41*
5,000 or More Workers	—	52*
<b>REGION</b>		
Northeast	6%	33%
Midwest	5	37
South	4	30
West	4	34
<b>INDUSTRY</b>		
Agriculture/Mining/Construction	1%*	25%
Manufacturing	1*	27
Transportation/Communications/Utilities	NSD	47
Wholesale	1*	14*
Retail	1*	13*
Finance	2	53*
Service	7	32
State/Local Government	34*	80*
Health Care	2	24
<b>ALL FIRMS</b>	<b>5%</b>	<b>33%</b>

## SOURCE:

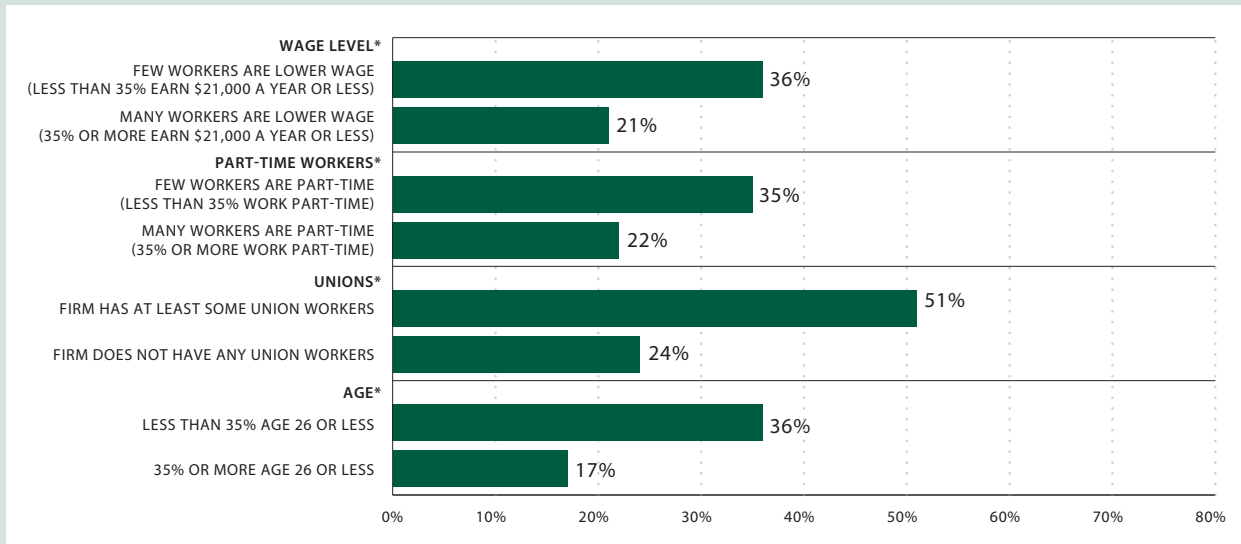
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

NSD: Not Sufficient Data.

**EXHIBIT 11.3**

Among Firms that Offer Health Benefits to Active Workers, Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits, by Firm Characteristics, 2007



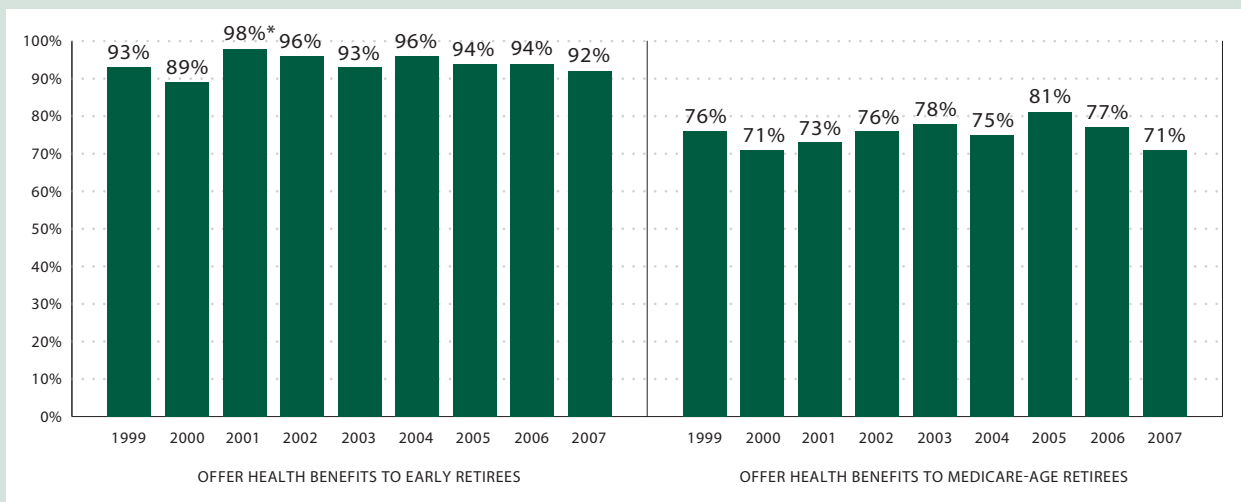
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimates are statistically different from each other within category (p<.05).

