



SNAPSHOT

Employer-Based Insurance: Coverage and Cost

2006

Introduction

Most Californians obtain health insurance coverage through employer-sponsored plans. But rising premiums are putting pressure on employers to stop providing coverage or shift more of the cost to workers. At the same time, many policy makers want to place more responsibility on employers to help reduce the number of working uninsured.

This snapshot explores the recent state of employer-sponsored health insurance in California and describes how costs to employers would grow if new laws required them to provide coverage to all full-time workers. Other issues addressed include:

- Which employers offer health insurance?
- How many workers enroll in coverage?
- How do employer premium contributions vary among offering businesses?
- How does economic and union status affect coverage?

This analysis is based on a database that was originally created to analyze the recently overturned SB2 legislation. To view that database, go to www.chcf.org/documents/SB2SnapshotMethodAppendix.pdf. The sources used to compile the database are listed on page 24 of this report.

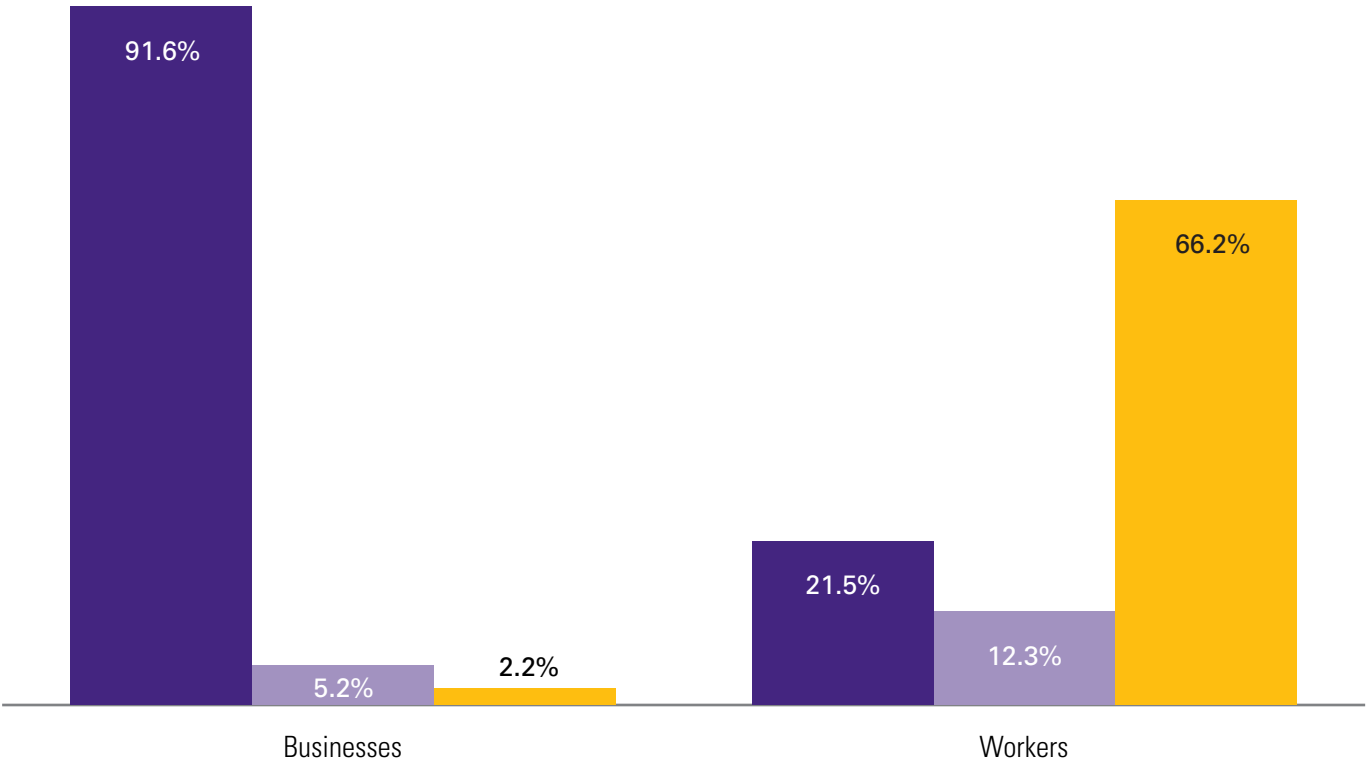
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Distribution of Employment by Size of Business

Number of Workers

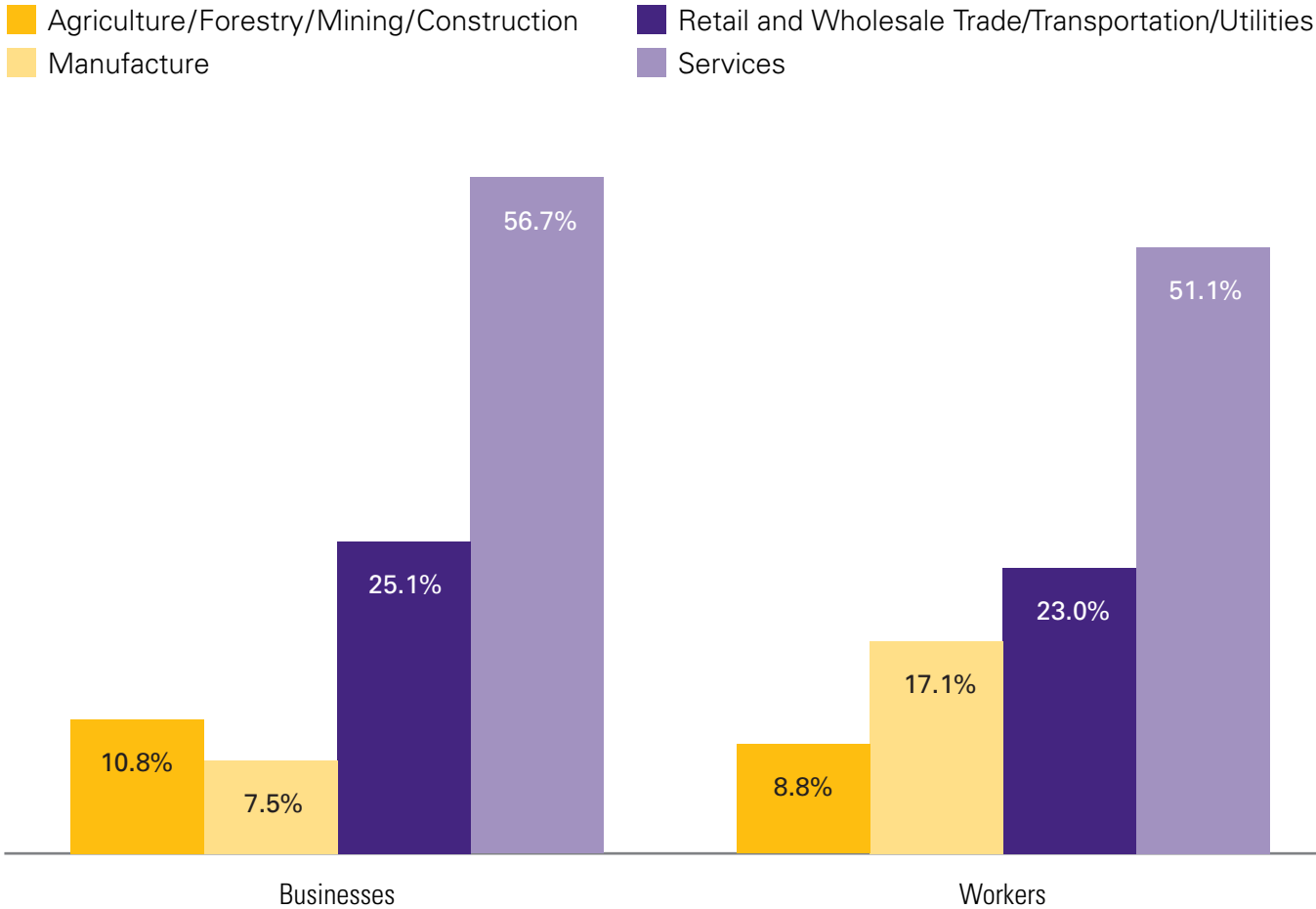
■ < 10 ■ 10-49 ■ 50+



Employer Coverage Private Sector Employment

The vast majority of businesses in California are very small and have fewer than 10 workers; but the vast majority of workers are in larger businesses with 50 or more workers.

