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Notes

### Findings From the 2002 Health Confidence Survey: Five Years of HCS Data Show Little Change in Confidence or Satisfaction

by Ruth Helman, Mathew Greenwald & Associates, Inc., and Rachel Christensen, EBRI

#### Introduction

The 2002 Health Confidence Survey (HCS)<sup>1</sup> finds that Americans' confidence in and satisfaction with the health care system in the United States remain remarkably stable. The 2002 HCS represents the fifth round of an annual survey to assess the attitudes of the American people regarding the health care system in the United States. Although there have been changes to the questionnaire during these five years to examine topical issues, certain key questions have tracked trends in health confidence and satisfaction with the health care Americans receive for much of this time, and those questions have found little change over time.

Almost half of Americans continue to be *extremely* or *very* satisfied with the health care they are receiving in general, and more than half continue to be *extremely* or *very* satisfied with the quality of the medical care they receive. More than half of

Americans are confident that they are able to get needed treatments today, but confidence wanes, as it has in past years, as they look toward their ability to get needed treatments in the future. Confidence in employment-based health insurance remains consistent as well, with half of those receiving coverage through an employment-based plan reporting being *extremely* or *very* satisfied with their health plan and nearly 4 in 10 being *somewhat* satisfied.

Nevertheless, some noteworthy changes have occurred that indicate health care is becoming a growing concern. Americans are more likely than in 1998 to identify health care as a critical issue for the nation. And more are dissatisfied now than in 1998 with both the cost of their health insurance and the costs of health care not covered by their insurance.

This paper presents highlights from the 2002 HCS. More detailed findings are available at [www.ebri.org/hcs](http://www.ebri.org/hcs)

#### Satisfaction With Health Care

Satisfaction with the health care Americans currently receive has shown remarkably little change in the five years of the HCS. Among those receiving health care within the two years prior to the survey, the percentage saying they are *extremely* or *very* satisfied with the health care they have received, in general, is roughly the same in 2002 (44 percent) as it was in 1998 (46 per-

Figure 1  
**SATISFACTION WITH SELECTED ASPECTS OF HEALTH CARE, AMONG THOSE RECEIVING CARE IN PAST TWO YEARS**

	Health Care Received, in General					Ability to Choose Your Doctor					Quality of Medical Care Received				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Extremely Satisfied	13%	11%	9%	10%	10%	19%	21%	20%	19%	18%	17%	14%	13%	14%	13%
Very Satisfied	33	31	30	36	34	35	32	33	38	39	40	39	40	43	41
Somewhat Satisfied	40	43	44	42	41	24	23	26	25	25	33	34	37	34	36
Not Too Satisfied	7	11	10	6	8	9	10	10	9	7	5	6	6	5	5
Not At All Satisfied	4	4	6	4	4	10	10	10	8	11	2	4	4	2	3
Don't Know	3	1	2	1	2	1	1	1	a	a	1	1	1	a	1
Not Applicable						2	2	1	1	a	2	a	a	1	1

Source: Employee Benefit Research Institute, Consumer Health Education Council, and Mathew Greenwald & Associates, Inc., 1998–2002 Health Confidence Surveys.  
<sup>a</sup>Less than 0.5 percent.

cent), although satisfaction has been as low as 39 percent in 2000 (Figure 1). Four in 10 Americans continue to be *somewhat* satisfied with the health care they have received (40 percent in 1998, 41 percent in 2002). Likewise, more than half continue to be *extremely* or *very* satisfied with their ability to choose their doctor (54 percent in 1998, 57 percent in 2002) and the quality of the medical care they receive (57 percent in 1998, 55 percent in 2002).

Americans are, however, more likely in 2002 than in 1998 to report being dissatisfied with health care costs (Figure 2). Almost 4 in 10 say they are *not too* or *not at all* satisfied with the cost of their health insurance in 2002 (38 percent), compared with one-third in 1998 (32 percent). Moreover, 44 percent report being *not too* or *not at all*

satisfied with the costs of health care not covered by their insurance, up from 37 percent in 1998.