**EXHIBIT 11.4**

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage Offering Health Benefits to Early and Medicare-Age Retirees, 1999–2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

\*Estimate is statistically different from estimate for the previous year shown (p<.05).

Early Retirees: Workers retiring before age 65.

## EXHIBIT 11.5

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage Offering Retiree Benefits to Early and Medicare-Age Retirees, by Firm Size, Region, and Industry, 2007

	Percentage of Employers Offering Retiree Health Benefits to Early Retirees	Percentage of Employers Offering Retiree Health Benefits to Medicare-Age Retirees
<b>FIRM SIZE</b>		
200-999 Workers	92%	66%*
1,000-4,999 Workers	90	75
5,000 or More Workers	95	81*
<b>REGION</b>		
Northeast	88%	79%
Midwest	95	63
South	94	65
West	90	83*
<b>INDUSTRY</b>		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	92%	72%
Transportation/Communications/Utilities	98*	68
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	97*	60
Service	90	74
State/Local Government	98*	81*
Health Care	NSD	NSD
<b>ALL LARGE FIRMS (200 or More Workers)</b>	<b>92%</b>	<b>71%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

Early Retirees: Workers retiring before age 65.

NSD: Not Sufficient Data.

EMPLOYER HEALTH BENEFITS  
2007 ANNUAL SURVEY

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Employer  
Opinions and  
Practices

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SECTION

12

## EMPLOYER OPINIONS AND PRACTICES

EMPLOYERS PLAY A SIGNIFICANT ROLE IN HEALTH INSURANCE COVERAGE—PROVIDING HEALTH BENEFITS TO ABOUT 158 MILLION NONELDERLY PEOPLE IN AMERICA<sup>1</sup>—SO THEIR ATTITUDES, KNOWLEDGE, AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS.

THIS YEAR'S SURVEY ASKED EMPLOYERS HOW THEY VIEW DIFFERENT APPROACHES TO CONTAINING COST INCREASES AND HOW THEY PLAN TO CHANGE THEIR HEALTH BENEFIT PLANS IN THE NEAR FUTURE. EMPLOYERS ALSO WERE ASKED ABOUT UTILIZATION MANAGEMENT PROGRAMS, HOW MUCH THEY FEEL VARIOUS FACTORS ARE CONTRIBUTING TO PREMIUM INCREASES, WHETHER THEY OFFER LONG-TERM CARE INSURANCE, AND WHETHER THEY SHOPPED FOR (OR SWITCHED TO) A NEW HEALTH PLAN, AMONG OTHER TOPICS.

- ▶ All firms, including both those that offer and do not offer health benefits, were asked to rate how effective several different strategies are in reducing the growth of health care costs. In most instances, the percentages rating any of the suggested strategies as “very effective” at controlling costs are relatively low (between 12% and 28%). Larger percentages of firms (between 39% and 53%) report that each of the approaches we asked about were “somewhat effective” at controlling cost growth.
  - The approach perceived to be most effective by both small and large firms is disease management: 28% of small firms (3–199 workers) and 35% of large firms (200 or more workers) believe it to be “very effective” at controlling costs (Exhibit 12.1).
  - Similar percentages of employers report that tighter managed care networks (16%) and consumer-driven health plans (15%) would be “very effective” in reducing the growth of health care costs. However, more firms indicate that consumer-driven health plans would be “somewhat effective” than tighter managed care networks. Small firms (3–199 workers) are more likely than large firms (200 or more workers) to report tighter managed care networks as being “very effective” at controlling costs (16% vs. 4%) (Exhibit 12.1).
- ▶ Each year we ask employers whether they expect to change the employee premium contributions, cost sharing, or eligibility for health benefits in the next year.
  - Thirty-nine percent of large firms (200 or more workers) say that they are “very likely” to increase the amount employees pay for health insurance in the next year, compared to 21% of small firms (3–199 workers) (Exhibit 12.2). An additional 24% of all firms say they are “somewhat likely” to do so.
  - Relatively small percentages of firms say that they are “very likely” to increase employee cost sharing next year, with 12% saying that they are “very likely” to increase deductibles, 13% saying that they are “very likely” to increase copayments and coinsurance, and 11% saying that they are “very likely” to increase the amount that employees pay for prescription drugs. These responses vary little between small firms (3–199 workers) and large firms (200 or more workers) (Exhibit 12.2).
  - As observed in previous years, small percentages of employers report that they are likely to restrict eligibility or drop coverage altogether. Less than one percent of firms say that they are “very likely” to restrict eligibility for benefits in the next year. Similarly, about one percent of firms say that they are “very likely” to drop coverage in the next year (Exhibit 12.2).

### NOTE:

<sup>1</sup> Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America, 2005 Data Update*, May 2006.

