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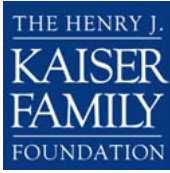
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# Employer Health Benefits

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2006

ANNUAL SURVEY



-AND-



HEALTH RESEARCH &  
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# Presentation Objectives

- To document the state of employer-based health benefits, 2006
- To examine changes in benefits over the last year and five years
- To examine trends in underlying health care expenses
- To present data on the state of HRA and HSA plans in 2006

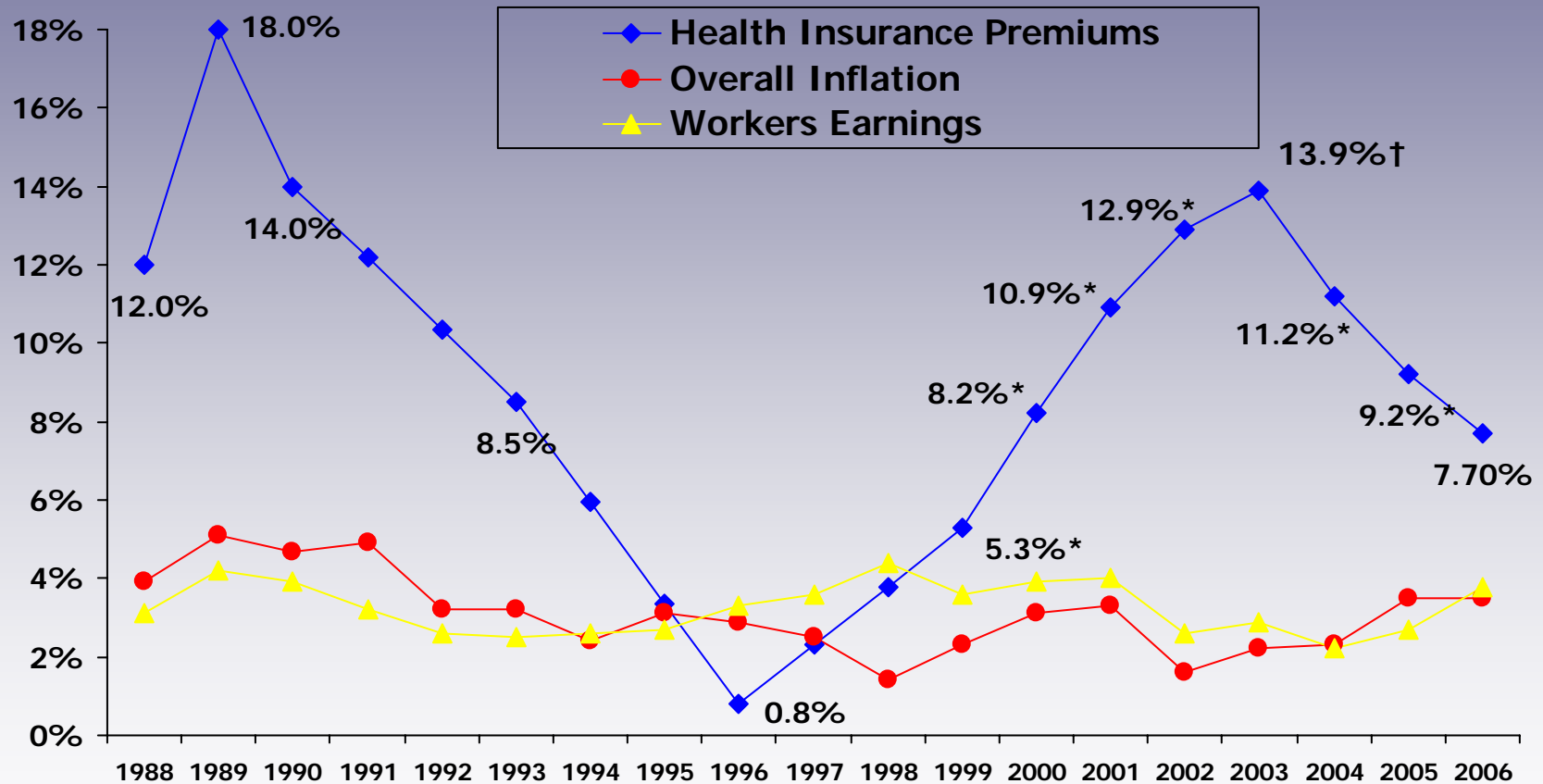


# KFF/HRET Health Benefits Survey

- Telephone survey of 2,122 randomly selected public and private employers
- National Research conducts interviews with employee benefit managers from Jan. 2006 to May 2006
- Response rate of 48 percent in 2006
- Survey conducted by HIAA 1987-1991 and KPMG 1991-1998
- Use of statistical weights
- Employer-based statistics
- Employee-based statistics



# Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2006



\* Estimate is statistically different from the previous year shown at p<0.05. No statistical tests were conducted for years prior to 1999.

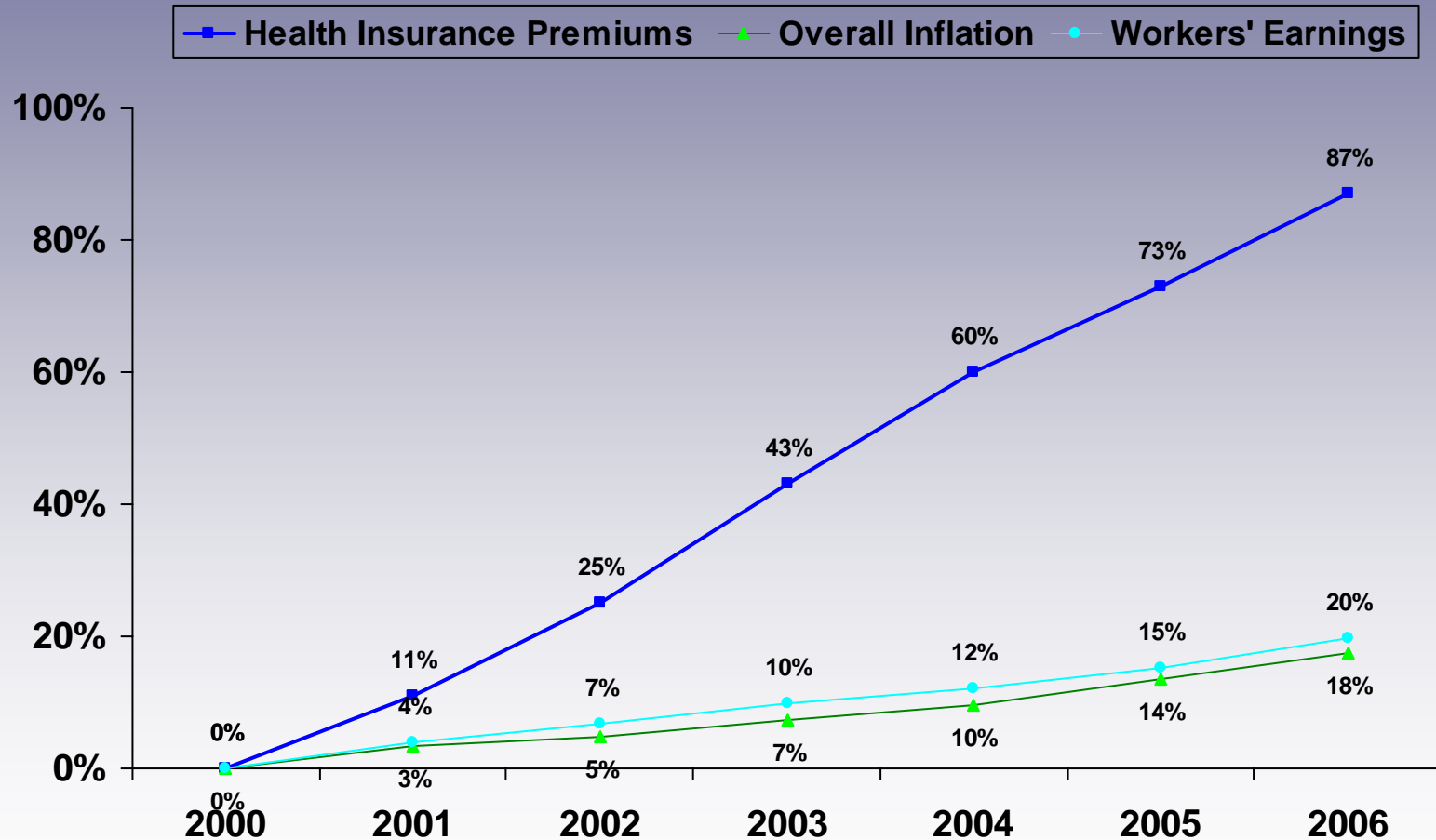
† Estimate is statistically different from the previous year shown at p<0.1. No statistical tests were conducted for years prior to 1999.

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

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; 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), 1988-2005; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005.