Distribution of Employment by Industry

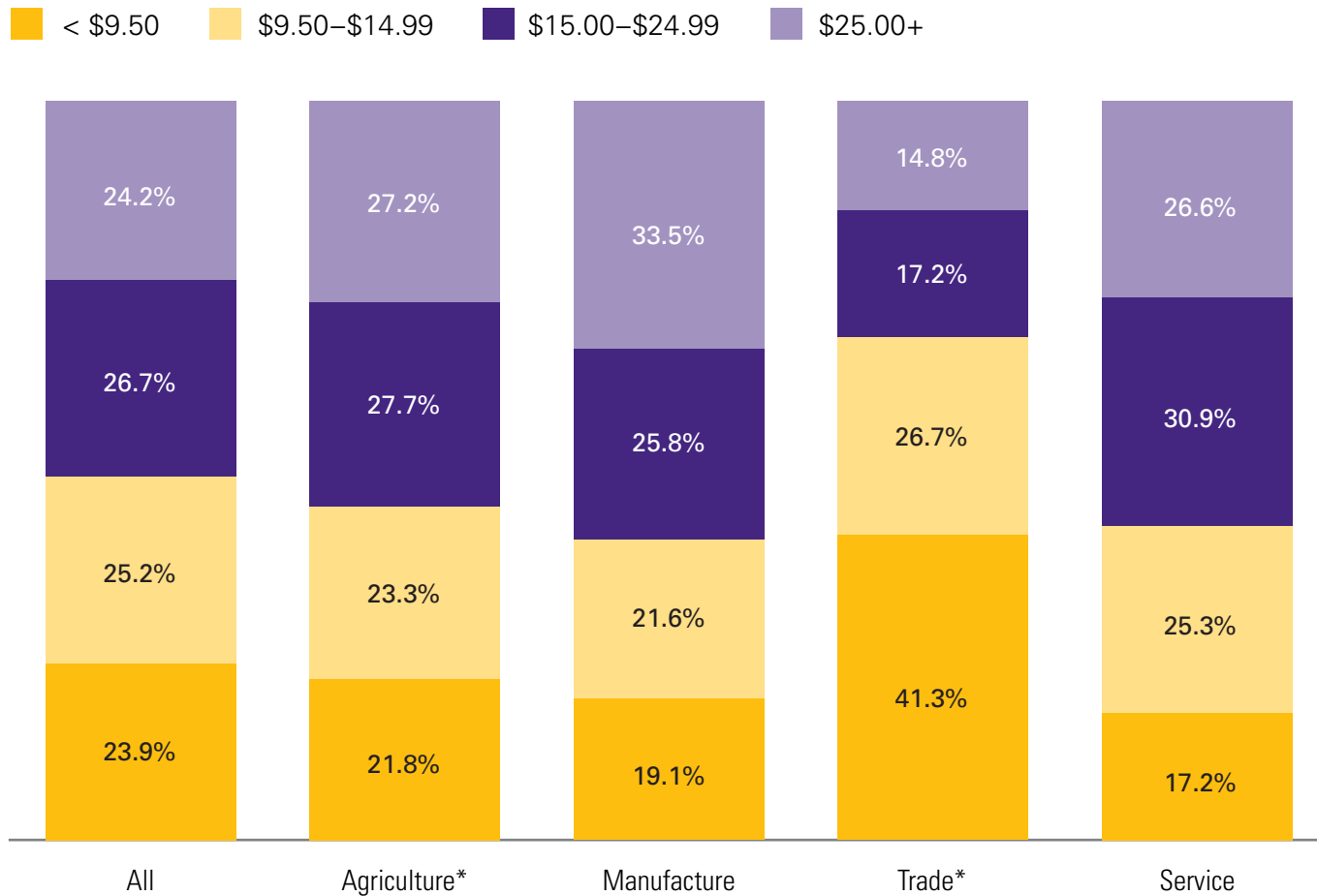


*The services sector includes finance, insurance, and real estate as well as professional, personal, and business services. Utilities includes communications and other public utilities. The four categories encompass all private sector businesses.

Employer Coverage Private Sector Employment

In California, most businesses and workers are represented in the services sector.

Distribution of Businesses by Average Hourly Wage



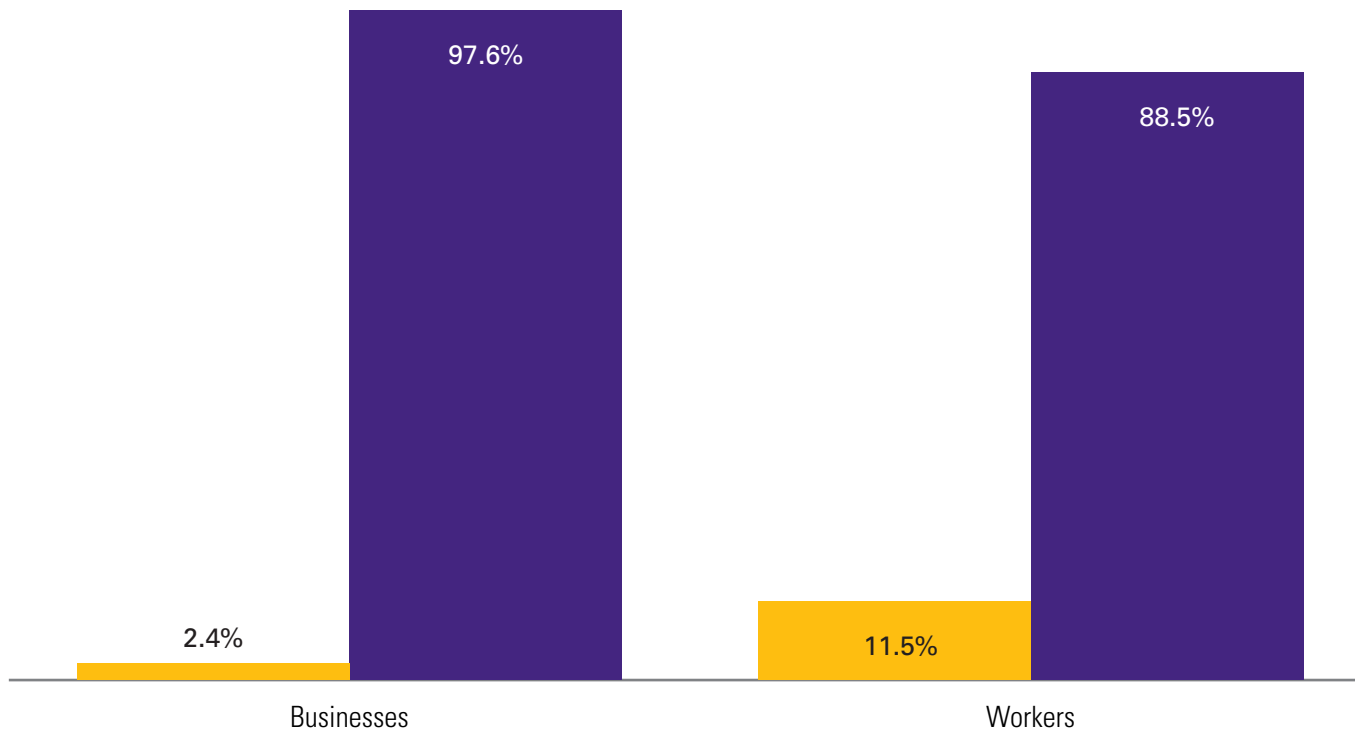
*Trade includes retail and wholesale, transportation, and utilities. Agriculture includes forestry, mining, and construction.

Employer Coverage Private Sector Employment

One out of four California businesses have a workforce with an average wage of \$9.50 an hour or less. The sector that includes retail and wholesale trade, transportation, and utilities has the lowest share of low-wage workers.

Distribution of Businesses and Workers by Union Status

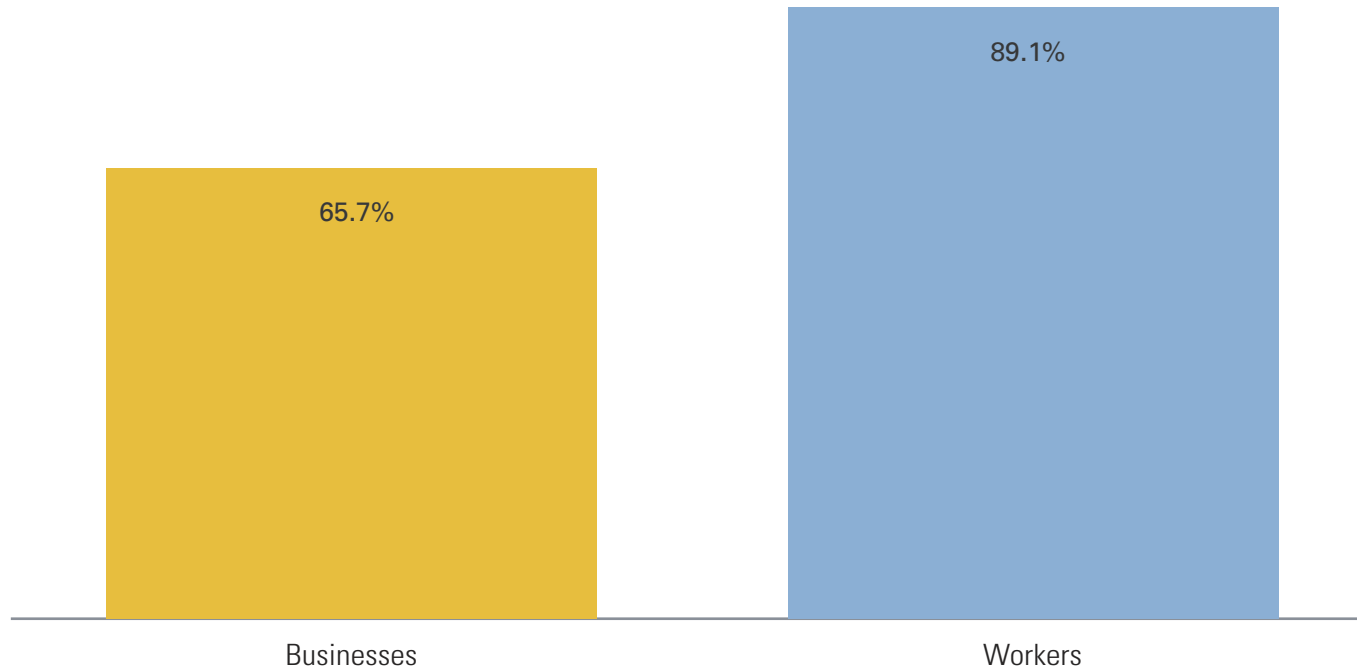
■ Union Workers
■ No Union Workers



Employer Coverage Private Sector Employment

Only about 2 percent of California businesses have union workers; however, of all workers, more than 10 percent are union members.