Despite the relative stability in satisfaction with health care, Americans are more likely now than in 1998 to identify it as a critical issue for the nation. In the 2002 HCS, 19 percent named health care as the single most critical concern facing America today, while in 1998 just 14 percent identified it as the most critical issue. This places health care below terrorism and national security (29 percent) and about equal to education (18 percent) as an issue of concern.

### **Confidence in the Health Care System**

Americans express a moderate degree of confidence in some aspects

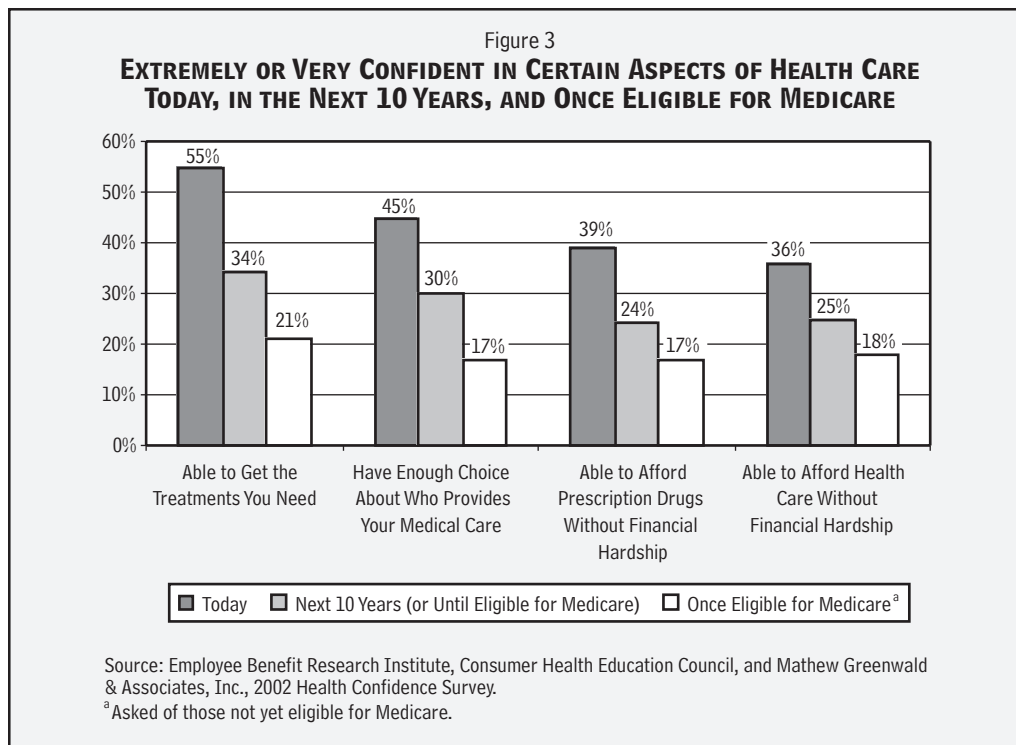
of today's health care system (Figure 3). More than half say they are *extremely* or *very* confident that they are able to get the treatments they need (55 percent). However, less than half are *extremely* or *very* confident that they have enough choice about who provides their medical care (45 percent), and fewer than 4 in 10 are *extremely* or *very* confident of being able to afford prescription drugs without financial hardship (39 percent) and being able to afford health care without financial hardship (36 percent).

As Americans look to the future, they become less confident in the health care system (Figure 3). Just one-third are *extremely* or *very* confident that they will be able to get the treatments they need over the next 10 years or until they are eligible for Medicare (34 percent),

Figure 2  
**SATISFACTION WITH HEALTH CARE COSTS, AMONG THOSE RECEIVING CARE IN PAST TWO YEARS**

	Cost of Health Insurance					Health Costs Not Covered by Insurance				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Extremely Satisfied	13%	7%	8%	11%	9%	7%	5%	5%	8%	6%
Very Satisfied	18	19	16	20	18	14	17	15	18	16
Somewhat Satisfied	32	34	31	30	29	30	31	29	30	28
Not Too Satisfied	17	19	19	16	16	17	20	19	17	19
Not At All Satisfied	15	14	20	16	23	20	17	24	20	25
Don't Know	1	2	1	2	2	4	2	2	2	4
Not Applicable	4	5	4	4	3	8	7	5	6	3

Source: Employee Benefit Research Institute, Consumer Health Education Council, and Mathew Greenwald & Associates, Inc., 1998–2002 Health Confidence Surveys.



and only 30 percent are *extremely* or *very* confident of having enough choice about who provides their medical care during this period. Roughly one-fourth each are *extremely* or *very* confident of being able to afford health care without financial hardship (25 percent) and being able to afford prescription drugs without financial hardship (24 percent).