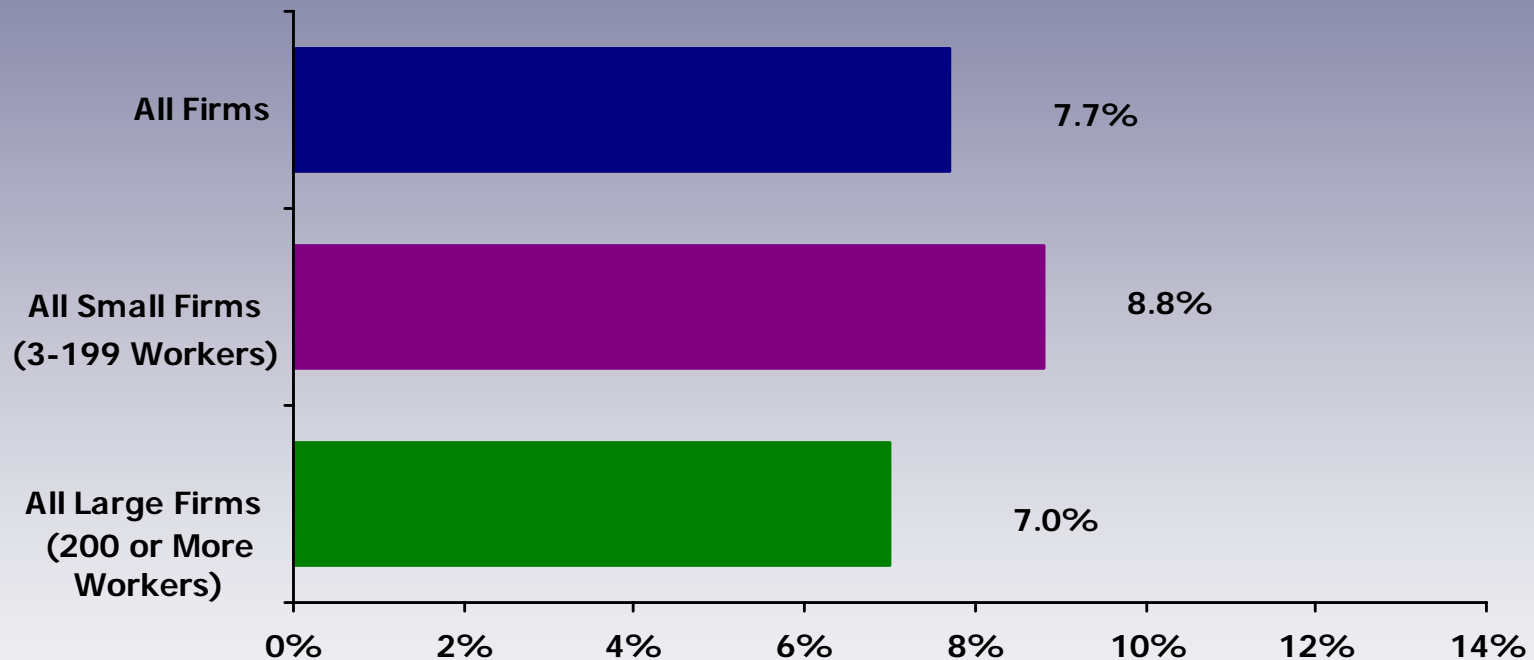
# Cumulative Changes in Health Insurance Premiums, Overall Inflation, and Workers' Earnings 2000 - 2006



Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2001-2006; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2001-2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 2001-2006.



## Percentage Change in Premiums for Covered Workers‡, by Firm Size, 2006\*



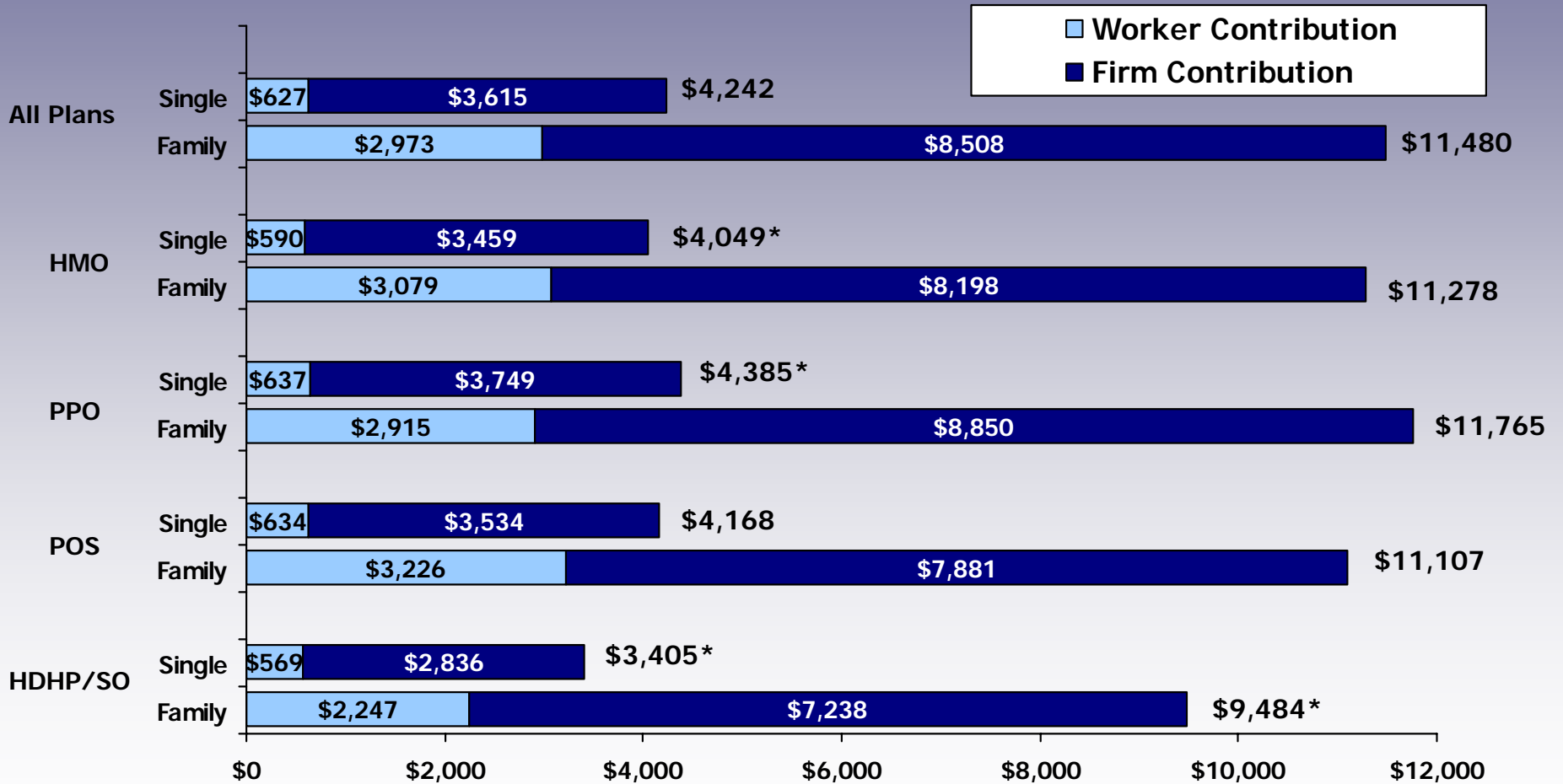
\* Tests found statistically different estimates from All Firms at  $p < .05$ . ‡ Applies to employer and employee share of premiums.

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

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



# Average Annual Premiums for Covered Workers, by Plan Type, 2006



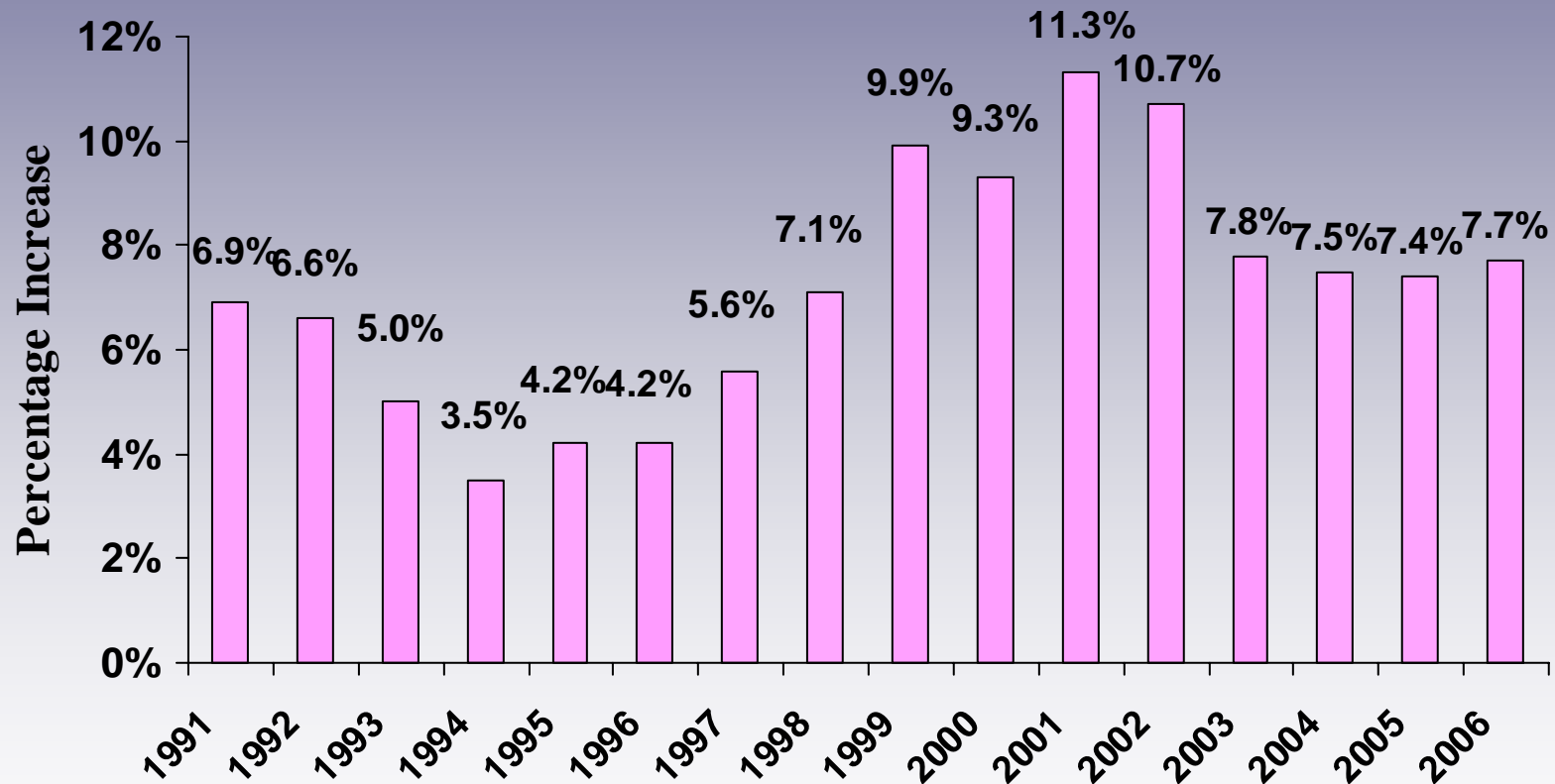
\* Estimate of total premium is statistically different from All Plans by coverage type at  $p < .05$ .