- ▶ The factor most often cited by firms as contributing “a lot” to higher health insurance premiums is higher spending for prescription drugs (66%), followed by higher spending for hospital care (60%), an aging population (52%), higher spending for physician services (46%), and higher insurance company profits (45%) (Exhibit 12.3).
  - Small firms (3–199 workers) are significantly more likely than large firms (200 or more workers) to cite higher insurance company profits, higher spending for hospital care, and higher spending for physician services as contributing “a lot” to higher health insurance premiums (Exhibit 12.3). When those that report “a lot” and “somewhat” are combined, the differences between small and large firms are eliminated, with the exception of those reporting higher insurance company profits.
- ▶ About two-thirds (67%) of firms require pre-admission certification for inpatient hospital care in their health plan with the largest enrollment. Fifty-five percent of firms do so for outpatient surgery, and 48% include case management for large claims in their largest health plan. Large firms (200 or more workers) are significantly more likely than small firms (3–199 workers) to require preadmission certification for inpatient hospital care (78% vs. 66%) and case management for large claims in their health plan with the largest enrollment (82% vs. 46%) (Exhibit 12.4).
- ▶ Fifteen percent of firms include a high-performance or tiered provider network in the health plan with the largest enrollment. The difference between small firms (3–199 workers) and large firms (200 or more) is not statistically significant (Exhibit 12.5). A high performance network is one that groups providers into the network based on quality, cost, and/or the efficiency of the care they deliver. These networks encourage patients to visit the most efficient doctors by either restricting networks to efficient providers, or by having different copays or coinsurance for providers in different tiers in the network.
- ▶ Ten percent of firms offer employees a financial incentive to enroll in a spouse’s health plan. The differences between small (3–199 workers) and large firms (200 or more workers) and between regions are not statistically significant (Exhibit 12.5).
  - Looked at as a percentage of covered workers, 13% of covered workers are employed by a firm that offers employees a financial incentive to enroll in a spouse’s health plan. Fifteen percent of workers in large firms (200 or more workers) are offered an incentive, compared to 10% of workers in small firms (3–199 workers).
- ▶ The majority of firms that offer health insurance (65%) have shopped for a new health plan or insurance carrier in the past year (Exhibit 12.6). Small firms (3–199 workers) were more likely to do so than large firms (200 or more workers), at 66% versus 51%.
  - Of the firms that shopped, 25% changed insurance carriers in the past year, while 22% changed the type of health plan offered (Exhibit 12.7).
  - Sixty-nine percent of firms use a broker or consultant to assist in choosing an insurer or health plan. Small firms (3–199 workers) are less likely to do so than are large firms (200 or more workers)—68% versus 82% (Exhibit 12.5).
- ▶ Nineteen percent of firms that offer health benefits offer long-term care insurance. The difference between small firms (3–199 workers) and large firms (200 or more workers) is not statistically significant (Exhibit 12.5).
  - Looked at in terms of the percentage of covered workers, 34% of covered workers are employed by a firm that offers long-term care insurance. Workers in large firms (200 or more workers) are more likely to work for a firm that offers this benefit than workers in small firms (3–199 workers) (43% vs. 19%).

- ▶ Sixty-one percent of firms that offer health benefits allow employees to use pre-tax dollars to pay for health insurance premiums as allowable under Section 125 of the Internal Revenue Service Code. Virtually all large firms (200 or more workers) do so, at 92%, versus 60% of small firms (3–199 workers) (Exhibit 12.8).
  - The majority of covered workers (88%) are employed by a firm that allows at least some employees to use pre-tax dollars to pay for health insurance premiums. The difference between small and large firms is statistically significant, with 77% of covered workers in small firms (3–199 workers) compared to 94% of workers in large firms (200 or more workers) working for a firm that offers this Section 125 benefit.
- ▶ Twenty-two percent of firms that offer health benefits offer a flexible spending account (FSA). A FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in a FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in a FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs. Substantial differences exist by firm size: 73% of large firms (200 or more workers) offer FSAs, compared with just 20% of small firms (3–199 workers) (Exhibit 12.8).
  - About 70% of covered workers are employed by a firm that offers a flexible spending account. Workers in large firms are more than twice as likely to work for a firm that offers a flexible spending account than workers in small firms (87% vs. 38%).
- ▶ Eighty-seven percent of covered workers are enrolled in plans where their employer made no changes to their level of health benefits, other than cost sharing, in the past year (Exhibit 12.9). Seven percent are in plans that included more health benefits than last year, and 6% are in plans that included fewer health benefits than last year.
- ▶ Over half (55%) of covered workers are in plans with a limit on the amount of benefits a plan will pay for an employee over his or her lifetime. Fifty-four percent of covered workers have a specified limit of one million dollars or more.
  - The majority of covered workers in HMO (76%) and POS (53%) plans have no lifetime maximum on benefits paid for by the plan, and about one-third of workers in PPOs have no limit (Exhibit 12.10).