Confidence in the future of the health care system reaches even lower levels as Americans look toward Medicare (the federal health care insurance program for the elderly and disabled) (Figure 3). Only about 2 in 10 Americans not yet eligible for Medicare are *extremely* or *very* confident that they will be able to get the treatments they need (21 percent). Fewer are *extremely* or *very* confident that they will have enough choice about who provides their medical care (17 percent), that they will be able to afford prescription drugs without financial hardship (17 percent), or that they will be able to afford health care without financial hardship once they

are eligible for the program (18 percent).

While there has been very little change in relative confidence about the current and future condition of the health care system, Americans are less pessimistic than they used to be. For example, the percentage of Americans saying they are *not too* or *not at all* confident in their ability to afford health care without financial hardship in the next 10 years or until eligible for Medicare decreased from 44 percent in 1998 to 35 percent in 2002, and the percentage saying they are *not* confident of their ability to afford health care once eligible for Medicare decreased from 51 percent in 1998 to 44 percent in 2002. Similarly, the percentage of Americans *not too* or *not at all* confident in their ability to afford prescription drugs without financial hardship once eligible for Medicare decreased from 51 percent in 2001 to 44 percent in 2002. Finally, the percentage of those *not too* or *not at all* confident that they will have enough choice about who provides their medical

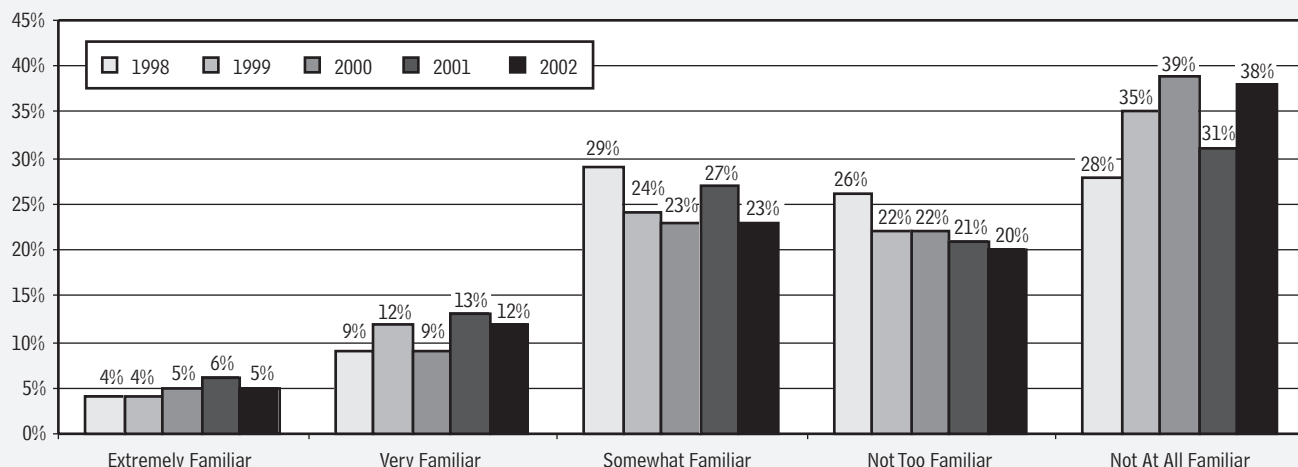
care in the next 10 years decreased from 36 percent in 1998 to 29 percent in 2002.