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

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



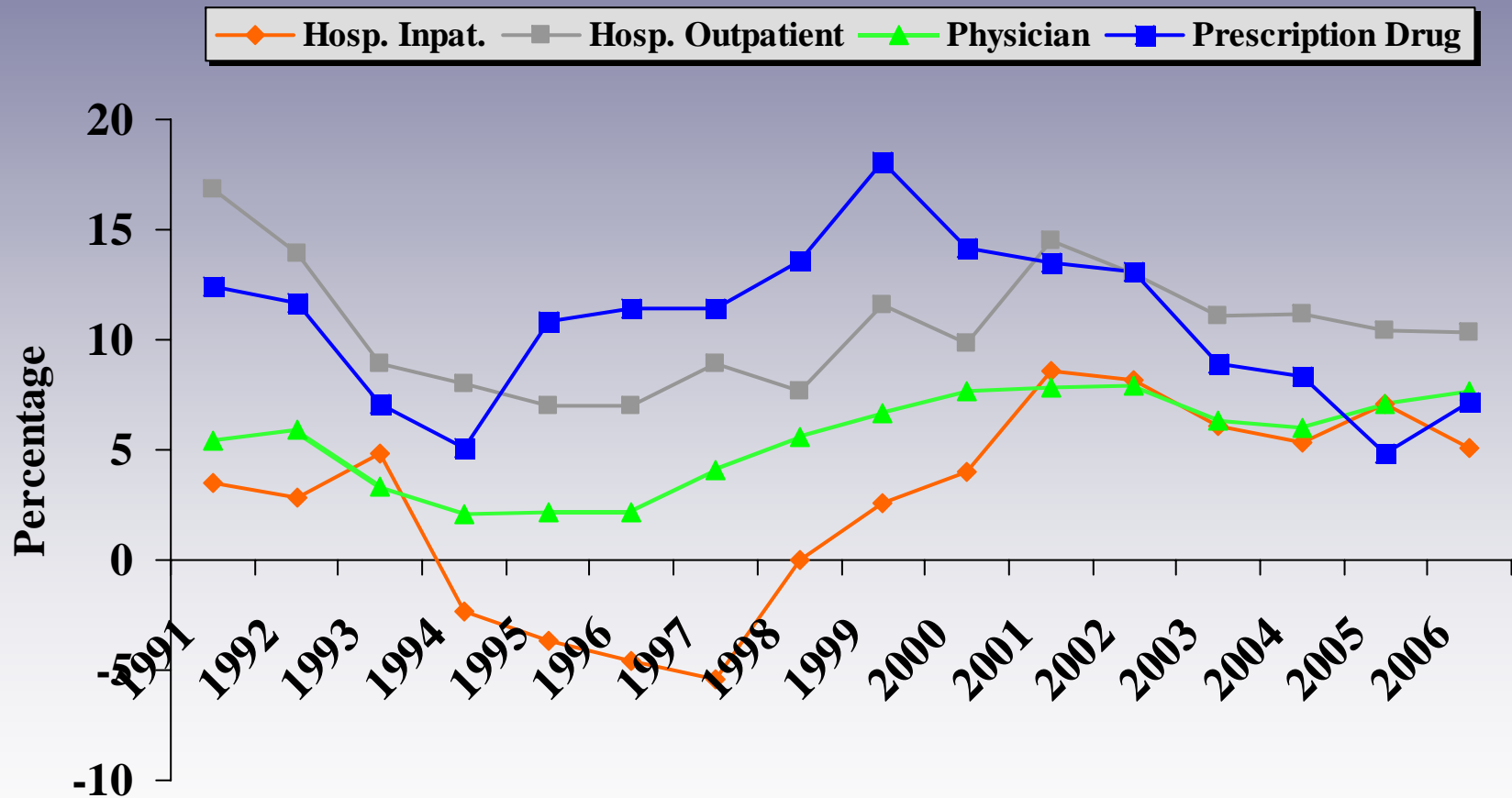
## Percentage Increase in Underlying Health Care Spending, 1991-2004, for All Services



Source: Strunk, and Ginsburg, 2005

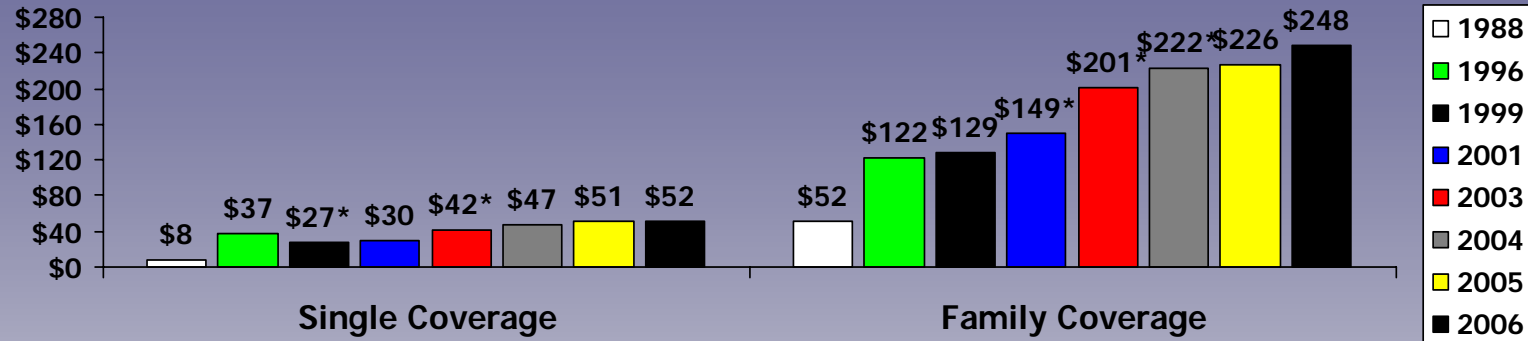


# Trends in Provider Revenues from Non-Medicare Patients, 1991 – 2004, *(Annual Percent Change Per Capita)*





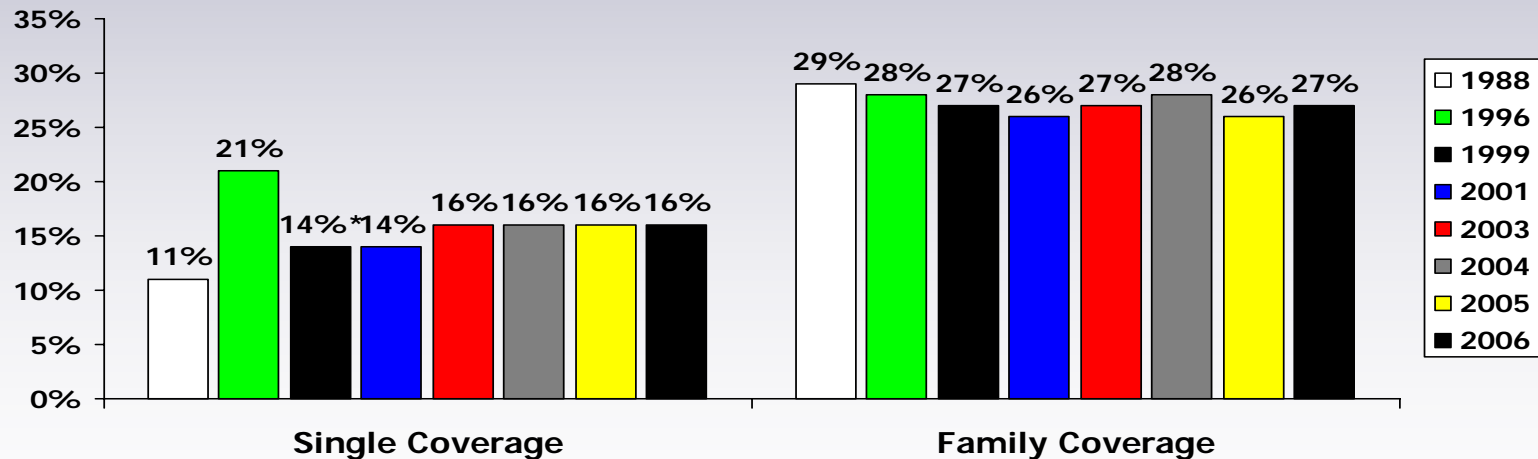
## Average Monthly Worker Contribution, 1988-2006



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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; Health Insurance Association of America (HIAA), 1988.