## EXHIBIT 12.1

Among All Firms Both Offering and Not Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, 2007

	Very Effective	Somewhat Effective	Not Too Effective	Not At All Effective	Don't Know
<b>Tighter Managed Care Networks*</b>					
All Small Firms (3-199 Workers)	16%	39%	19%	15%	11%
All Large Firms (200 or More Workers)	4%	42%	35%	17%	2%
<b>ALL FIRMS</b>	<b>16%</b>	<b>39%</b>	<b>20%</b>	<b>15%</b>	<b>11%</b>
<b>Consumer-Driven Health Plans (Ex. High Deductible Plan Combined with a Health Savings Account)</b>					
All Small Firms (3-199 Workers)	15%	53%	13%	12%	7%
All Large Firms (200 or More Workers)	17%	52%	19%	8%	4%
<b>ALL FIRMS</b>	<b>15%</b>	<b>53%</b>	<b>13%</b>	<b>12%</b>	<b>7%</b>
<b>Higher Employee Cost Sharing*</b>					
All Small Firms (3-199 Workers)	12%	46%	18%	19%	5%
All Large Firms (200 or More Workers)	14%	47%	26%	12%	2%
<b>ALL FIRMS</b>	<b>12%</b>	<b>46%</b>	<b>18%</b>	<b>19%</b>	<b>5%</b>
<b>Disease Management Programs*</b>					
All Small Firms (3-199 Workers)	28%	43%	12%	13%	4%
All Large Firms (200 or More Workers)	35%	50%	9%	4%	2%
<b>ALL FIRMS</b>	<b>28%</b>	<b>43%</b>	<b>12%</b>	<b>13%</b>	<b>4%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 12.2

Among Firms Offering Health Benefits, Distribution of Firms Reporting the Likelihood of Making the Following Changes in the Next Year, by Firm Size, 2007

	Very Likely	Somewhat Likely	Not Too Likely	Not At All Likely	Don't Know
<b>Increase the Amount Employees Pay for Health Insurance*</b>					
All Small Firms (3–199 Workers)	21%	24%	21%	34%	<1%
All Large Firms (200 or More Workers)	39%	34%	17%	10%	<1%
<b>ALL FIRMS</b>	<b>21%</b>	<b>24%</b>	<b>21%</b>	<b>33%</b>	<b>&lt;1%</b>
<b>Increase the Amount Employees Pay for Prescription Drugs</b>					
All Small Firms (3–199 Workers)	11%	30%	30%	26%	2%
All Large Firms (200 or More Workers)	9%	29%	41%	20%	1%
<b>ALL FIRMS</b>	<b>11%</b>	<b>30%</b>	<b>31%</b>	<b>26%</b>	<b>2%</b>
<b>Increase the Amount Employees Pay for Deductibles*</b>					
All Small Firms (3–199 Workers)	12%	25%	27%	35%	1%
All Large Firms (200 or More Workers)	9%	29%	40%	20%	1%
<b>ALL FIRMS</b>	<b>12%</b>	<b>25%</b>	<b>28%</b>	<b>34%</b>	<b>1%</b>
<b>Increase the Amount Employees Pay for Office Visit Copays or Coinsurance*</b>					
All Small Firms (3–199 Workers)	13%	29%	27%	29%	2%
All Large Firms (200 or More Workers)	7%	29%	43%	20%	1%
<b>ALL FIRMS</b>	<b>13%</b>	<b>29%</b>	<b>28%</b>	<b>28%</b>	<b>2%</b>
<b>Introduce Tiered Cost Sharing for Doctor Visits or Hospital Stays</b>					
All Small Firms (3–199 Workers)	7%	16%	39%	35%	3%
All Large Firms (200 or More Workers)	3%	16%	41%	39%	1%
<b>ALL FIRMS</b>	<b>7%</b>	<b>16%</b>	<b>39%</b>	<b>35%</b>	<b>3%</b>
<b>Restrict Employees' Eligibility for Coverage</b>					
All Small Firms (3–199 Workers)	<1%	4%	29%	64%	3%
All Large Firms (200 or More Workers)	1%	6%	28%	64%	<1%
<b>ALL FIRMS</b>	<b>&lt;1%</b>	<b>4%</b>	<b>29%</b>	<b>64%</b>	<b>3%</b>
<b>Drop Coverage Entirely*</b>					
All Small Firms (3–199 Workers)	1%	2%	16%	81%	<1%
All Large Firms (200 or More Workers)	<1%	1%	5%	93%	<1%
<b>ALL FIRMS</b>	<b>1%</b>	<b>2%</b>	<b>15%</b>	<b>82%</b>	<b>&lt;1%</b>
<b>Offer HDHP/HRA<sup>‡</sup></b>					
All Small Firms (3–199 Workers)	3%	21%	30%	46%	<1%
All Large Firms (200 or More Workers)	4%	21%	30%	45%	1%
<b>ALL FIRMS</b>	<b>3%</b>	<b>21%</b>	<b>30%</b>	<b>46%</b>	<b>&lt;1%</b>
<b>Offer HSA-Qualified HDHP**</b>					
All Small Firms (3–199 Workers)	1%	18%	32%	45%	3%
All Large Firms (200 or More Workers)	5%	23%	30%	41%	<1%
<b>ALL FIRMS</b>	<b>2%</b>	<b>18%</b>	<b>32%</b>	<b>45%</b>	<b>3%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distributions are statistically different between All Small Firms and All Large Firms within category (p<.05).