Businesses Offering Coverage and their Workers

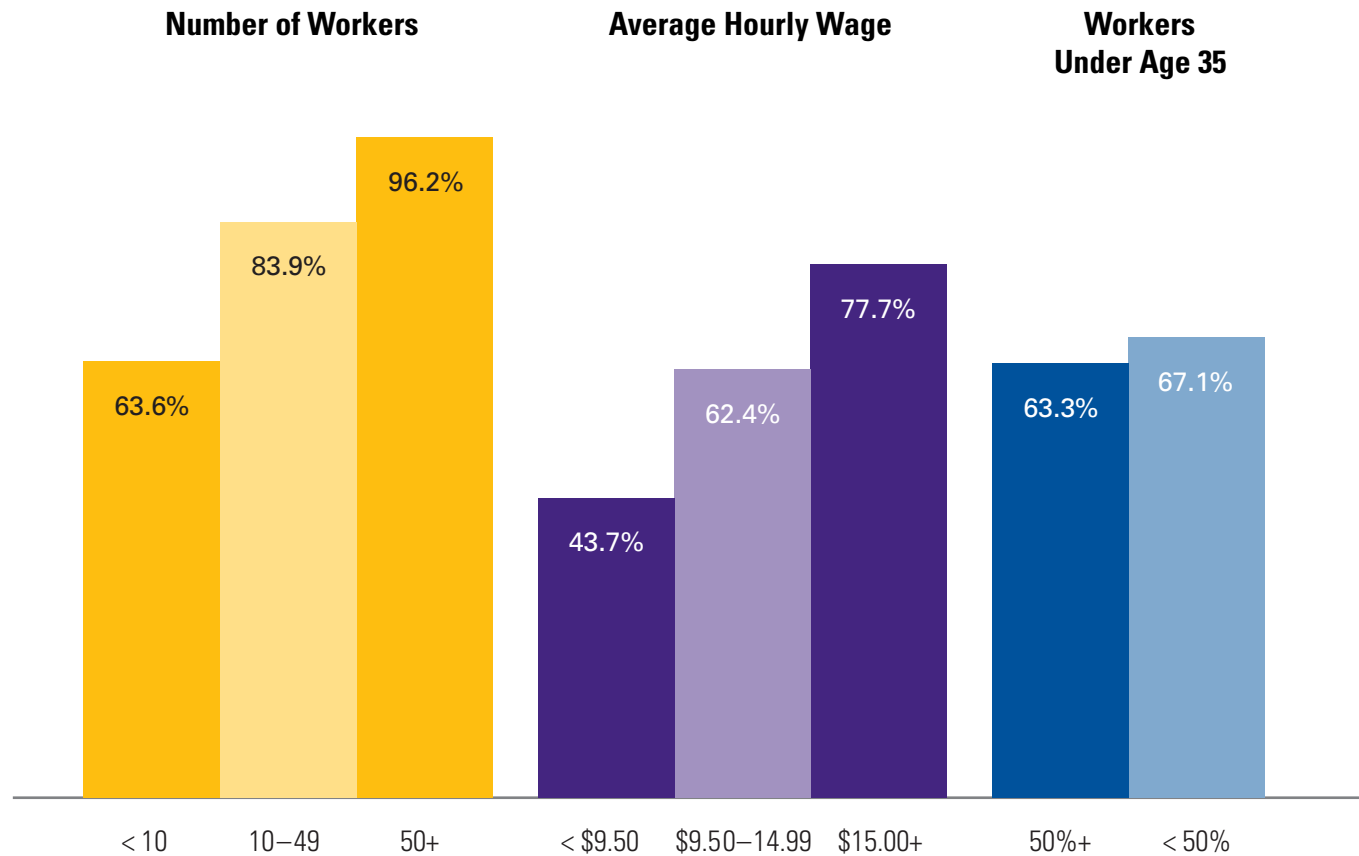


Note: As shown on slide 14, not all those who are offered coverage take it up, and not all those offered are eligible for coverage.

Employer Coverage Access to Coverage

About two-thirds of California businesses offer health insurance to at least some workers as a benefit of employment. These businesses account for 89 percent of California workers.

Businesses Offering Coverage by Size of Business, Wage, and Age

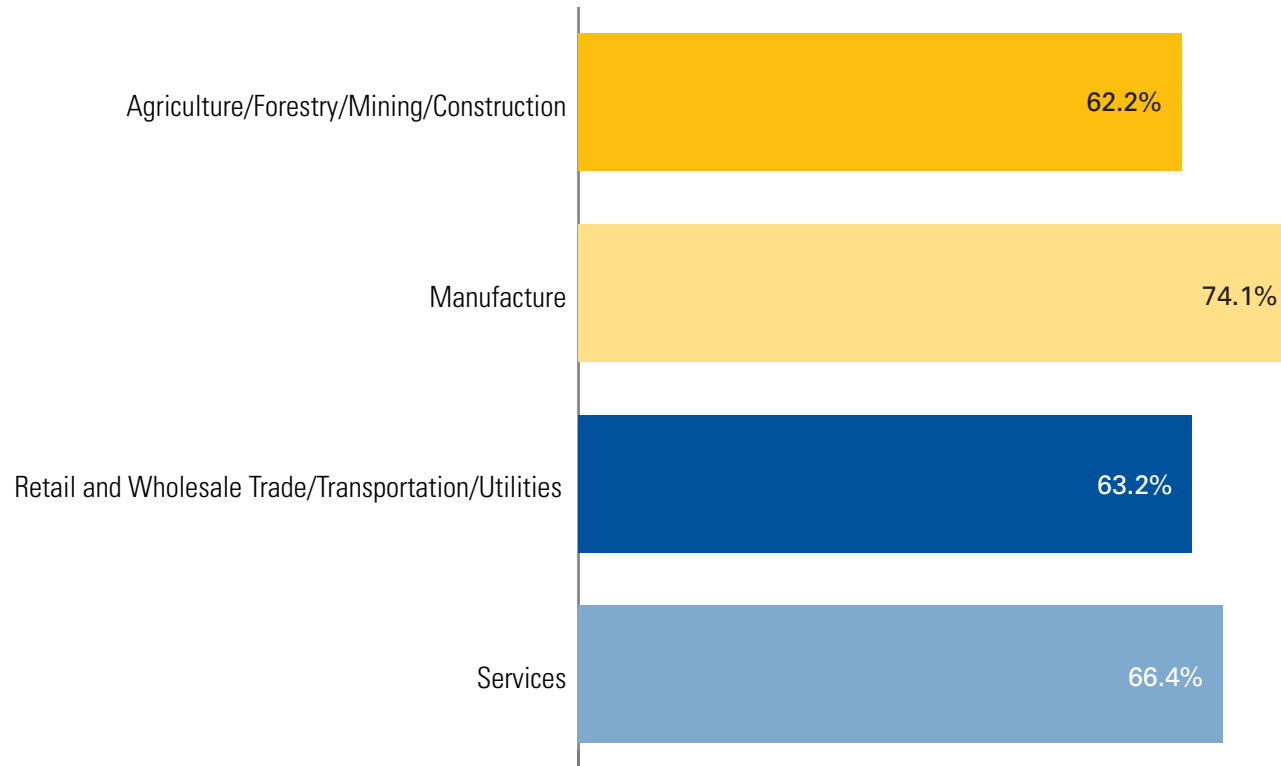


Employer Coverage

Access to Coverage

Small and low-wage businesses and those with young workers are less likely to offer health insurance. Administrative costs decrease with business size, lowering premiums for larger businesses. Low-wage and young workers may prefer to receive compensation in wages rather than in health insurance.

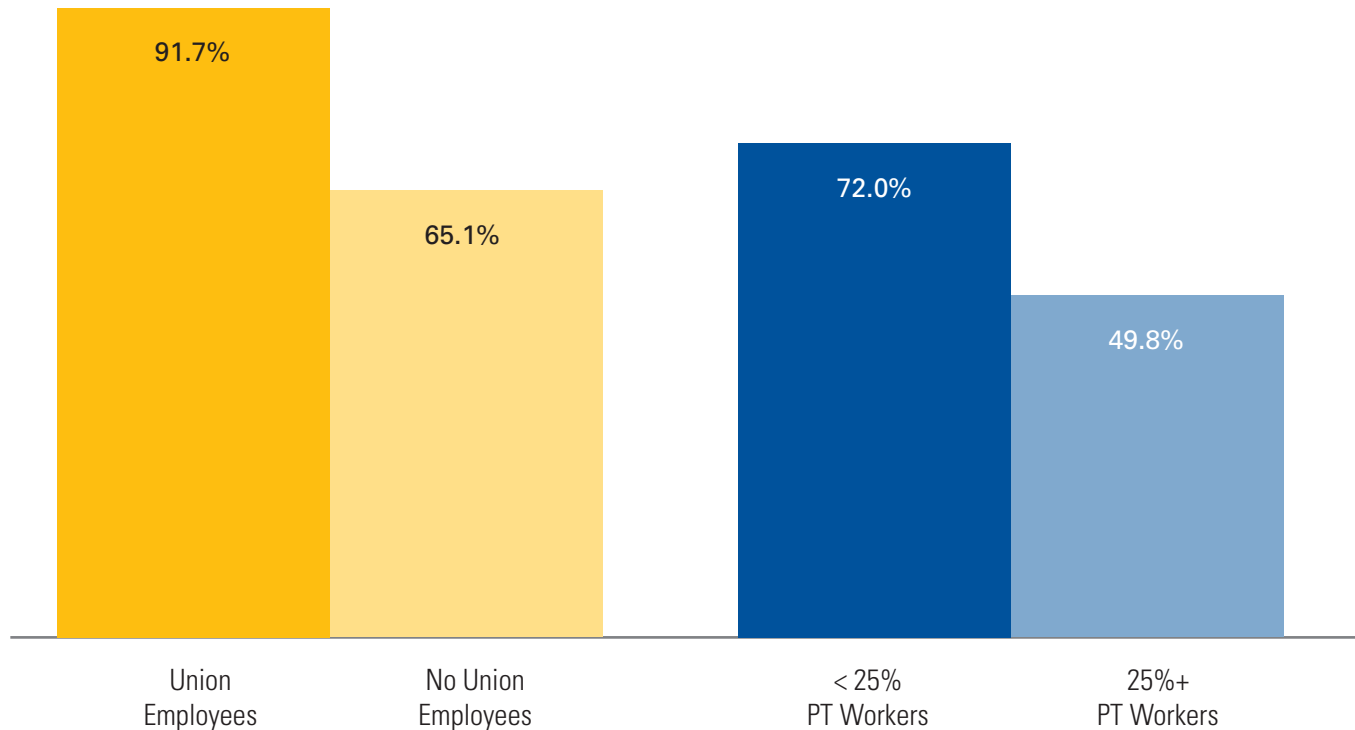
Businesses Offering Coverage by Industry



Employer Coverage Access to Coverage

Manufacturing businesses are more likely to offer health insurance than other businesses. Businesses in the manufacturing sector have expressed concern in recent years about the effects of rising health care premiums on their competitive position in the global economy.