## Percentage of Premium Paid by Covered Workers, 1988-2005

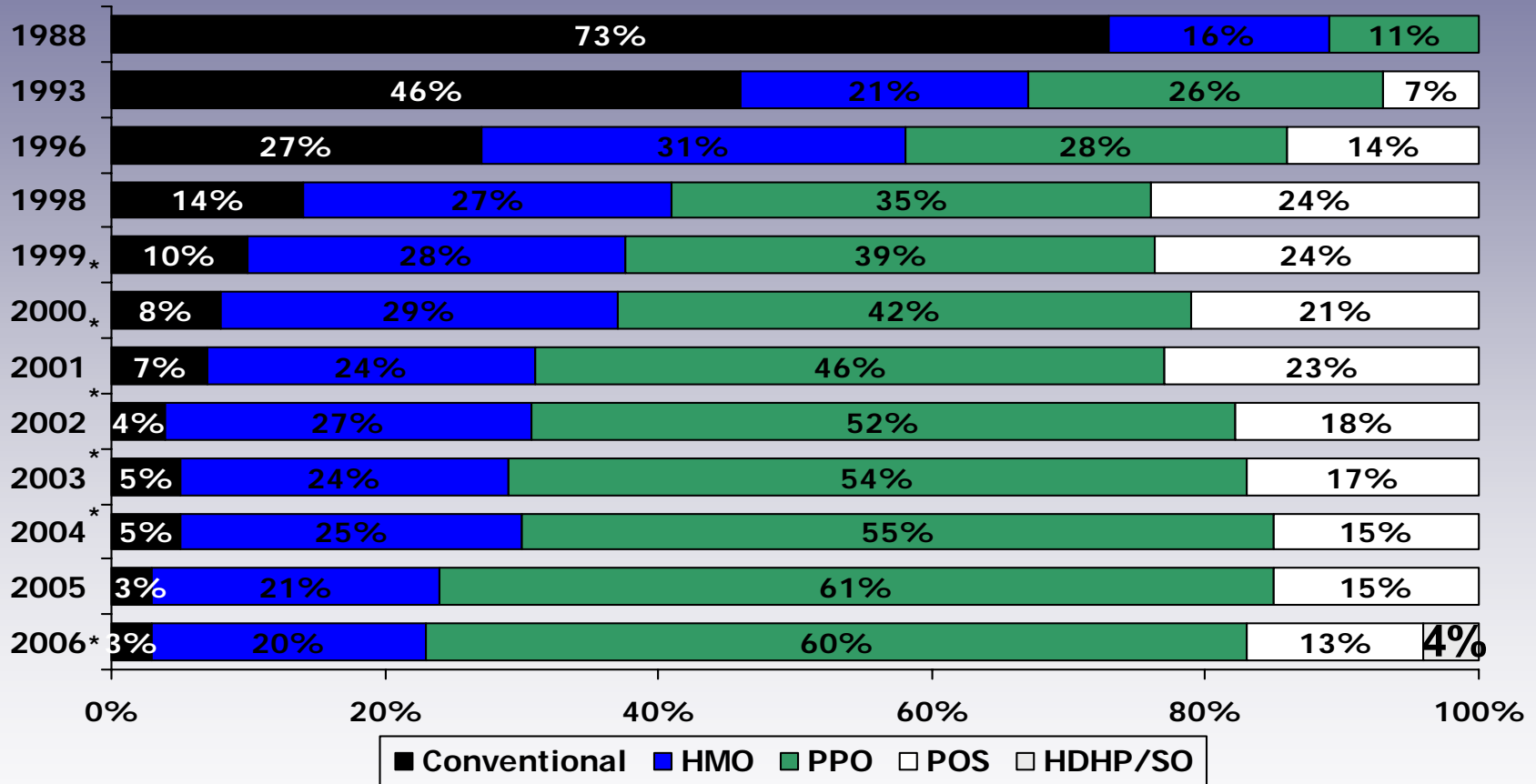


\* Estimate is statistically different from the previous year show at  $p < .05$ . No statistical tests were conducted for years prior to 1999.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996; Health Insurance Association of America (HIAA), 1988.



# Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2006



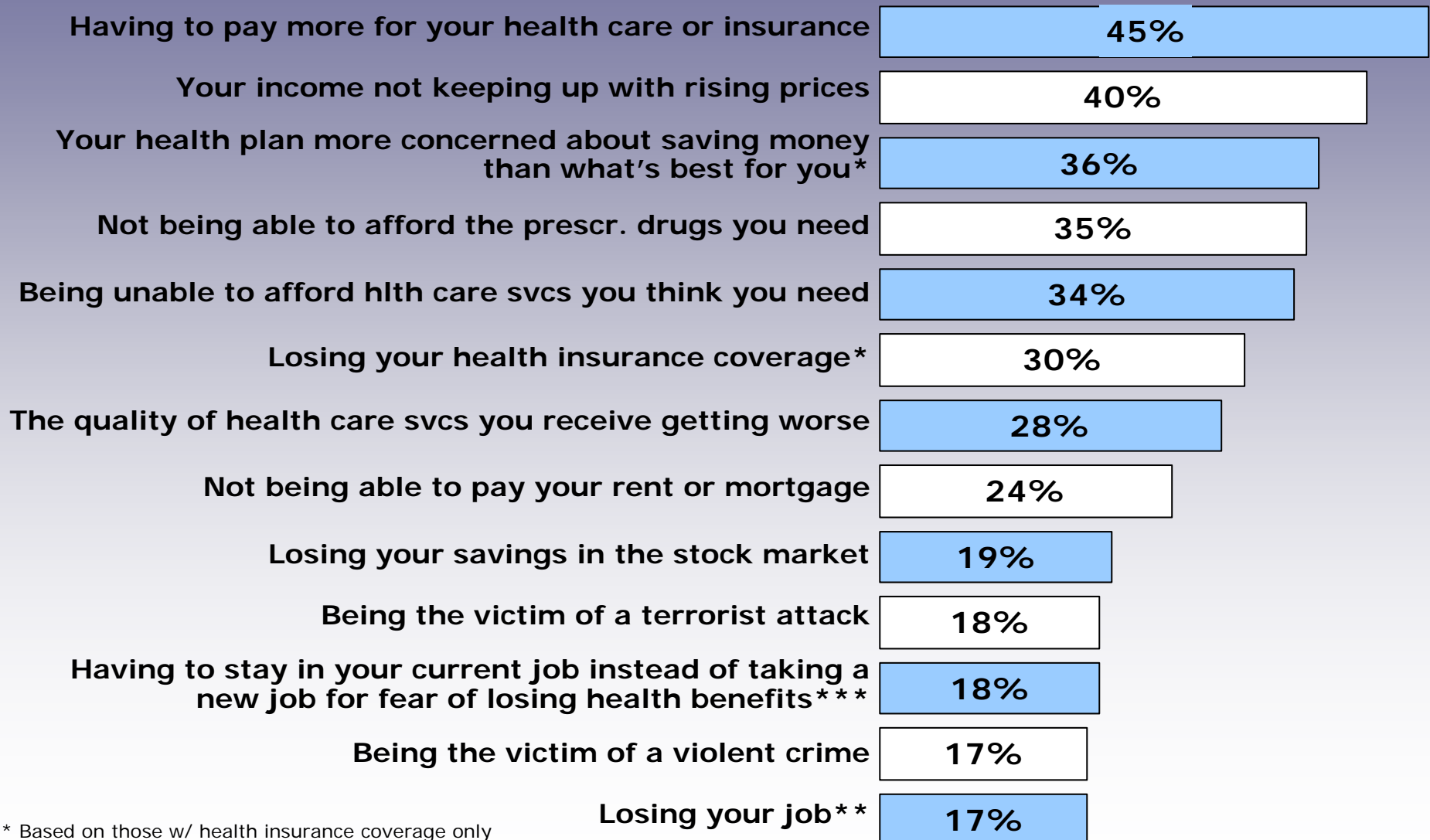
\* Distribution is statistically different from the previous year shown at  $p < .05$ . No statistical tests were conducted for years prior to 1999. Information was not obtained for POS plans in 1988.

Note: A portion of the change in enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods section in the report for additional information: [www.kff.org/insurance/7315/](http://www.kff.org/insurance/7315/).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996. The Health Insurance Association of America (HIAA), 1988.



# Health Care Worries in Context With Other Worries



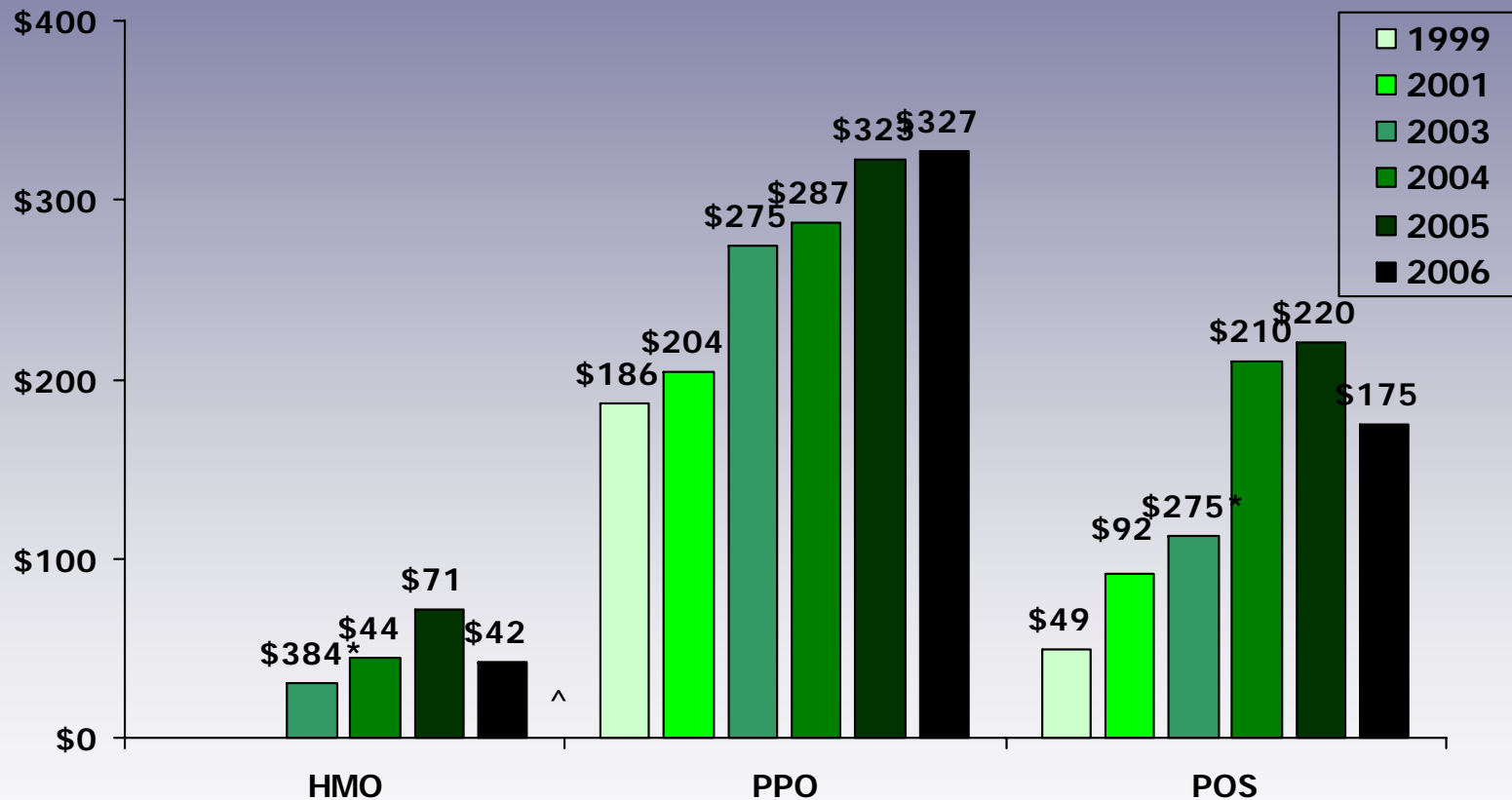
\* Based on those w/ health insurance coverage only

\*\* Based on employed only

\*\*\* Based on those who are employed with health insurance cvg only. Source: Kaiser Family Foundation *Health Poll Report Survey*, June 2005



# Average Annual Deductibles for Single Coverage, by Plan Type, 1999-2005



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

^ Information was not obtained for HMO single coverage prior to 2003.