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

## EXHIBIT 12.3

Among All Firms Both Offering and Not Offering Health Benefits, Distribution of Firms Reporting the Contribution of the Following Factors to Increases in Health Insurance Premiums, by Firm Size, 2007

	A Lot	Somewhat	Not Too Much	Not At All	Don't Know
<b>Higher Insurance Company Profits*</b>					
All Small Firms (3–199 Workers)	46%	40%	9%	2%	2%
All Large Firms (200 or More Workers)	21%	54%	20%	4%	1%
<b>ALL FIRMS</b>	<b>45%</b>	<b>41%</b>	<b>9%</b>	<b>3%</b>	<b>2%</b>
<b>Higher Spending for Hospital Care*</b>					
All Small Firms (3–199 Workers)	60%	32%	3%	4%	1%
All Large Firms (200 or More Workers)	48%	46%	4%	1%	1%
<b>ALL FIRMS</b>	<b>60%</b>	<b>32%</b>	<b>3%</b>	<b>4%</b>	<b>1%</b>
<b>Higher Spending for Physician Services*</b>					
All Small Firms (3–199 Workers)	46%	42%	7%	5%	<1%
All Large Firms (200 or More Workers)	32%	55%	11%	1%	1%
<b>ALL FIRMS</b>	<b>46%</b>	<b>42%</b>	<b>7%</b>	<b>4%</b>	<b>&lt;1%</b>
<b>Higher Spending for Prescription Drugs</b>					
All Small Firms (3–199 Workers)	67%	28%	3%	2%	<1%
All Large Firms (200 or More Workers)	65%	29%	4%	1%	1%
<b>ALL FIRMS</b>	<b>66%</b>	<b>28%</b>	<b>3%</b>	<b>2%</b>	<b>&lt;1%</b>
<b>Better Medical Technology</b>					
All Small Firms (3–199 Workers)	39%	46%	10%	3%	2%
All Large Firms (200 or More Workers)	39%	50%	9%	2%	1%
<b>ALL FIRMS</b>	<b>39%</b>	<b>46%</b>	<b>10%</b>	<b>3%</b>	<b>2%</b>
<b>An Aging Population</b>					
All Small Firms (3–199 Workers)	52%	38%	6%	3%	<1%
All Large Firms (200 or More Workers)	57%	38%	4%	1%	<1%
<b>ALL FIRMS</b>	<b>52%</b>	<b>38%</b>	<b>6%</b>	<b>3%</b>	<b>&lt;1%</b>
<b>Workers Using More Services Because They Only Pay a Small Share of the Total Cost of Services*</b>					
All Small Firms (3–199 Workers)	18%	53%	18%	8%	4%
All Large Firms (200 or More Workers)	23%	45%	27%	5%	<1%
<b>ALL FIRMS</b>	<b>18%</b>	<b>53%</b>	<b>18%</b>	<b>8%</b>	<b>4%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

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

## EXHIBIT 12.4

Percentage of Firms with the Following Utilization Management Provisions in their Largest Health Plan, By Size, Region, and Industry, 2007

	Pre-Admission Certification for Inpatient Hospital Care	Pre-Admission Certification for Outpatient Surgery	Case Management for Large Claims
<b>FIRM SIZE</b>			
3–24 Workers	67%	55%	45%*
25–199 Workers	61	56	53
200–999 Workers	77*	57	78*
1,000–4,999 Workers	82*	57	90*
5,000 or More Workers	78*	49	94*
<b>All Small Firms (3–199 Workers)</b>	<b>66%*</b>	<b>55%</b>	<b>46%*</b>
<b>All Large Firms (200 or More Workers)</b>	<b>78%*</b>	<b>56%</b>	<b>82%*</b>
<b>REGION</b>			
Northeast	48%*	40%*	42%
Midwest	63	46	39
South	82*	64	48
West	68	68	63*
<b>INDUSTRY</b>			
Agriculture/Mining/Construction	51%	52%	32%
Manufacturing	41*	37	42
Transportation/Communications/Utilities	87*	90*	90*
Wholesale	70	68	54
Retail	71	64	46
Finance	80	57	37
Service	70	51	50
State/Local Government	79	76*	60
Health Care	56	51	39
<b>ALL FIRMS</b>	<b>67%</b>	<b>55%</b>	<b>48%</b>