### **Managed Care Familiarity**

Another area in which the HCS now has five-year trend data is familiarity with managed care. Managed care has been around for a number of years, and Americans are more likely than in the first year of the HCS to say they are familiar with it (Figure 4). Almost 2 in 10 Americans report they are *extremely* or *very* familiar with managed care health plans (17 percent, statistically unchanged from 19 percent in 2001 and up from 13 percent in 1998). At the same time, however, Americans are also more likely to say they are *not at all* familiar with managed care (38 percent, up from 31 percent in 2001 and 28 percent in 1998).

One reason that Americans report being unfamiliar with managed care may be that many believe that they have never been enrolled in this type of insurance program despite the fact that almost all

Figure 4  
FAMILIARITY WITH MANAGED CARE



Source: Employee Benefit Research Institute, Consumer Health Education Council, and Mathew Greenwald & Associates, Inc., 1998–2002 Health Confidence Surveys.

Americans with employment-based health insurance and some with Medicare or Medicaid are enrolled in a managed care plan. Almost 6 in 10 Americans think they have never been enrolled in managed care (58 percent, down from 65 percent in 1998). Seventeen percent believe that they are currently enrolled, and 12 percent think they were previously but are not now enrolled. Thirteen percent indicate they do not know whether they have ever been enrolled in managed care.

As in previous years, awareness of being in a managed care program increases with the restrictiveness of the health plan. More than half of those Americans who appear to be enrolled in a PPO-type plan say they have never been enrolled in a managed care program (52 percent) and 15 percent do not know if they have ever been enrolled. In contrast, fewer than 4 in 10 of those who appear to be enrolled in a more restrictive HMO-type plan say they have never been enrolled in a

managed care program (39 percent) and another 16 percent say they do not know if they have ever been enrolled.<sup>2</sup>

### The Employment-Based System

Satisfaction levels with employment-based health insurance remained remarkably stable between 1998 and 2002. Most who receive health insurance through an employment-based plan continue to be satisfied with their current health insurance plan (Figure 5). Half are *extremely* (11 percent in 2002, 14 percent in 1998) or *very* (39 percent in 2002, 36 percent in 1998) satisfied with their current plan, and almost 4 in

10 are *somewhat* satisfied (37 percent in 2002, 39 percent in 1998). Only 14 percent say they are *not too* or *not at all* satisfied.

While almost all Americans covered by employment-based health insurance remain at least *somewhat* confident that their employer will continue to offer health insurance coverage to its workers, confidence levels have decreased slightly since 2000. Only 6 in 10 are now *extremely* or *very* confident that their employer will continue to offer health insurance (61 percent), compared with almost 7 in 10 in 2000 (68 percent). Roughly one-fourth are *somewhat* confident that their employer will continue to do so (27 percent in 2002, 25 percent in 2000). Eleven percent say they are *not too* or *not at all* confident, up from 7 percent in 2000.

If their employer were to stop offering health insurance, more than one-half of those with employment-based coverage indicate they would be *extremely* (29 percent) or *very* (26 percent) likely to

Figure 5  
SATISFACTION WITH CURRENT HEALTH PLAN,  
AMONG THOSE RECEIVING COVERAGE THROUGH AN  
EMPLOYMENT-BASED PLAN

	1998	1999	2000	2001	2002
Extremely Satisfied	14%	12%	11%	11%	11%
Very Satisfied	36	37	36	41	39
Somewhat Satisfied	39	38	40	36	37
Not Too Satisfied	7	7	7	7	7
Not At All Satisfied	3	4	4	4	6

Source: Employee Benefit Research Institute, Consumer Health Education Council, and Mathew Greenwald & Associates, Inc., 1998–2002 Health Confidence Surveys.