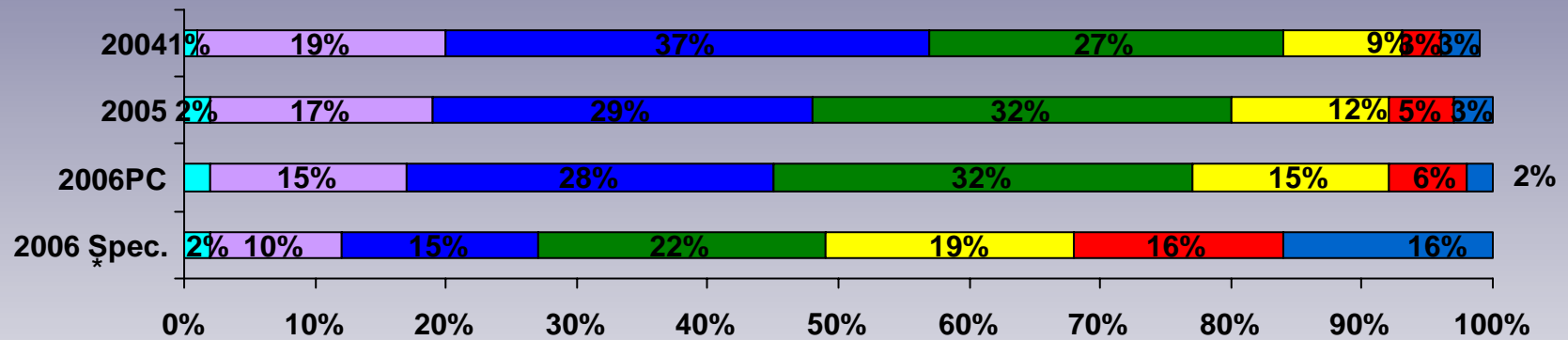
Note: Average deductibles for PPO and POS plans are for in-network services. Averages include covered workers who do not have a deductible. If covered workers with no deductible are excluded from the calculation, the average deductibles for single coverage for 2005 are as follows: conventional - \$671; HMO - \$568; PPO - \$445; POS - \$495.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.



Chart #22

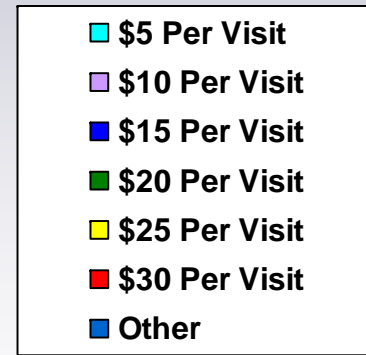
# Among Covered Workers Facing Copayments for Physician Office Visits, Distribution of Copayments, 2004-2006

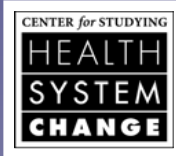


\*Distribution is statistically different from previous year shown at  $p < .05$ .

Note: Copayments for in-network services in PPO and POS plans were used to calculate the distribution shown. The distribution does not include covered workers who do not face a copayment for office visits (e.g., workers who face coinsurance).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2004 - 2005.



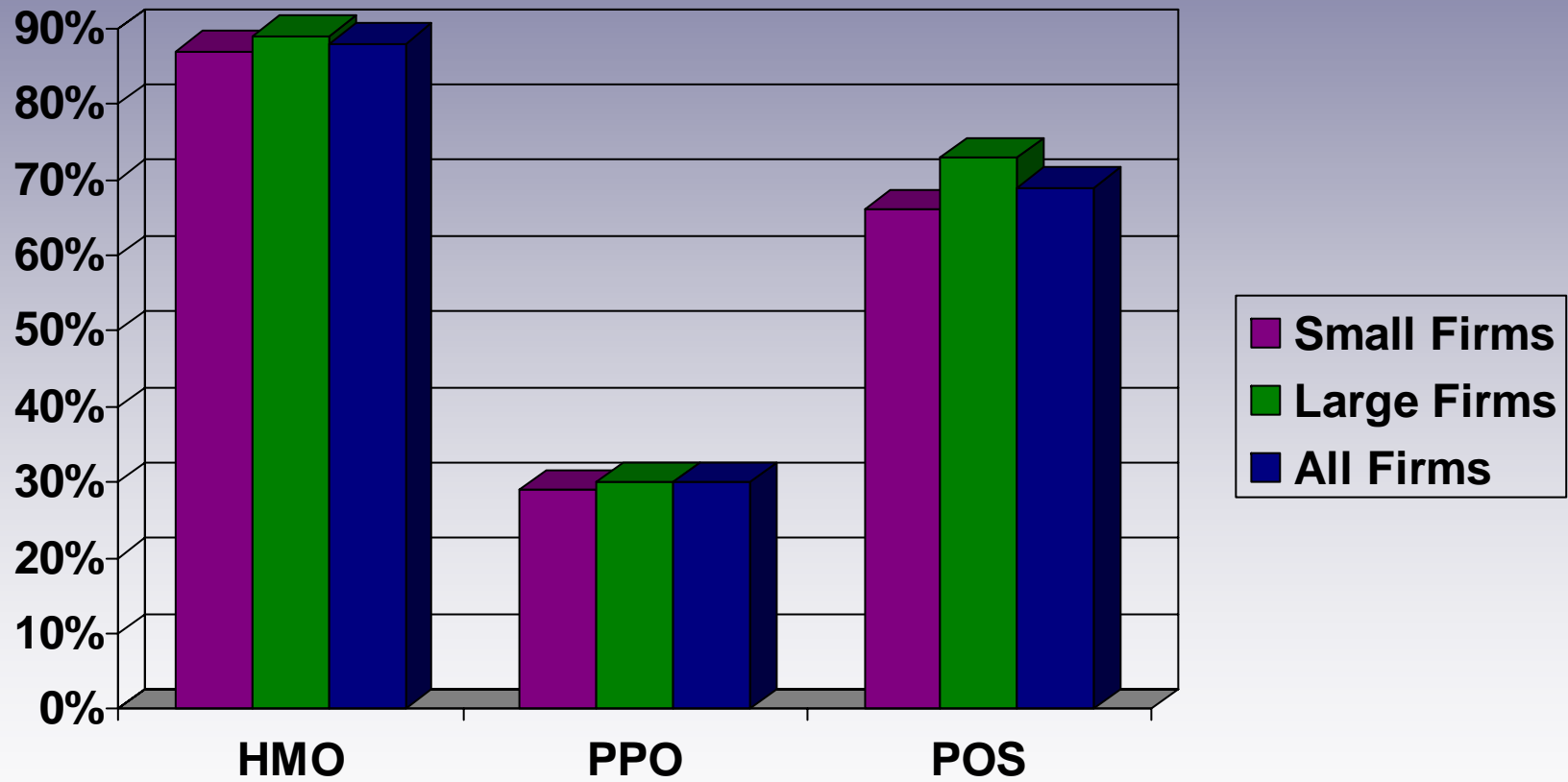


## Among Covered Workers with No General Annual Plan Deductible for Single and Family Coverage, Percentage Who Have Hospital Cost Sharing, by Plan Type, 2006<sup>‡</sup>

	Single Coverage	Family Coverage
<b>HMO</b>	60%	59%
<b>PPO</b>	55%	65%
<b>POS</b>	55%	55%
<b>Separate Cost Sharing for Each Outpatient Surgery Episode</b>		
<b>HMO</b>	50%	50%
<b>PPO</b>	42%	43%
<b>POS</b>	48%	48%