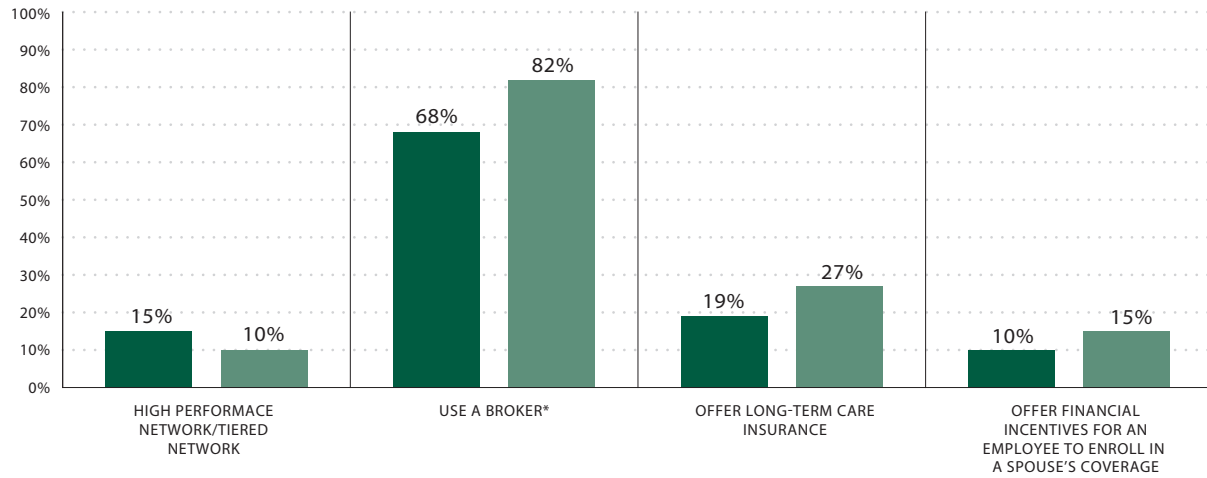
## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate for inpatient utilization management, outpatient utilization management, or case management is statistically different from all other firms not in the indicated size, region, or industry category ( $p < .05$ ).

EXHIBIT 12.5

Among Firms Offering Health Benefits, Percentage of Firms With Specific Plan Offerings and Features, By Firm Size, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

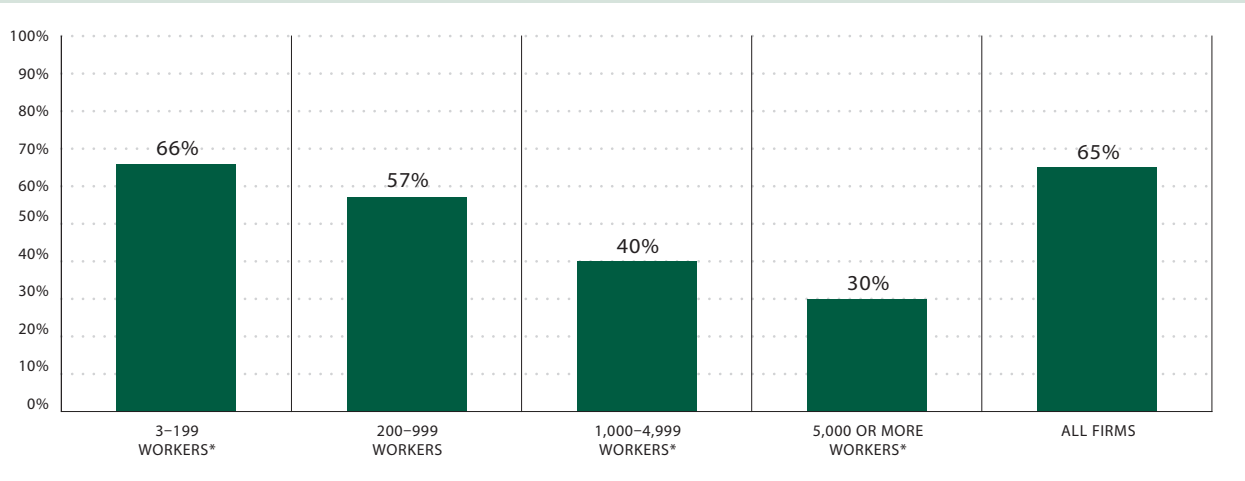
■ ALL SMALL FIRMS (3-199 WORKERS)  
■ ALL LARGE FIRMS (200 OR MORE WORKERS)

\* Estimate is statistically different between All Small Firms and All Large Firms within category ( $p < .05$ ).

Note: A high performance network is one that groups providers into the network based on quality, cost, and/or the efficiency of the care they deliver. These networks encourage patients to visit the most efficient doctors by either restricting networks to efficient providers, or by having different copays or coinsurance for providers in different tiers in the network.