Figure 6

### LIKELIHOOD OF PURCHASING HEALTH INSURANCE ON OWN

If your employer or union...	Extremely Likely	Very Likely	Somewhat Likely	Not Too Likely	Not At All Likely
Stopped offering you health insurance, how likely would you be to purchase it on your own?	29%	26%	18%	7%	17%
Stopped offering you health insurance, and did not increase your salary to help you pay for it yourself, how likely would you be to purchase it on your own?	19	26	27	8	18
Gave you money to buy health insurance, how likely would you be to purchase it on your own?	47	32	13	3	3

Source: Employee Benefit Research Institute, Consumer Health Education Council, and Mathew Greenwald & Associates, Inc., 2002 Health Confidence Survey.

purchase insurance coverage on their own (Figure 6). Almost 2 in 10 say they would be *somewhat* likely to purchase coverage (18 percent). One-fourth are *not too* (7 percent) or *not at all* (17 percent) likely to purchase coverage. However, when asked if they would purchase coverage if their employer stopped offering coverage and did not increase their salary to help pay for health insurance, the percentage saying they would be *extremely* likely to purchase coverage on their own declines to 19 percent, 26 percent continue to say they would be *very* likely to purchase coverage, and the percentage saying they would be *somewhat* likely to get coverage increases to 27 percent.<sup>3</sup> Again, one-fourth of those with employment-based coverage say they would be *not too* (8 percent) or *not at all* (18 percent) likely to purchase insurance coverage on their own.

If the employer were to provide them with money to buy health insurance, almost half say they would be *extremely* likely to purchase it on their own (47 percent) (Figure 6). Another one-third would be *very* likely to buy it (32 percent), and 13 percent would be *somewhat* likely to do so. Just 5 percent say they would be *not too* or *not at all* likely to purchase health insurance on their own if their employer gave them money to do so.

### Conclusion

Data from the first five years of the Health Confidence Survey show that Americans' confidence in and satisfaction with health care in the United States remain largely stable over time. The vast majority of Americans continue to be at least somewhat satisfied with the health care they are receiving, and they also continue to be more confident in certain aspects of health care today than about those aspects in the future. Satisfaction with employment-based health insurance remains consistent. Finally, while slightly more Americans are familiar with managed care now than in 1998, more are not at all familiar with it as well.

Other topics covered by the 2002 Health Confidence Survey include the uninsured, retiree health benefits, health care quality, prescription drugs, and choice in health care. See [www.ebri.org/hcs](http://www.ebri.org/hcs) for the complete set of HCS materials for 2002, as well as previous years.

### Endnotes

<sup>1</sup> The HCS examines a broad spectrum of health care issues, including Americans' satisfaction with health care today, their confidence in the future of the health care system and the Medicare program, and their attitudes toward health care reform. The survey is cosponsored by the Employee Benefit Research Institute (EBRI), the

Consumer Health Education Council (CHEC), and Mathew Greenwald & Associates, Inc. The 2002 survey was conducted within the United States between April 18 and May 19, 2002, through 20-minute telephone interviews with 1,000 individuals ages 21 and older. Random digit dialing was used to obtain a representative cross section of the U.S. population. Interview quotas were established by sex of respondent, and the data were weighted by age and education to reflect the actual proportions in the population.

<sup>2</sup> Plan type is categorized by the number of managed care plan design features (out of a total of four) a respondent reports as describing his or her health plan. Individuals enrolled in plans with three or four plan design features are considered to be in "HMO-type" managed care plans; individuals enrolled in plans with one or two of these features are considered to be in "PPO-type" managed care plans; and individuals enrolled in plans with none of the four features are considered to be in "traditional" fee-for-service insurance plans.

<sup>3</sup> The sample was randomly split. Half were asked "If your employer/union stopped offering you health insurance, how likely would you be to purchase it on your own?" The other half were asked a version of the question that added the wording "and did not increase your salary to help you pay for it yourself."

# Benefit Cost Comparisons Between State and Local Governments and Private-Sector Employers

By Ken McDonnell, EBRI

In March of 2002, overall total compensation costs were 44 percent higher among state and local government employers (\$31.29 per hour worked) than among private-sector employers (\$21.71 per hour worked) (calculated from Figure 7). Total compensation costs consist of two major categories: wages and salaries and employee benefits. For both of these categories, state and local government employers' costs were higher than those of private-sector employers: 40 percent higher for wages and salaries and 55 percent higher for employee benefits (calculated from Figure 7).