Businesses Offering Coverage by Union and Part-Time Workers



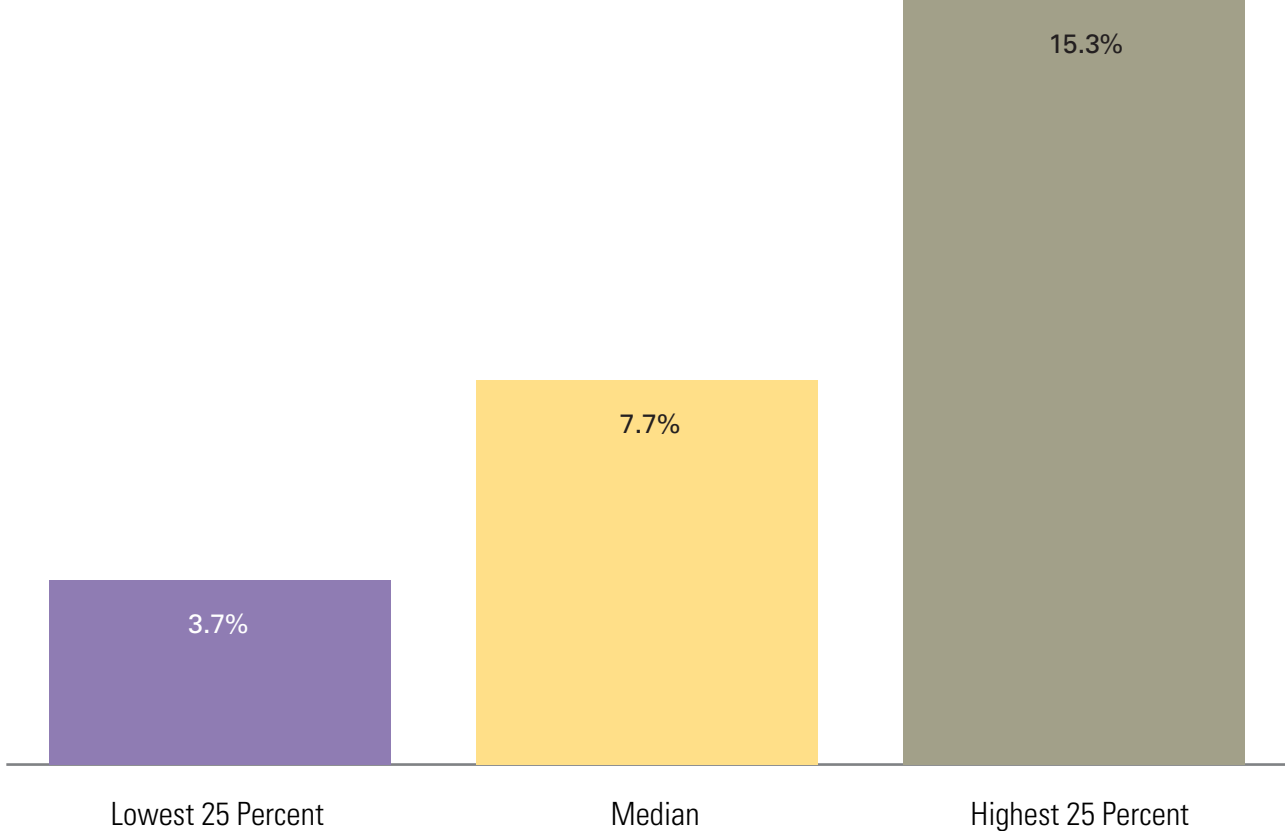
Part-time is defined as working fewer than 30 hours per week.

Employer Coverage

Access to Coverage

Businesses that employ union workers are more likely to offer coverage than other businesses; unions often negotiate this benefit as a part of the contract. Part-time workers are often ineligible for health insurance and businesses that have a large share of part-time workers are less likely to offer insurance to any workers.

Employer Premium Contributions as Percent of Payroll

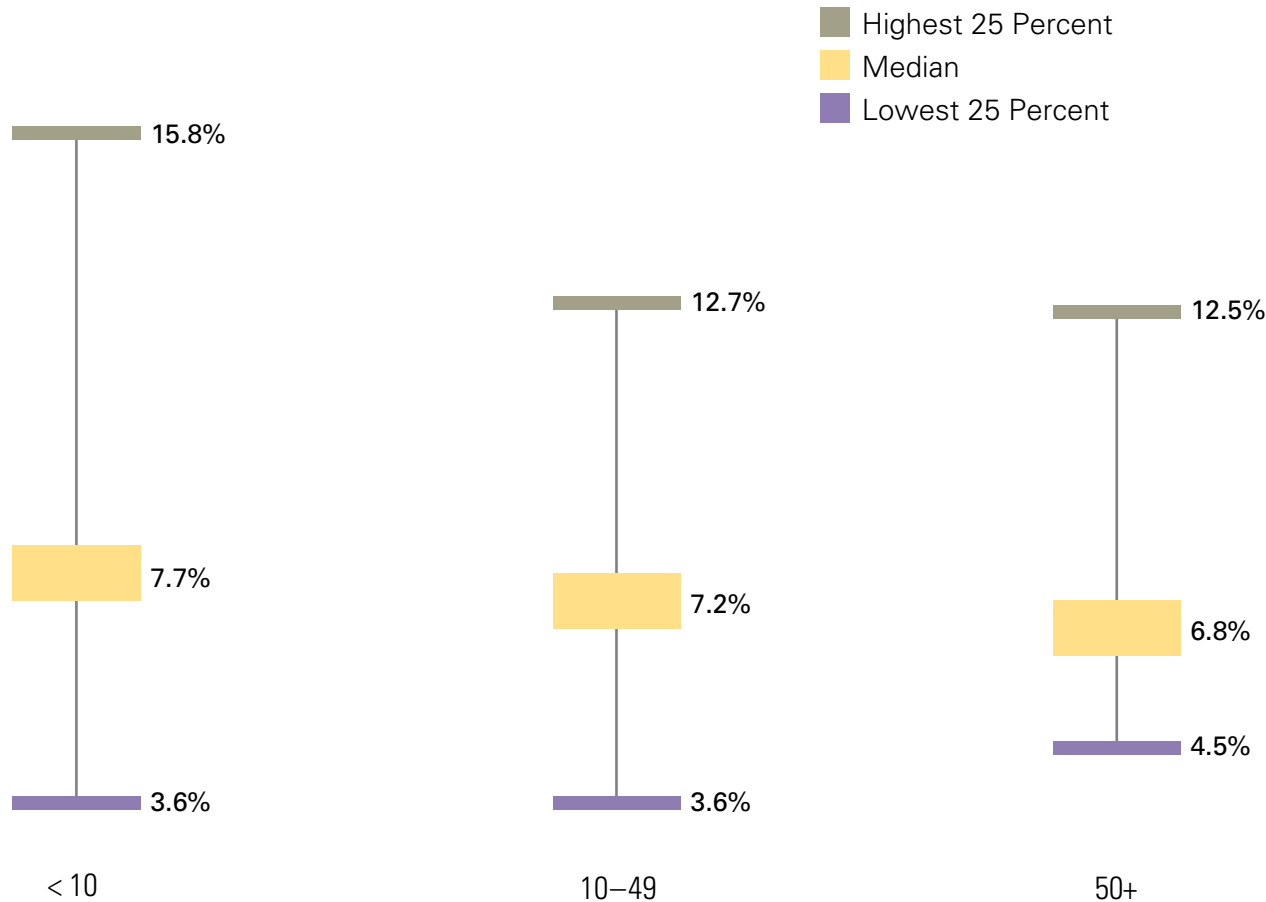


Employer Coverage Employer Contributions

A great deal of variation exists in contributions as a share of payroll. Twenty-five percent of offering businesses make contributions that are less than 4 percent of their payroll, but 25 percent make contributions that exceed 15 percent. This variation reflects differences in total premiums, differences in contribution shares, differences in participation rates, and differences in payroll per worker.

Employer Premium Contributions by Number of Employees

Contributions as Percent of Payroll

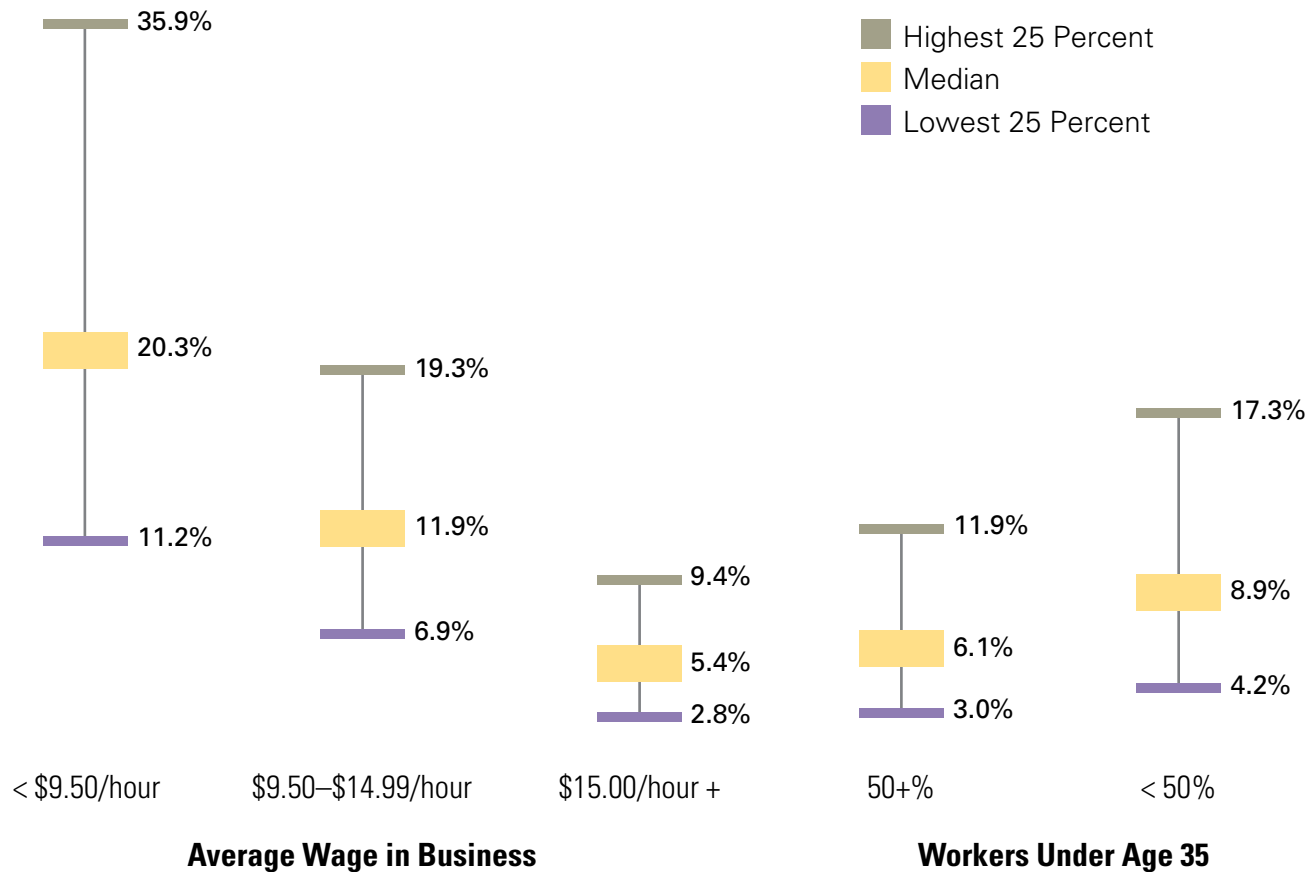


Employer Coverage Employer Contributions

Offering health insurance is more of a burden on small businesses, which typically make greater premium contributions relative to payroll. Contributions are also more variable among small businesses, showing that costs are very high relative to payroll for a substantial share of small, low-wage businesses.