EXHIBIT 12.6

Percentage of Firms That Shopped For A New Plan or Health Insurance Carrier in the Past Year, by Firm Size, 2007



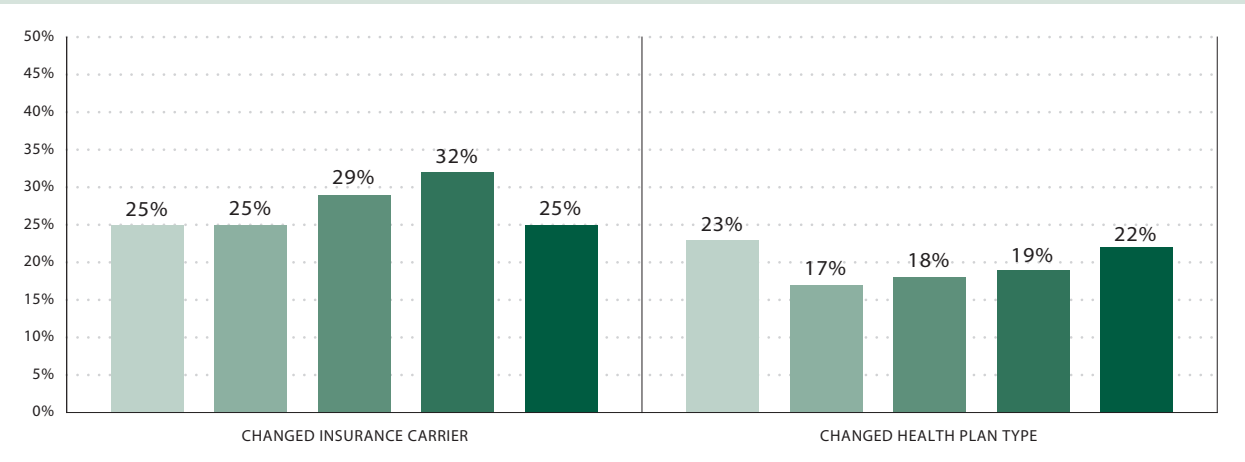
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different within category from estimate for firms not in the indicated size category (p<.05).

EXHIBIT 12.7

Among Firms That Shopped for a New Plan or Insurance Carrier, Percentage Reporting That They Changed Insurance Carrier and/or Health Plan Type in the Past Year, by Firm Size, 2007\*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Tests found no statistical difference within category between size category shown and all other firms not in the indicated size category (p<.05).

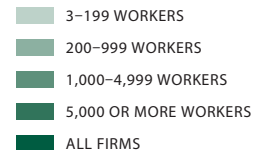
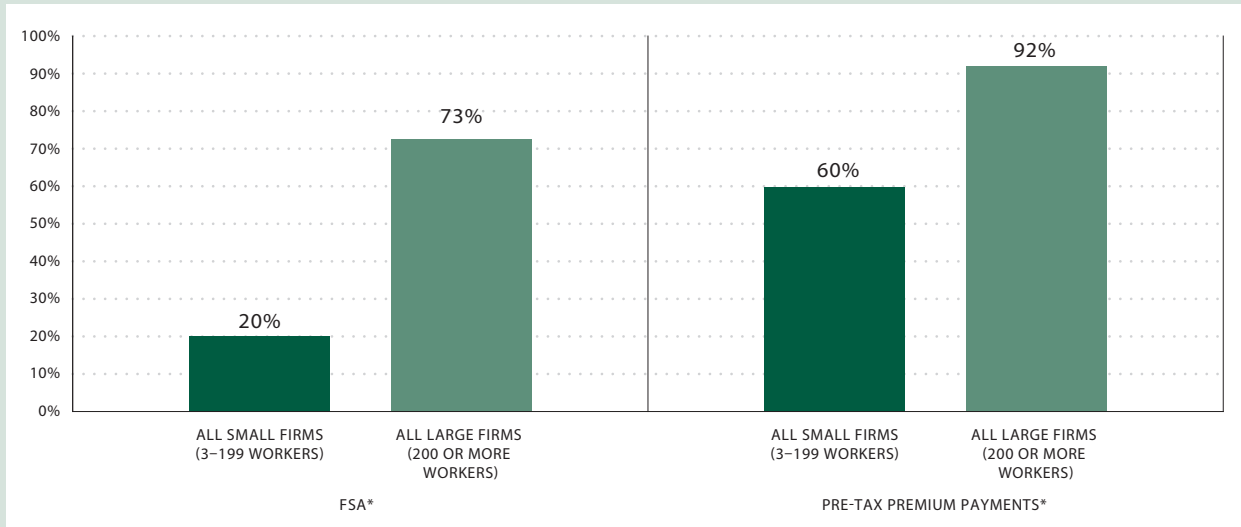


EXHIBIT 12.8

Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts and Pre-Tax Premium Payments, By Firm Size, 2007



SOURCE:

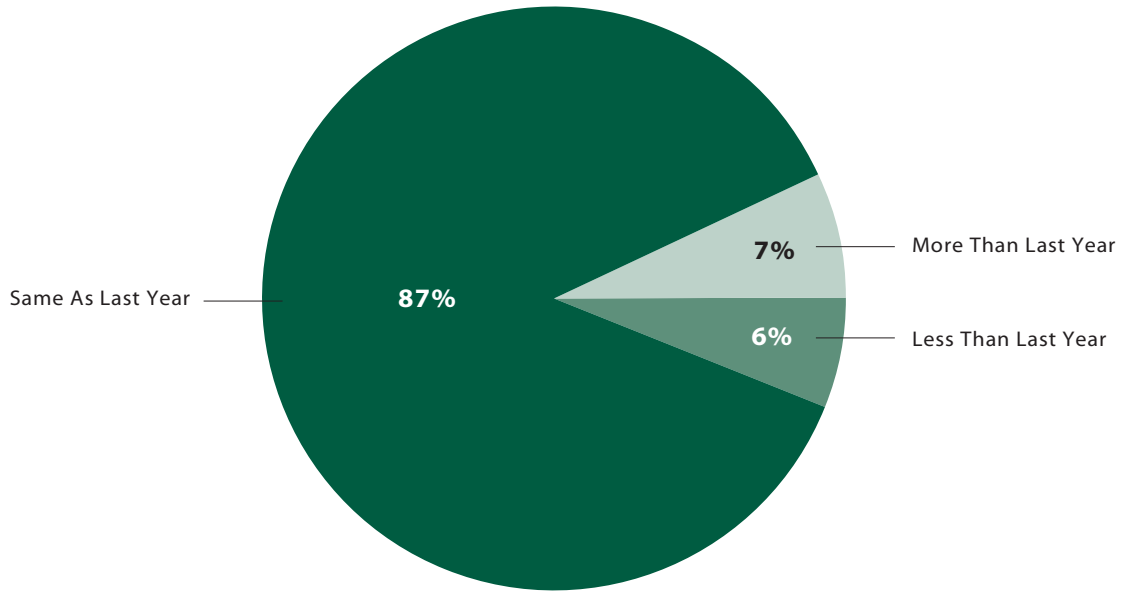
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Estimate is statistically different between All Small Firms and All Large Firms within category (p<.05).

Note: Section 125 of the Internal Revenue Service code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in a FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in a FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs.

EXHIBIT 12.9

Distribution of Covered Workers by a One-Year Change in Level of Health Benefits, Other Than Cost Sharing, 2007



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

Note: Less than 1% of covered workers are in a plan that reported not having the same type of plan the year before.



## EXHIBIT 12.10

Distribution of Covered Workers by Maximum Lifetime Benefit Payable to an Employee with Single Coverage, by Plan Type and Firm Size, 2007

	Less than \$1,000,000	\$1,000,000 – \$1,999,999	\$2,000,000 or More	No Limit
<b>HMO*</b>				
All Small Firms (3-199 Workers)	0%	6%	8%	87%
All Large Firms (200 or More Workers)	0	11	18	71
<b>All HMO Plans</b>	<b>0%</b>	<b>9%</b>	<b>15%</b>	<b>76%</b>
<b>PPO</b>				
All Small Firms (3-199 Workers)	1%	25%	41%	32%
All Large Firms (200 or More Workers)	1	28	37	34
<b>All PPO Plans</b>	<b>1%</b>	<b>27%</b>	<b>38%</b>	<b>33%</b>
<b>POS</b>				
All Small Firms (3-199 Workers)	0%	11%	26%	62%
All Large Firms (200 or More Workers)	0	30	28	42
<b>All POS Plans</b>	<b>0%</b>	<b>20%</b>	<b>27%</b>	<b>53%</b>
<b>HDHP/SO</b>				
All Small Firms (3-199 Workers)	0%	7%	64%	30%
All Large Firms (200 or More Workers)	0	18	44	37
<b>All HDHP/SOs</b>	<b>0%</b>	<b>13%</b>	<b>54%</b>	<b>33%</b>
<b>ALL PLANS</b>				
All Small Firms (3-199 Workers)	1%	17%	33%	50%
All Large Firms (200 or More Workers)	1	24	32	43
<b>ALL FIRMS</b>	<b>1%</b>	<b>22%</b>	<b>32%</b>	<b>45%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

\* Distributions are statistically different between All Small Firms and All Large Firms (p<.05).

## EXHIBIT 12.11

Distribution of Covered Workers by Maximum Lifetime Benefit Payable to an Employee with Single Coverage, by Plan Type, 2004–2007

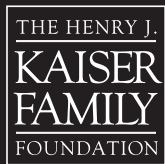
	Less than \$1,000,000	\$1,000,000 – \$1,999,999	\$2,000,000 or More	No Limit
<b>HMO</b>				
2004	<1%	10%	15%	75%
2007	0%	9%	15%	76%
<b>PPO</b>				
2004	1%	33%	31%	35%
2007*	1%	27%	38%	33%
<b>POS</b>				
2004	2%	21%	15%	63%
2007*	0%	20%	27%	53%
<b>HDHP/SO†</b>				
2007	0%	13%	54%	33%
<b>ALL PLANS</b>				
2004	1%	24%	25%	49%
2007*	1%	22%	32%	45%

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2004–2007.

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

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



-and-



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