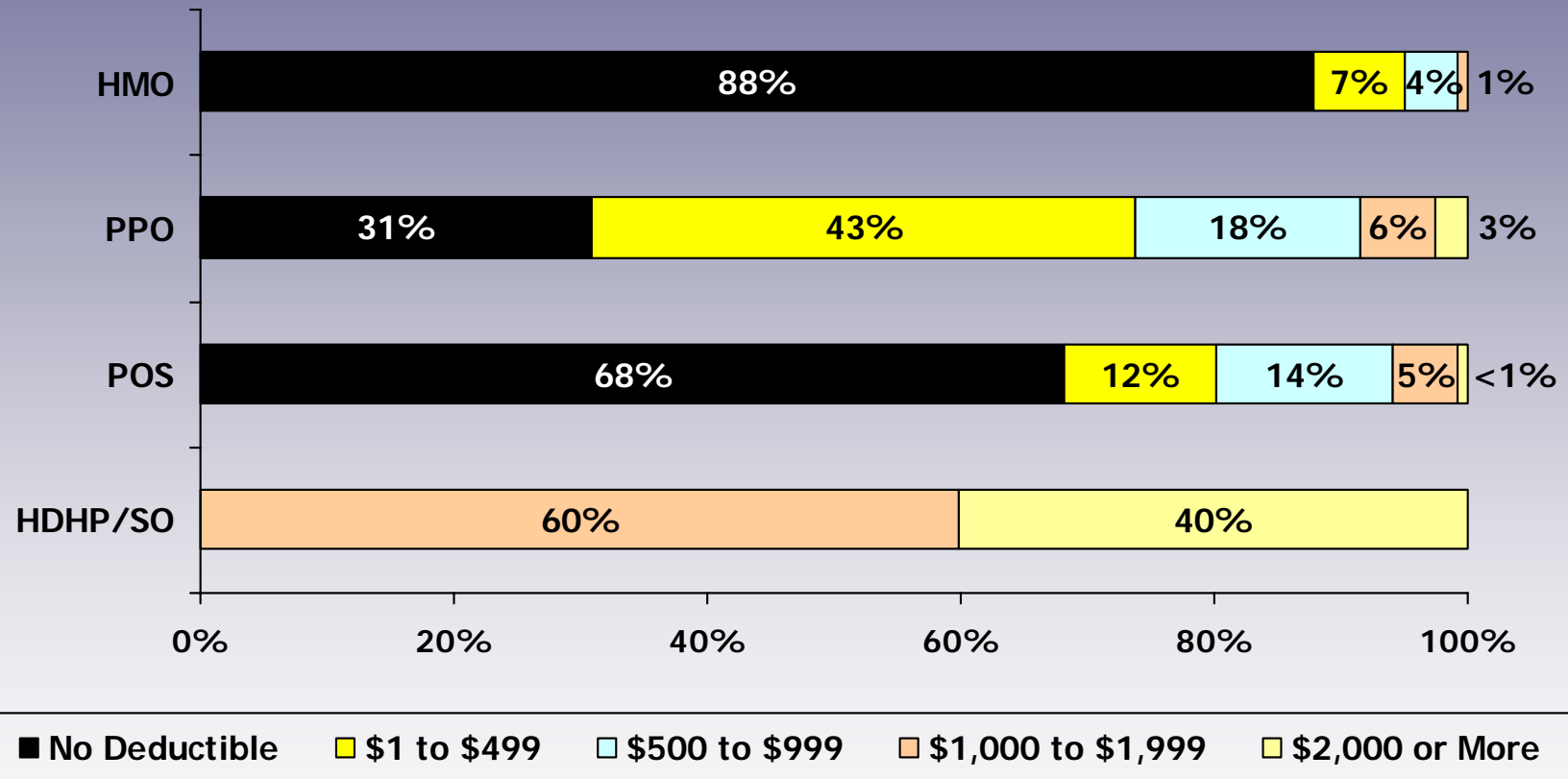


# Percentage of Employees with No General Health Plan Deductible By Plan Type and Firm Size





# Distribution of Covered Workers by In-Network Deductible Amounts For Single Coverage, by Plan Type, 2006

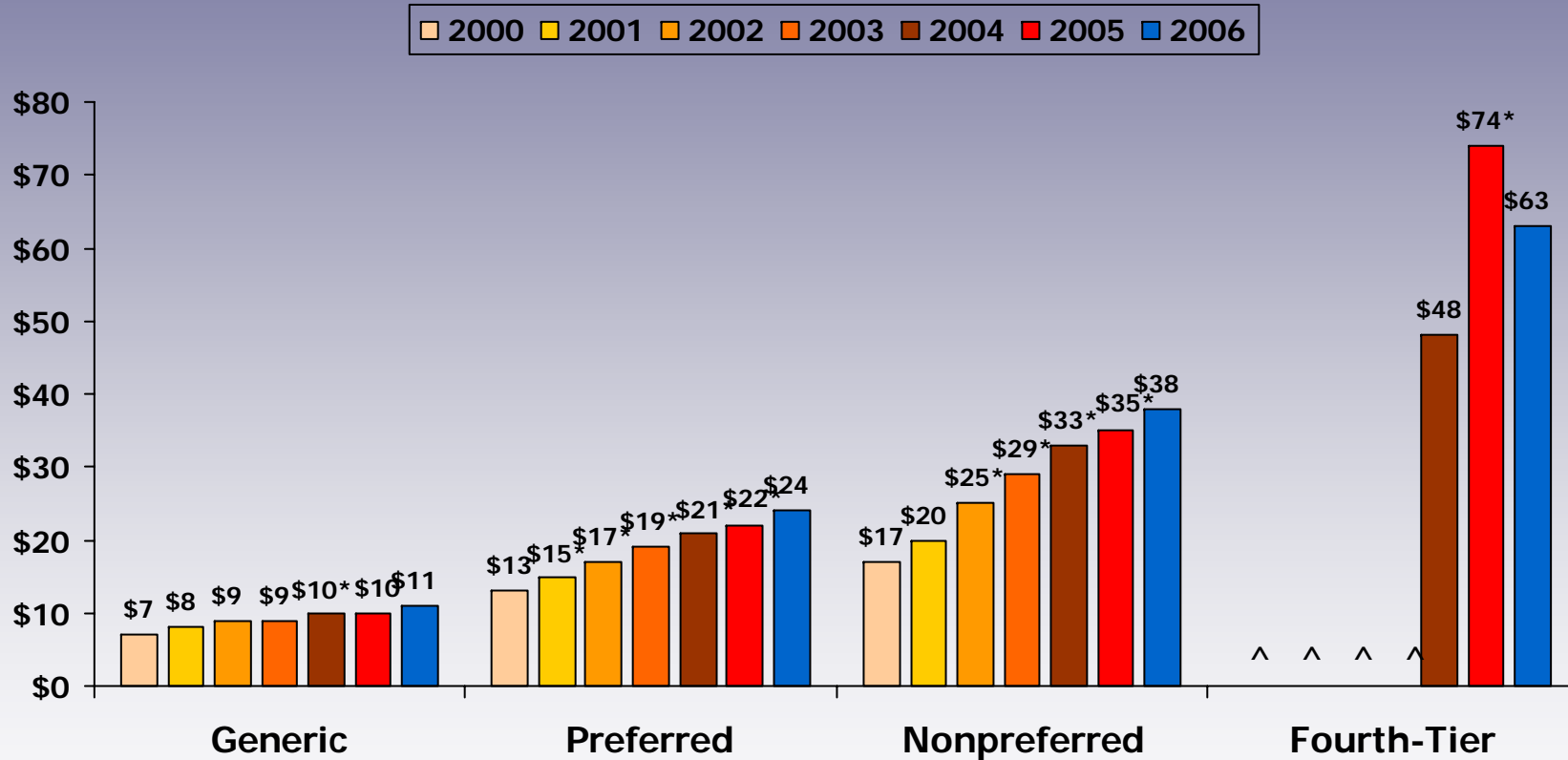


Note: Distributions may not add to 100% due to rounding.

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



# Among Covered Workers Facing Prescription Drug Copayment Amounts, Average Copayments, 2000-2006

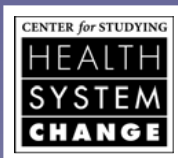


\* Estimate is statistically different from the previous year shown at  $p < .05$ .

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

Note: Average copayments for generic, preferred and nonpreferred drugs are calculated by combining the weighted average copayments for those types of drugs among firms with a single copayment amount or a multi-tier cost sharing structure. The average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2005.



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

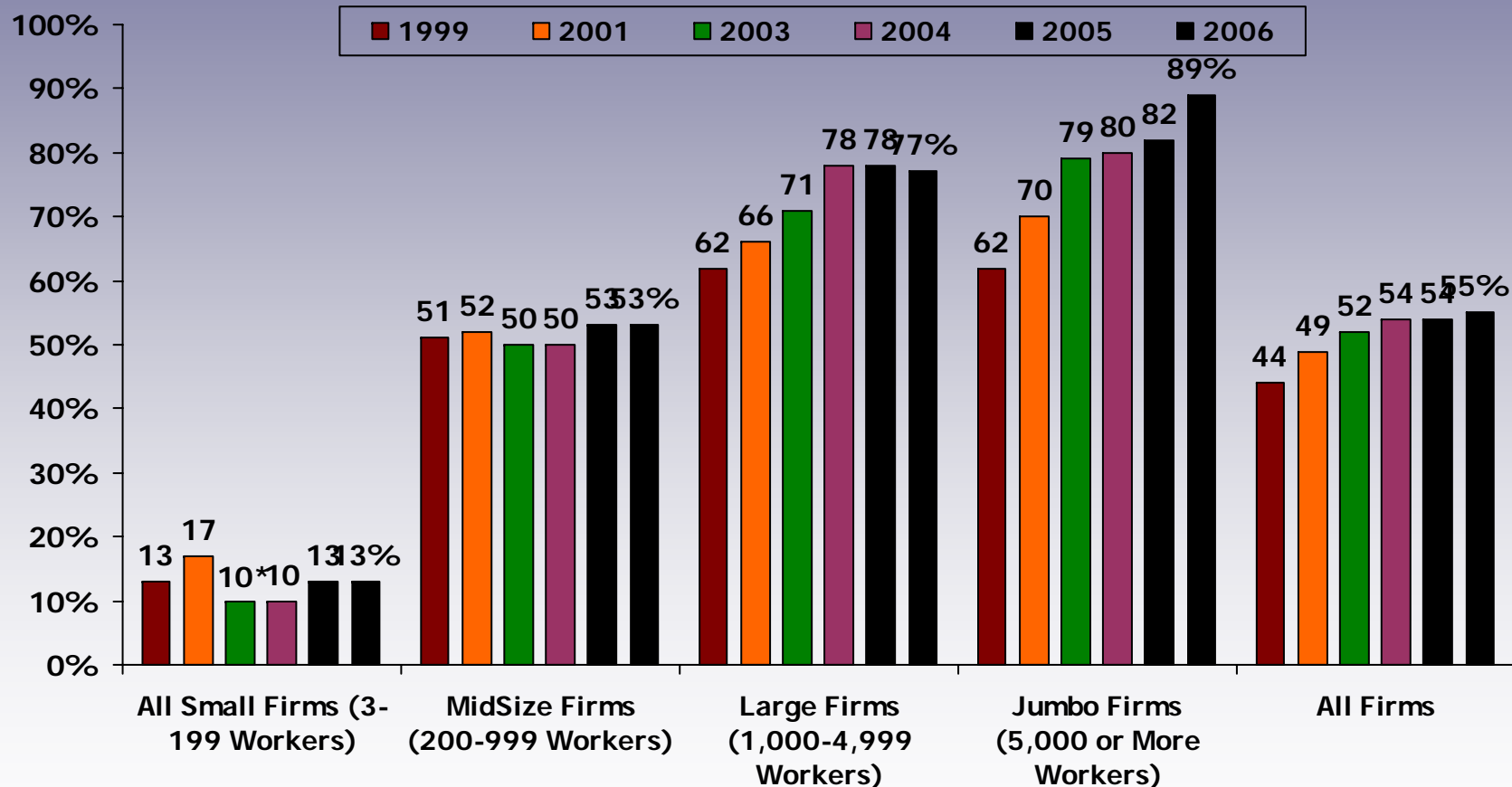
	HMO	PPO	POS	HDHP/SO‡
<b>Overall Plan Deductible</b>	39%	39%	32%	21%
<b>Any Additional Plan Deductibles</b>	62	58	51	57
<b>Office Visit Copayments</b>	41	73	54	NSD
<b>Office Visit Coinsurance</b>	NSD	9	NSD	4
<b>Prescription Drug Cost Sharing</b>	63	83	73	33