Employer Premium Contributions by Worker Age and Wage

Contributions as Percent of Payroll



Employer Coverage Employer Contributions

Health insurance costs are a greater share of compensation in low-wage businesses that offer it as a benefit. Employer contributions are a smaller share of compensation in businesses with a lot of young workers, because the costs of covering them tend to be lower than costs for older workers.

Employer Premium Contributions by Industry

Contributions as Percent of Payroll

- Highest 25 Percent
- Median
- Lowest 25 Percent

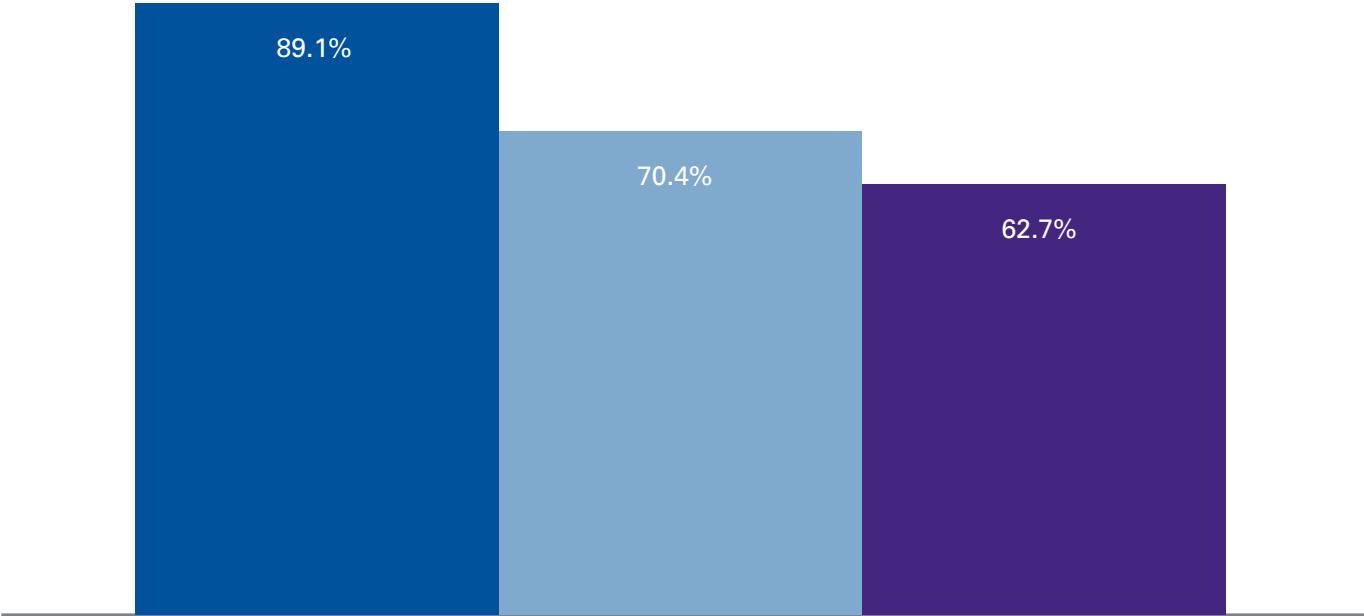


Employer Coverage Employer Contributions

Manufacturing and trade/regulated industries have higher contribution payments as a share of payroll. Manufacturing businesses are more likely to have union workers than other businesses and thus a high participation in their plans, which increases contributions. Trade and regulated businesses have more low-wage workers, resulting in a lower payroll and a relatively high contribution relative to payroll.

Enrollment of Workers in Offering Businesses

- Workers in Offering Businesses
- Those in Offering Businesses Who Enroll
- All Workers Who Enroll



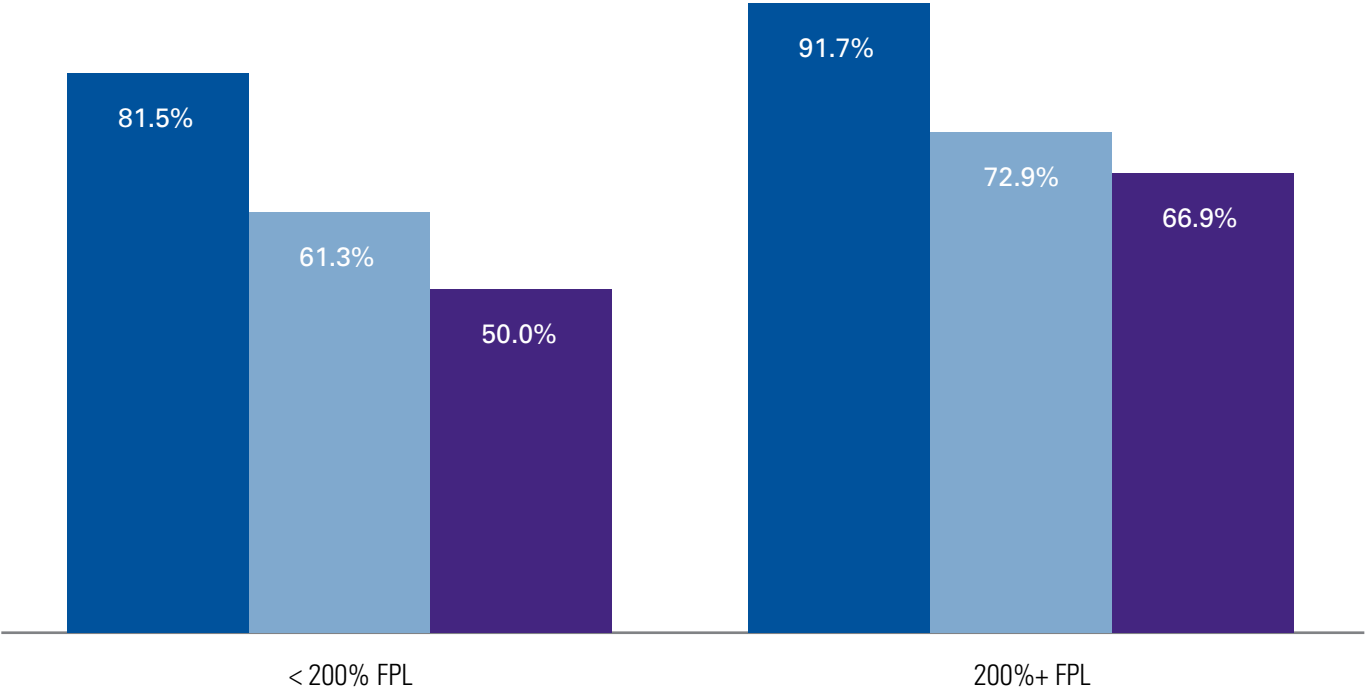
*Some of those who do not enroll may be ineligible due to waiting periods for coverage or part-time status. These data do not allow distinguishing those in an offering business who are ineligible from those who turn down coverage.

Employer Coverage Worker Enrollment

Almost 90 percent of California's workers are in businesses that offer health insurance. Among workers in businesses that offer, 70 percent enroll in their own group plan. Therefore, 63 percent of all workers are enrolled in their own group plan (90 percent * 70 percent).

Enrollment of Workers by Family Income

- Workers in Offering Businesses
- Those in Offering Businesses Who Enroll
- All Workers Who Enroll



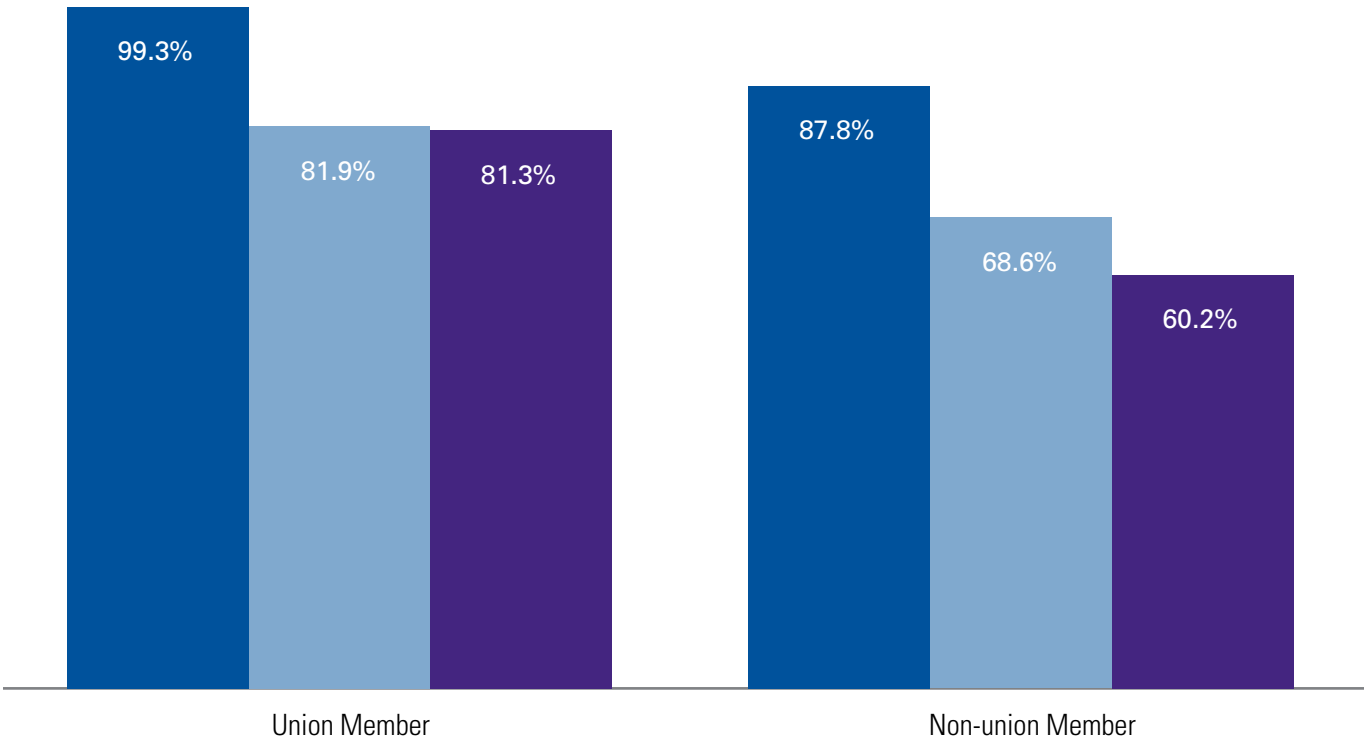
Note: FPL is federal poverty level.