This article examines some of the causes of the differences in total compensation costs between state and local government employers and private-sector employers. The datasets used are as follows: For compensation costs, the Bureau of Labor Statistics' (BLS) *Employer Costs for Employee Compensation*; for private-sector benefit participation, the BLS' *National Compensation Survey, 2000*; and for state and local government employers, BLS' *Employee Benefits in State and Local Governments, 1998*. Employ-

ment by industry group data come from BLS' *Employment and Earnings, October 2001*, and employment by occupation data are from EBRI tabulations of the March 2001 Current Population Survey by the U.S. Census Bureau.

## Work Force Comparisons

One of the primary reasons for differences in total compensation costs between state and local government employers and private-sector employers is the composition of their respective work forces. This section looks at two components of the work force: industry groups and occupation groups. Readers should note that the term "service" is not the same in the industry groupings and occupation groupings: Data for these two are not identical because not all service workers are employed in the service industries.

*Industry Groups*—State and local government workers are highly concentrated in the services sector. For public employees, this sector includes education workers (e.g., teachers and university professors), a category of employees with high unionization rates and higher than average compensation. In October 2001, 64.9 percent of all state and local government employees were employed in this sector (Figure 8). In March 2002, total compensation costs for the services sector were \$32.80 per hour worked. By contrast, private-sector industry groups with the largest number of

workers were services and retail trade. In October 2001, services, including janitorial services, accounted for 37.1 percent of all private-sector workers, and retail trade accounted for 21.0 percent. Total compensation costs for these two industry groups were among the lowest in the private sector, \$22.33 per hour for service industries and \$11.79 per hour for retail trade.

Another factor affecting total compensation costs is union membership. Union presence in an industry is positively correlated with total compensation costs. In October 2001, 9.0 percent of private-sector workers were members of a union, compared with 39.0 percent of workers in state and local governments (Figure 8).

*Occupation Groups*—As with the industry groupings, the concentration of occupations among state and local government employers was quite different from that of private-sector employers. A large percentage of state and local government employees (40.7 percent) were concentrated in the professional specialty and technical occupations (teachers were in this occupation grouping) (Figure 9). These occupation groups had the highest total compensation costs among state and local government employers, \$40.51 per hour worked in March 2002. By comparison, only 15.1 percent of private-sector workers were in these occupations and their compensation costs were

Figure 7  
**EMPLOYER COSTS FOR EMPLOYEE COMPENSATION AND PERCENTAGE OF FULL-TIME EMPLOYEES PARTICIPATING<sup>a</sup>  
 IN EMPLOYEE BENEFIT PROGRAMS: STATE AND LOCAL GOVERNMENTS AND PRIVATE SECTOR**

Employee Benefit Program <sup>b</sup>	State and Local Governments			Private Sector		
	Total	Percentage	Participation	Total	Percentage	Participation
	Compensation	of Total		Compensation	of Total	
	Costs	Costs	Costs	Costs		
	(March 2002)	(1998)		(March 2002)	(2000)	
	(\$ per hour worked)			(\$ per hour worked)		
Total Compensation Costs	\$31.29	100.0%	c	\$21.71	100.0%	c
Wages and salaries	22.14	70.8	c	15.80	72.8	c
Total benefits	9.15	29.2	c	5.90	27.2	c
paid leave	2.43	7.8	c	1.44	6.6	c
vacations	0.84	2.7	67%	0.72	3.3	91%
holidays	0.80	2.6	73	0.49	2.3	87
sick	0.61	1.9	96	0.17	0.8	c
other	0.26	0.6	c	0.06	0.3	c
supplemental Pay	0.26	0.8	c	0.62	2.9	c
premium <sup>d</sup>	0.13	0.4	c	0.24	1.1	c
shift differentials	0.06	0.2	c	0.06	0.3	c
nonproduction bonuses	0.08	0.3	c	0.32	1.5	c
insurance	2.82	9.0	c	1.40	6.4	c
life	0.06	0.2	86	0.04	0.2	65
health	2.69	8.6	86	1.29	5.9	61
short-term disability	0.03	0.1	20	0.04	0.2	39
long-term disability	0.03	0.1	34	0.03	0.1	31
retirement and savings	1.74	5.6	98	0.63	2.9	55
defined benefit	1.51	4.8	90	0.23	1.1	22
defined contribution	0.23	0.7	14	0.40	1.8	42
legally required benefits	1.84	5.9	c	1.80	8.3	c
Social Security	1.13	3.6	c	1.32	6.1	c
OASDI <sup>e</sup>	1.13	3.6	c	1.06	4.9	c
Medicare	0.33	1.1	c	0.26	1.2	c
federal unemployment insurance	f	g	c	0.03	0.1	c
state unemployment insurance	0.04	0.1	c	0.10	0.5	c
workers' compensation	0.34	1.1	c	0.35	1.6	c
other benefits <sup>h</sup>	0.06	0.2	c	0.03	0.1	c