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

NSD: Not sufficient data



# Percentage of Covered Workers in Partially or Completely Self-Funded Plans, By Firm Size, 1999-2006

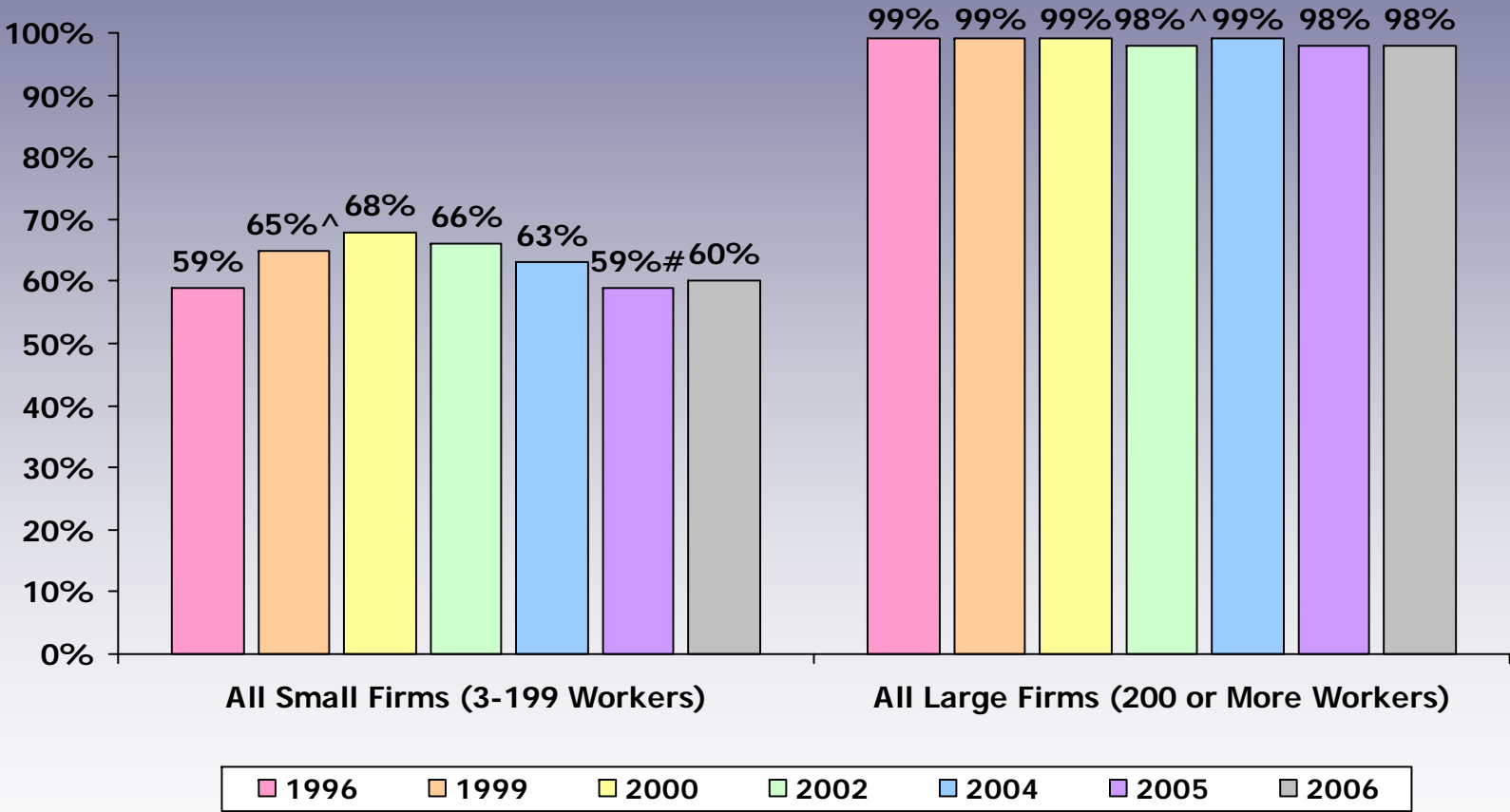


\* Estimate is statistically different from the previous year shown at p<.05.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005.



# Percentage of Firms Offering Health Benefits, by Firm Size, 1996-2006



<sup>^</sup> Estimate is statistically different from the previous year shown at p<0.1.

<sup>#</sup> The 2005 offer rate for All Small Firms is not statistically different than the 2004 offer rate for All Small Firms at p<.05. The difference between the offer rate for All Small Firms in 2000 (68%) and the offer rate for All Small Firms in 2005 (59%) is statistically significant at p<.05.

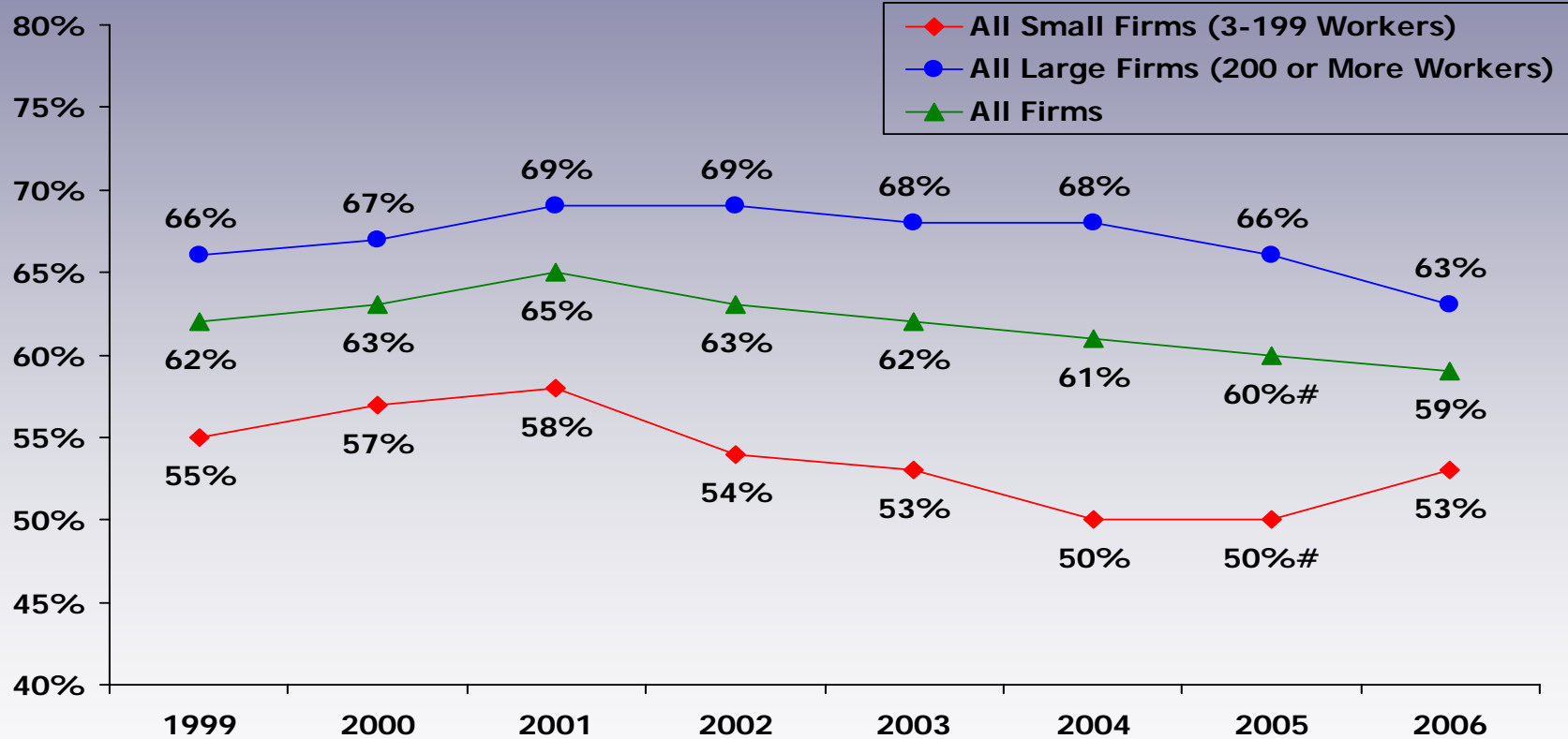
Note: The percentage of All Large Firms (200 or more workers) offering health benefits in 1999 was 99%, not 100% as reported last year.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1996.



Chart #12

# Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999-2005

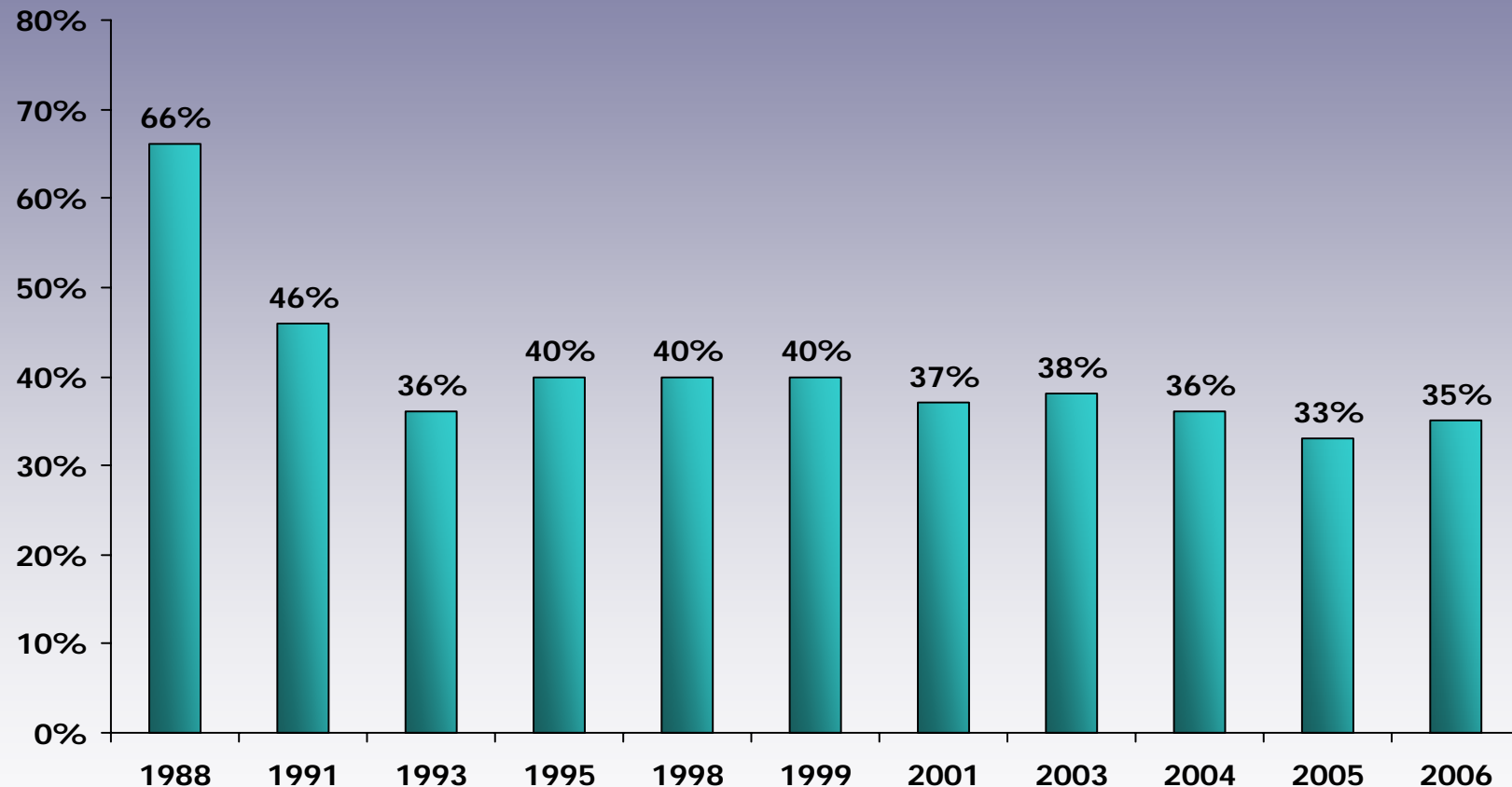


# Year-to-year estimates are not significantly different at  $p < .05$ . However, there is a significant change between 2000 and 2005 for All Firms and All Small Firms at  $p < .05$ .