Employer Coverage Worker Enrollment

Only half of workers in low-income families in California are enrolled in their employer's plans, in contrast to two-thirds of workers in higher-income families. Workers in low-income families are less likely to work in businesses that offer insurance and are less likely to enroll, even if offered coverage.

Enrollment of Workers by Union Membership

- Workers in Offering Businesses
- Those in Offering Businesses Who Enroll
- All Workers Who Enroll

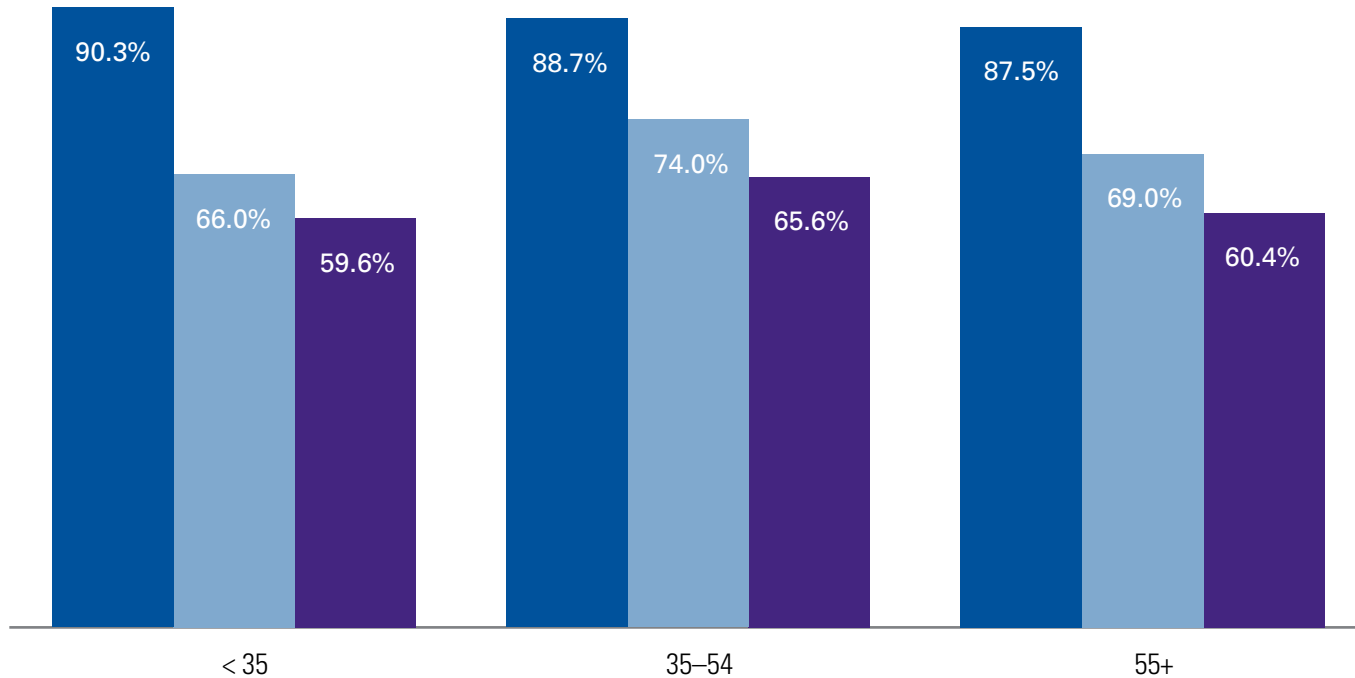


Employer Coverage Worker Enrollment

Union workers are more likely than non-union workers to work for a business that offers coverage. Union workers in offering businesses are more likely to enroll in coverage. Thus, overall enrollment is higher among union members.

Enrollment of Workers by Age

- Workers in Offering Businesses
- Those in Offering Businesses Who Enroll
- All Workers Who Enroll

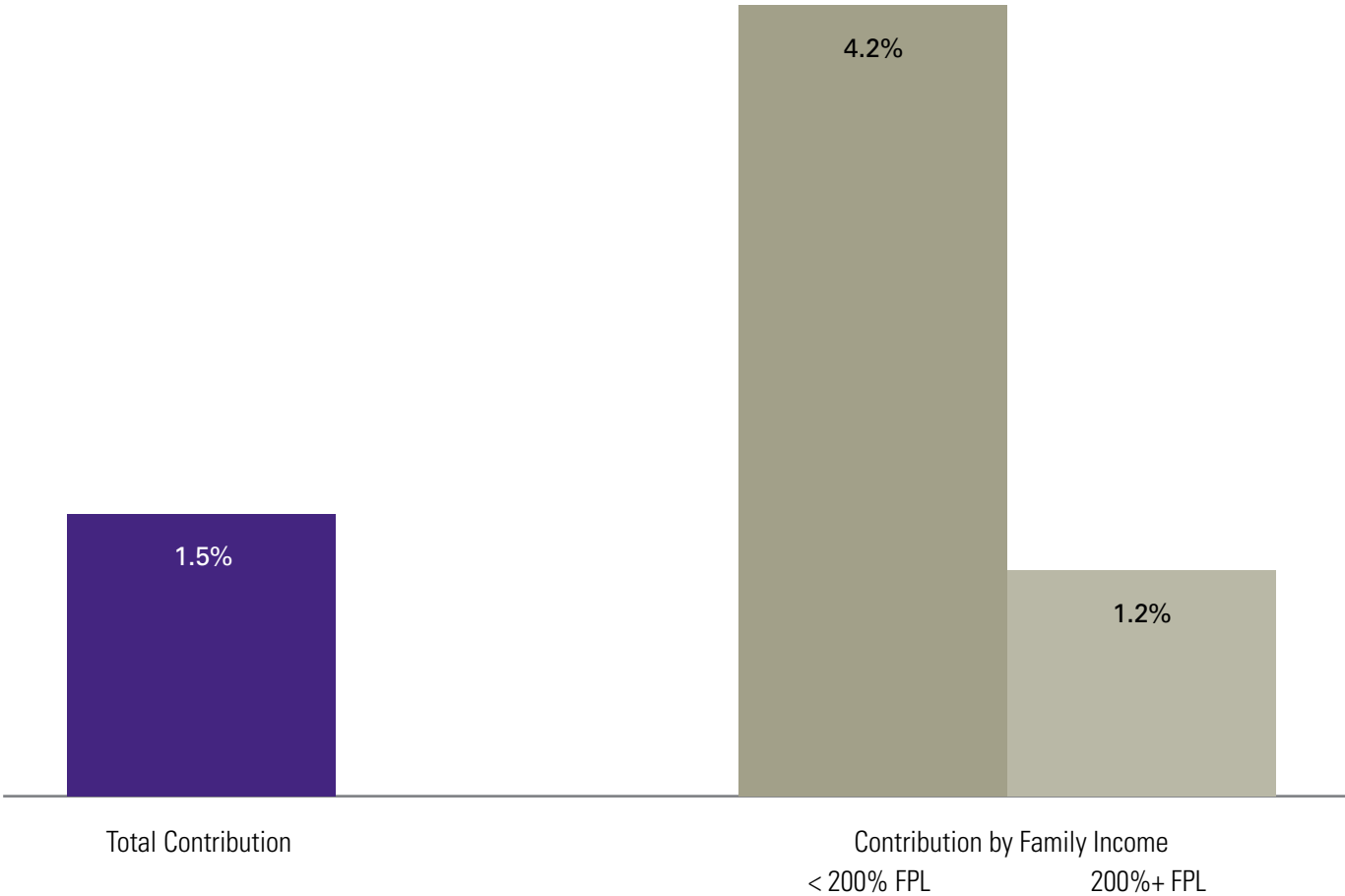


Note: Businesses with primarily young workers are less likely to offer insurance than other businesses. However, half of young workers are in businesses with workforces that are not primarily young, and these young workers are concentrated in the larger businesses that offer insurance. Thus, young workers overall are more likely to be in offering businesses.

Employer Coverage Worker Enrollment

Young workers in offering businesses are less likely to enroll than older workers. They tend to be healthier and may perceive the cost of coverage to be high relative to expected benefit. Workers over age 55 are less likely to be in a business that offers insurance and less likely to enroll than workers age 35 to 54.