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation-March 2002*, USDL: 02-346 (Washington, DC: U.S. Department of Labor, 2002) [www.bls.gov/ncs/ect/](http://www.bls.gov/ncs/ect/); *Employee Benefits in State and Local Governments, 1998* (Washington, DC: U.S. Government Printing Office, 2000), and *Employee Benefits in Private Industry, 2000*, USDL: 02-389 (Washington, DC: U.S. Department of Labor, 2002) [www.bls.gov/ncs/ebs/](http://www.bls.gov/ncs/ebs/)

Note: Because of rounding, sums of individual items may not equal totals.

<sup>a</sup>Includes workers covered but not yet participating due to minimum service requirements. Does not include workers offered but not electing contributory benefits.

<sup>b</sup>Includes only benefit programs that are partially or wholly paid by the employer.

<sup>c</sup>Data not available.

<sup>d</sup>Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).

<sup>e</sup>Old-Age, Survivors, and Disability Insurance.

<sup>f</sup>Cost per hour worked is \$0.01 or less.

<sup>g</sup>Less than 0.05 percent.

<sup>h</sup>Includes severance pay and supplemental unemployment benefits.

lower than those of state and local government employers, \$36.81 per hour.

The largest gap in compensation costs between state and local government and private-sector workers was among service occupa-

tions. In March 2002, the total compensation costs for these workers in state and local governments was \$23.50 per hour, compared with \$10.95 per hour in the private sector. This difference is a function of the type of occupa-

tions in the services category. Among state and local governments, the BLS categorizes police and firefighters among the service occupations. Among private-sector employers, occupations such as waiters/waitresses and cleaning and

Figure 8  
**EMPLOYMENT AND TOTAL COMPENSATION COSTS, BY INDUSTRY GROUP AND UNION MEMBERSHIP,  
 STATE AND LOCAL GOVERNMENTS AND PRIVATE SECTOR**

	State and Local Governments		Private Sector		
	Employment	Total compensation costs <sup>a</sup>	Employment	Total compensation costs <sup>a</sup>	
		(Oct. 2001)		(Mar. 2002)	(Oct. 2001)
Total	18,696,000	\$31.29	Total	132,588,000	\$21.71
Construction	0.5	b	Mining	0.5	b
Transportation and public utilities	2.9	b	Construction	6.3	25.35
Services	64.9	32.80	Manufacturing	15.6	25.20
hospitals	5.4	26.73	Transportation and public utilities	6.3	29.65
education	54.1	34.17	Wholesale trade	6.3	23.36
social services	2.0	b	Retail trade	21.0	11.79
services other	3.5	b	Finance, insurance, and		
General administration <sup>c</sup>	31.7	28.61	real estate	6.8	28.24
Other	45.9	b	Services	37.1	22.33
Members of a Union	39.0	b	Members of a Union	9.0	29.42

Source: EBRI tabulations of data from U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings: January 2002* (Washington, DC: U.S. Government Printing Office, 2002), and *Employer Costs for Employee Compensation-March 2002*, USDL: 02-346 (Washington, DC: U.S. Department of Labor, 2002) [www.bls.gov/ncs/ect/](http://www.bls.gov/ncs/ect/)

<sup>a</sup>Data is expressed as dollars per hour worked.

<sup>b</sup>Data not available.

<sup>c</sup>Includes executive, legislative, and judicial services.

building services functions are categorized as service occupations, and these jobs traditionally have low wages.