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999–2005.

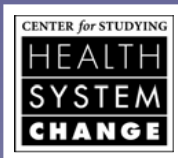


**Chart #13**  
**Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers, Percentage Offering Retiree Health Benefits, 1988-2006\***



\* Tests found no statistically different estimates from the previous year shown at  $p < .05$ . No statistical tests were conducted for years prior to 1999.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1995, and 1998; The Health Insurance Association of America (HIAA), 1988.

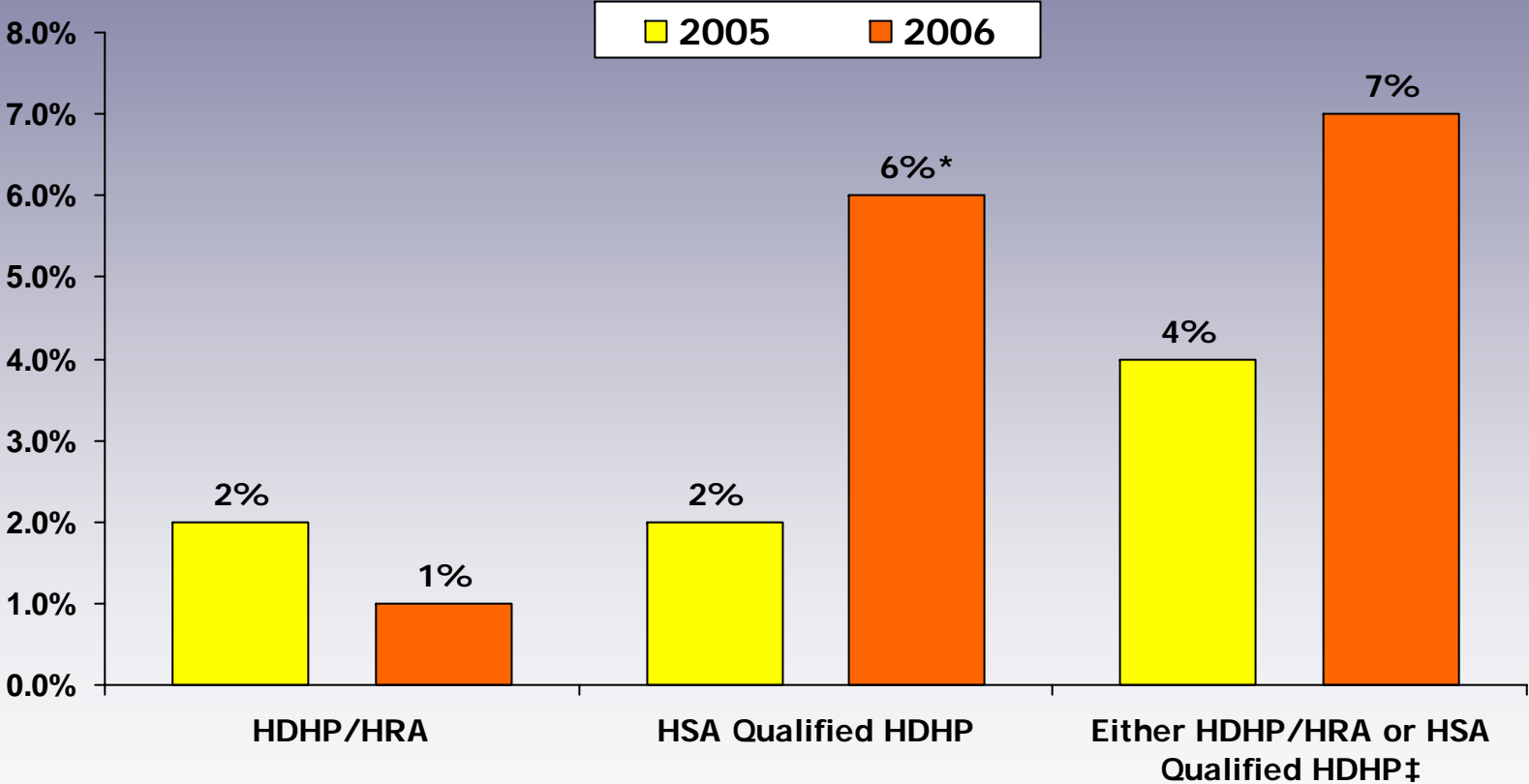


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## High-Deductible Health Plan Options



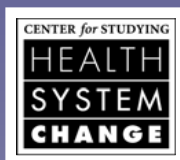
# Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005-2006



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

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

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



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

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

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

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

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

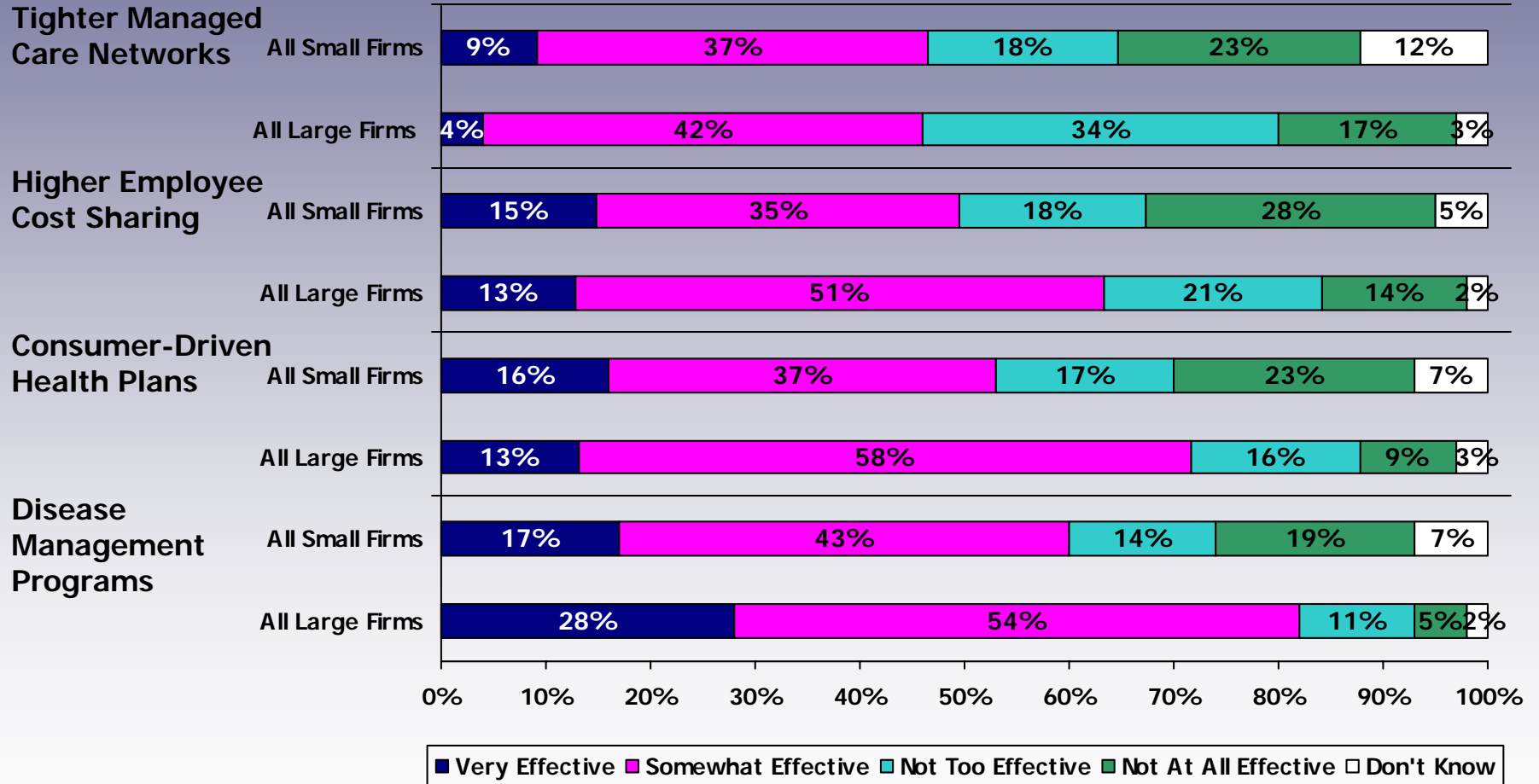


## Selection Rate in HSAs or HRAs, 2006, When Offered with Traditional Plans

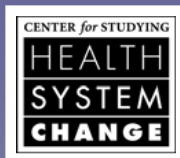
	HSA	HRA
<b>Percent of Enrollment in Full Replacement</b>	53%	76%
<b>Percent Choosing HAS or HRA Plans</b>	12%	28%



# Distribution of Firms' Opinions on the Effectiveness of the Following Cost Containment Strategies, 2006



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



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

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

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

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



## Summary and Conclusions

- Premium increases fall to lowest levels since 2000.
- Premium increases continue to outpace increases in workers earnings.
- Continue to see slow erosion of employer based coverage.
- CDHC plans have yet to take off in the group market.
- Small percentage of employees choose HSA plans when offered a choice of traditional plans.