Median Enrollee Premium Contribution as Percent of Family Income

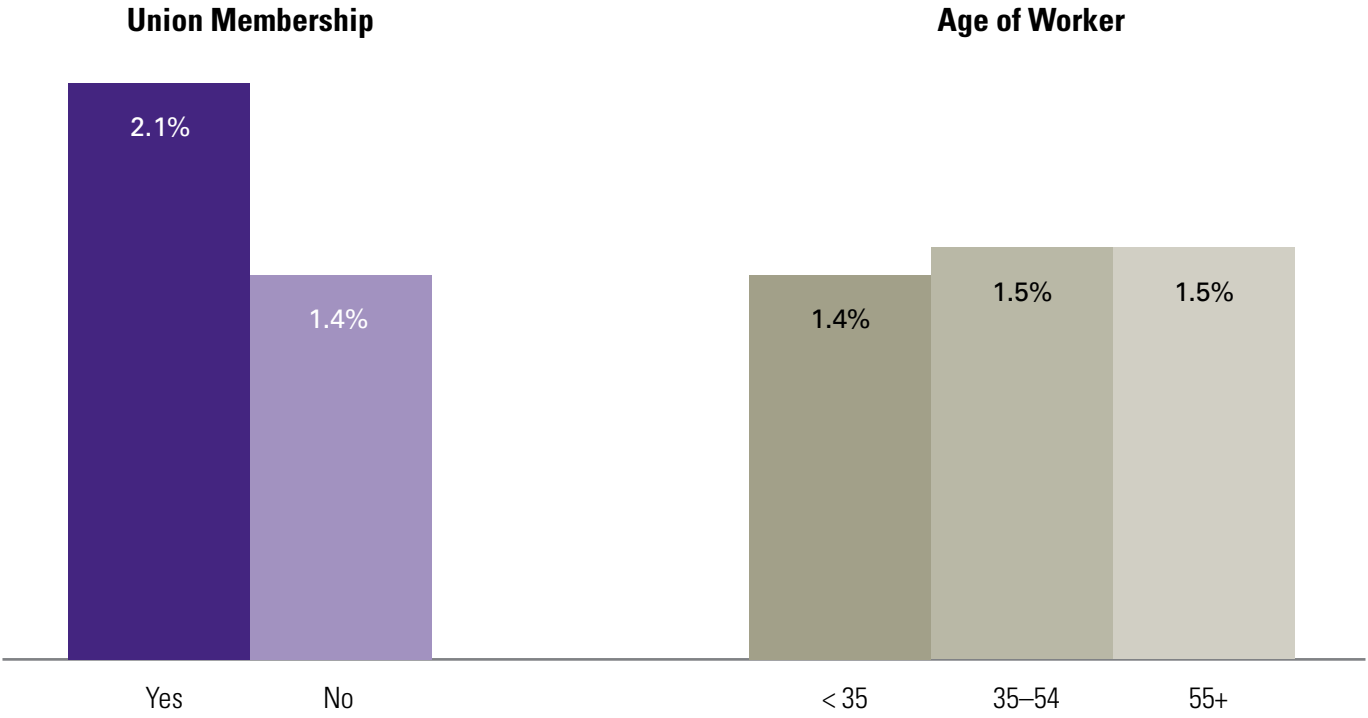


Notes: Many believe that most if not all of employer contributions are paid for by workers in the form of reduced wages. The data presented here focuses only on the direct out-of-pocket premium contributions, and not the reduced wages. Out-of-pocket costs at the point of service (e.g., deductibles, copayments) are not included here. FPL is federal poverty level.

Employer Coverage Enrollee Contributions

The typical enrollee pays about 1.5 percent of annual income for employer coverage. Low-income workers who choose to participate in employer coverage, however, pay almost three times this amount.

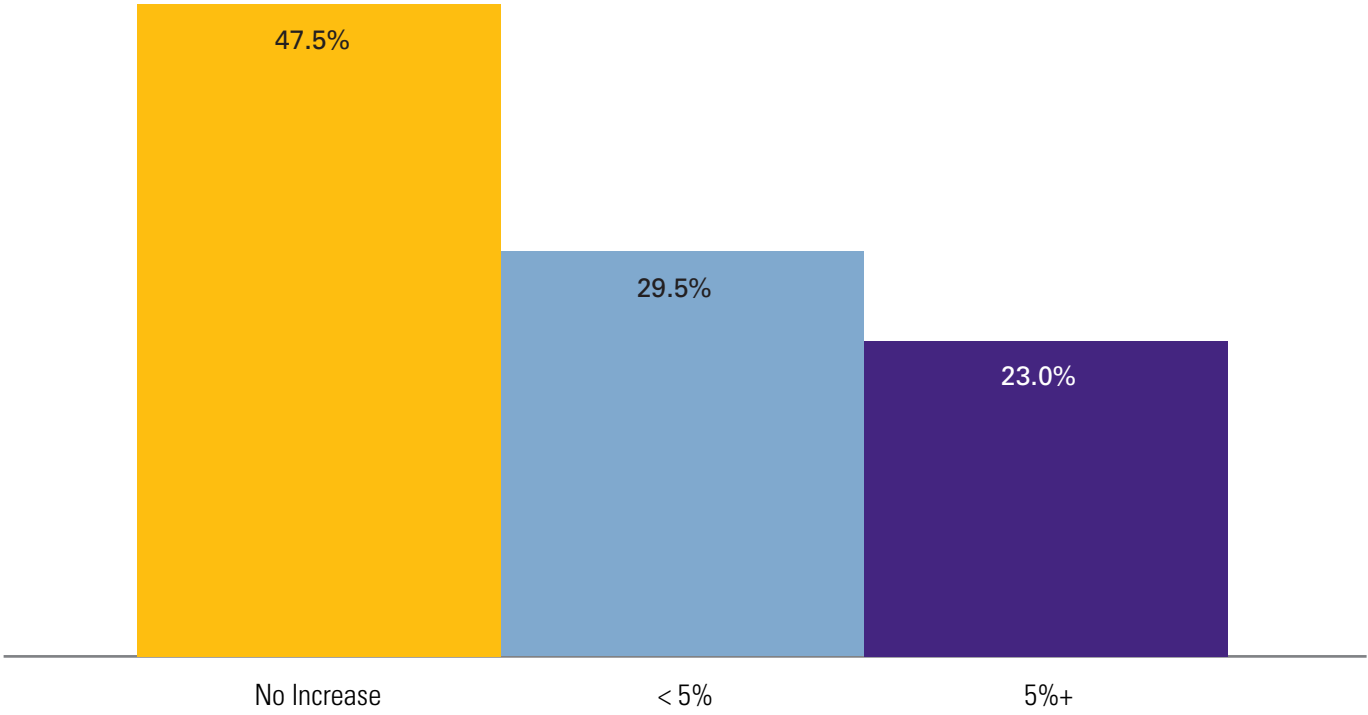
Median Enrollee Premium Contribution as Percent of Family Income by Union Membership and Age



Employer Coverage Enrollee Contributions

Union members who are enrolled in their own group plan have higher contributions as a share of family income. This reflects the higher premiums for the coverage purchased by union workers. Contributions by younger enrollees are slightly lower due to lower premiums for coverage selected by younger workers.

Distribution of Businesses by Premium Increases

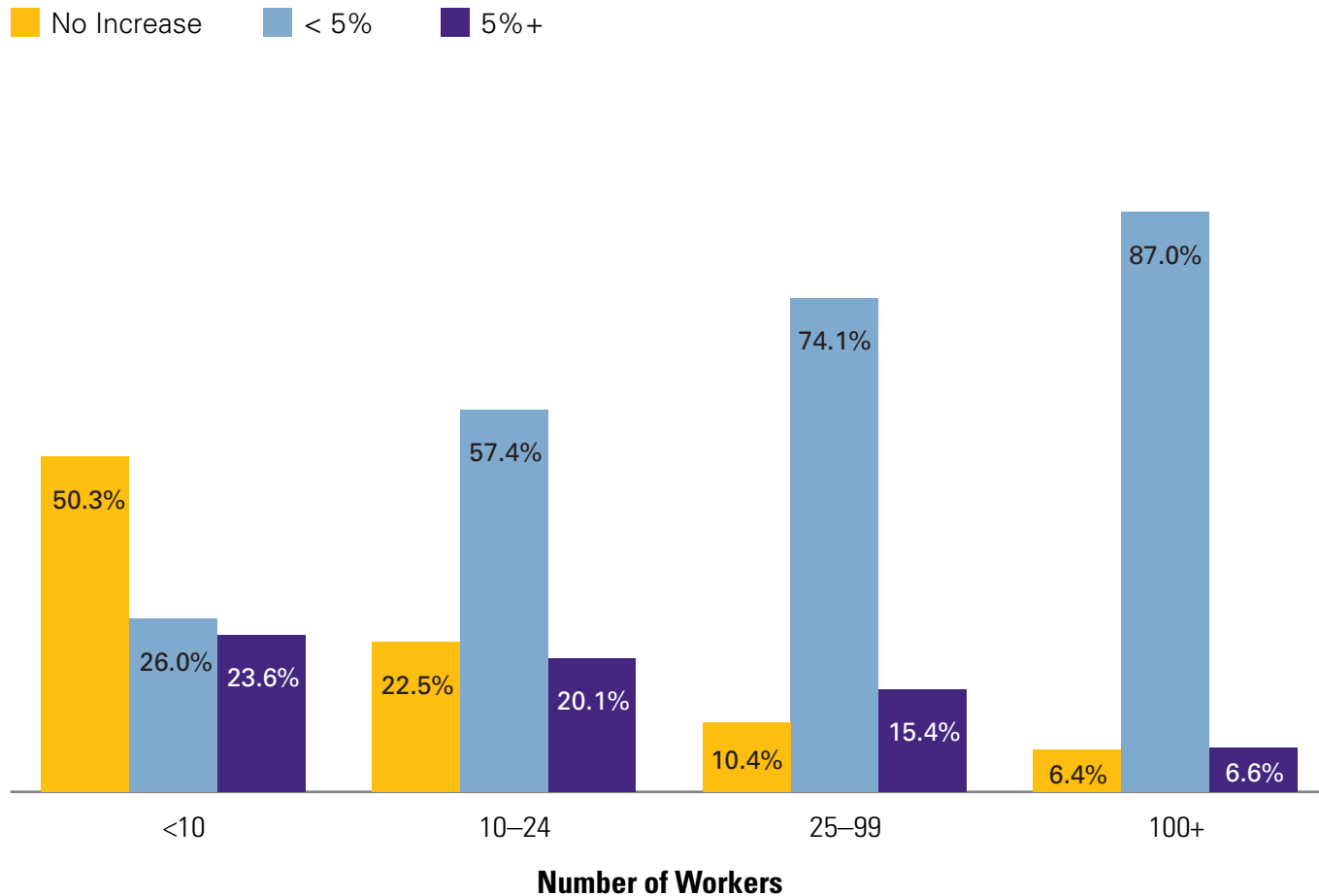


Note: Assumes offering businesses continue with their current benefit offers, non-offering businesses offer a plan with average benefits and contribute 70 percent of the cost, and all full-time workers who do not currently have employer coverage enroll in their employers single coverage plan.

Employer Coverage Coverage Expansion

Expanding employer-sponsored coverage to cover all full-time workers in California would produce new costs for over half of businesses. Those costs would be more than 5 percent of current payroll costs for almost 25 percent of businesses.

Increase in Premium Payments as Percent of Payroll by Size of Business

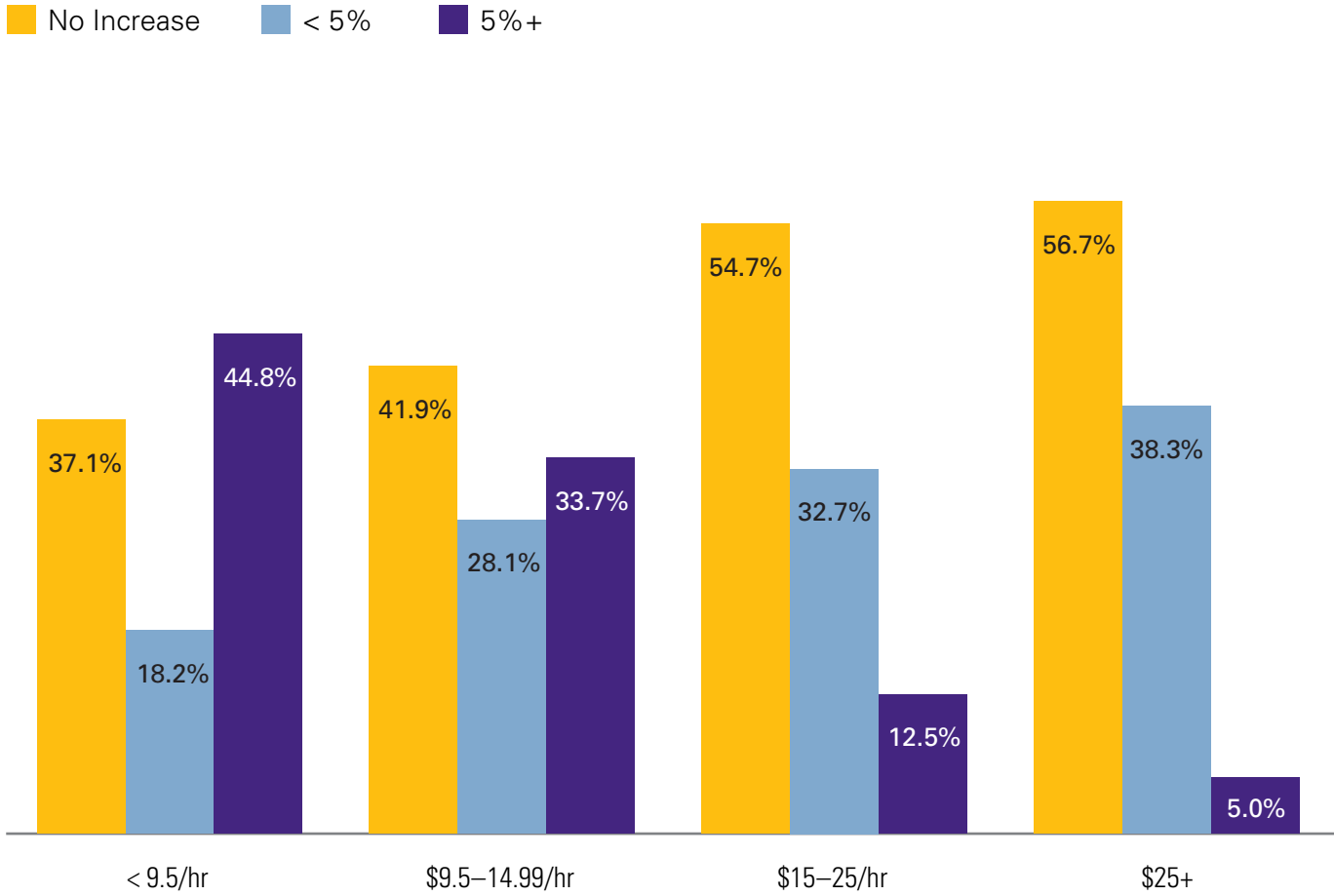


Note: Assumes offering businesses continue with their current benefit offers, non-offering businesses offer a plan with average benefits and contribute 70 percent of the cost, and all full-time workers who do not currently have employer coverage enroll in their employers single coverage plan.

Employer Coverage Coverage Expansion

Almost one quarter of small businesses would pay contributions of 5 percent or more of payroll to expand employer coverage to all full-time workers compared to only about 7 percent of large businesses. About half of small businesses would have no cost increase even though they are less likely to offer insurance. Many small businesses that do not offer employ only part-time workers and would not be required to cover any workers.

Increase in Premium Payments as Percent of Payroll by Average Wage

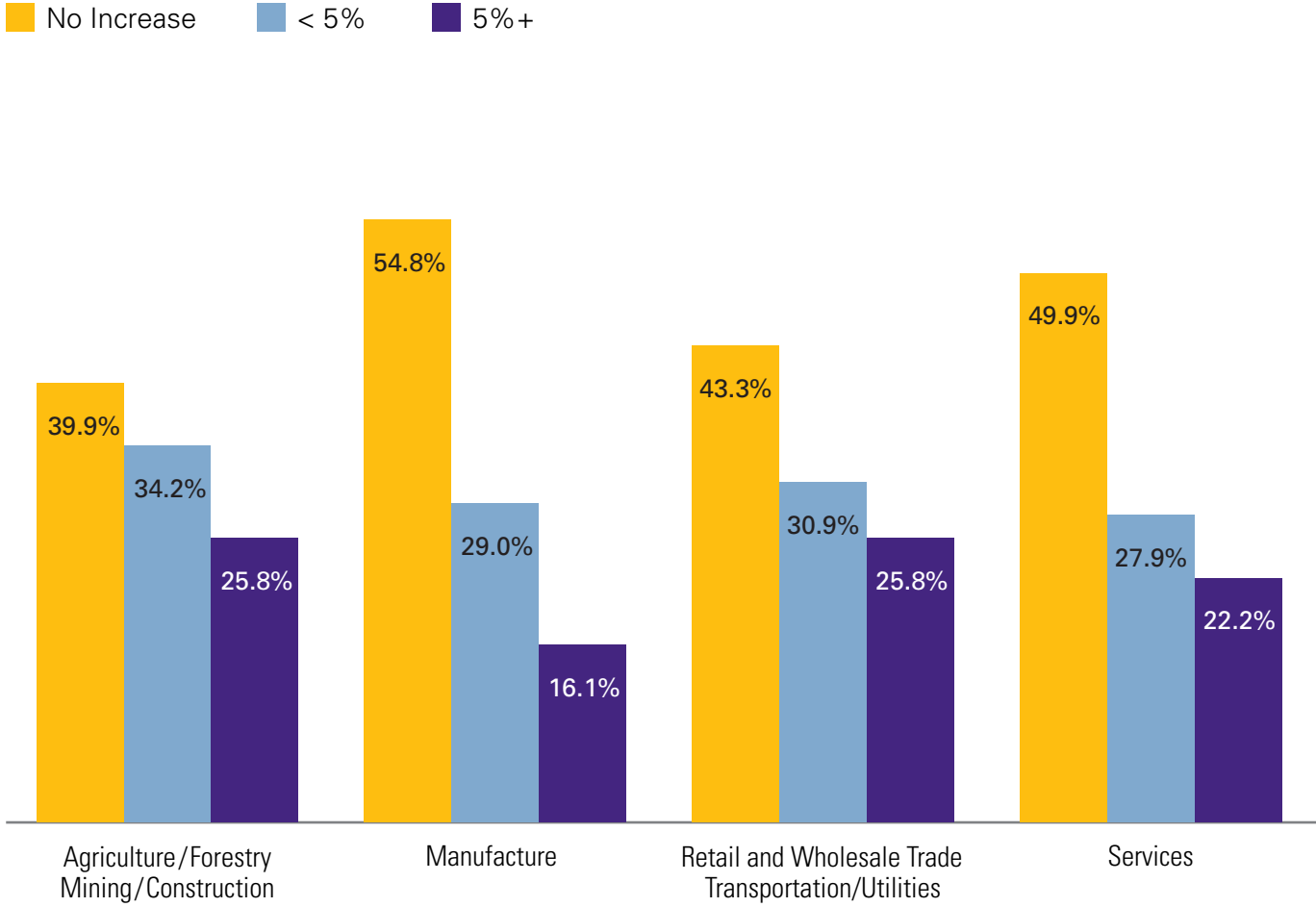


Employer Coverage Coverage Expansion

Expanding coverage to all full-time workers would substantially increase employer contributions for premiums for about half of businesses with low-wage workers. Many of these businesses would find it difficult to shift these costs to workers because many of the workers are only earning minimum wage.

Note: Assumes offering businesses continue with their current benefit offers, non-offering businesses offer a plan with average benefits and contribute 70 percent of the cost, and all full-time workers who do not currently have employer coverage enroll in their employers single coverage plan.

Increase in Premium Payments as Percent of Payroll by Industry



Note: Assumes offering businesses continue with their current benefit offers, non-offering businesses offer a plan with average benefits and contribute 70 percent of the cost, and all full-time workers who do not currently have employer coverage enroll in their employers single coverage plan.

Employer Coverage Coverage Expansion

Since manufacturing businesses already are more likely to provide health insurance than other businesses, coverage expansion would have less effect on businesses in this sector than in others.

Resources

Data Sources

California Employment Development Department, 2003

KFF/HRET California Employer Health Benefits Surveys, 2002–2003

RWJF Employer Health Insurance Survey, 1997

Survey of Income and Program Participation, 2001 panel

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Employer Coverage Resources

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