### **Employee Benefits**

As noted above, benefit costs of state and local government employ-

ers were 55 percent higher than those of private-sector employers in March 2002. Many factors contribute to this gap.

Figure 9  
**EMPLOYMENT AND TOTAL COMPENSATION COSTS IN STATE AND LOCAL GOVERNMENTS  
 AND PRIVATE SECTOR BY OCCUPATION GROUP, AGES 16 AND OLDER**

	State and Local Governments		Private Sector	
	Employment	Total compensation costs <sup>a</sup>	Employment	Total compensation costs <sup>a</sup>
		(2000)		(March 2002)
Total	17,094,209	\$31.29	113,952,460	\$21.71
Executive, Administrative, and Managerial	11.0%	39.42	13.7	42.80
Professional Specialty and Technical	40.7	40.51	15.1	35.81
Administrative Support, Including Clerical	18.8	20.14	13.6	18.09
Sales	0.9	b	13.5	16.38
Blue Collar	4.7	24.59	16.5	20.15
Service	23.8	23.50	27.5	10.95

Source: Employee Benefit Research Institute tabulations of data from the March 2001 Current Population Survey, and U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings: January 2002* (Washington, DC: U.S. Government Printing Office, 2002), and *Employer Costs for Employee Compensation-March 2002*, USDL: 02-346 (Washington, DC: U.S. Department of Labor, 2002), [www.bls.gov/ncs/ect/](http://www.bls.gov/ncs/ect/)

<sup>a</sup>Data are expressed as dollars per hour worked.

<sup>b</sup>Data not available.

*Benefit Costs*—The two most important voluntary benefit programs an employer provides are health insurance and retirement and savings plans. There is great cost disparity between these two benefits among state and local government employers and private-sector employers. In March 2002, the average cost per employee per hour worked for health insurance benefits for state and local government employers was \$2.69 per hour worked, compared with \$1.29 for private-sector employers (Figure 7), a difference of 52 percent (calculated from Figure 7). The disparity was even larger for retirement and savings plans: These cost state and local government employers \$1.74 per hour worked in March 2002, compared with \$0.63 for private-sector employers, a difference of 63 percent. A major reason for this is that “traditional” defined benefit retirement plans are more expensive to administer than defined contribution plans (such as 401(k)s), and are far more prevalent among state and local governments than they are in the private sector (see below).

*Participation*—One of the primary reasons for the difference in benefit costs is that state and local government employees are more likely than their private-sector counterparts to participate in employee benefit programs. Health insurance participation rates among full-time employees in state and local governments (86 percent in 1998)

were significantly higher than rates among full-time employees in the private sector (61 percent in 2000) (Figure 7).

The disparity was even larger for retirement and savings plans. In 1998, 98 percent of full-time employees in state and local governments participated in some type of retirement and savings plan, compared with 55 percent of full-time employees in the private sector in 2000. As mentioned above, a key factor here is the type of retirement plan in which employees are participating—a defined benefit plan or a defined contribution plan. It is well-documented that a defined benefit plan is more expensive to provide than a defined contribution plan. The growing administrative burdens and costs of operating a defined benefit plan are cited by plan sponsors as a major disincentive to operating this type of retirement plan (see *EBRI Issue Brief* no. 232, April 2001, p. 5). Participation in a defined benefit plan is far higher among full-time workers in state and local governments (90 percent in 1998) than among private-sector full-time workers (22 percent in 2000) (Figure 7).

## Washington Update

By Jim Jaffe, EBRI

### *Congressional Adjournment & FY 2003*

The federal government began fiscal year 2003 on Oct. 1 without a new budget in place for fiscal year 2003. Instead, government operations were funded on a stopgap, temporary basis until work on the budget is completed.

Many bills on nonbudget issues were pending at the start of the fiscal year, including pension reform legislation, but it was unclear which of them, if any, would be enacted and, if so, when. Also up in the air was the question of whether Congress would adjourn for the year in October or postpone important issues for a “lame-duck” session after the November elections.

At our press time (late September), the legislative situation on Capitol Hill was far too fluid to predict. EBRI Subscribers who would like a current update on the congressional situation are invited to send an e-mail request to [jaffe@ebri.org](mailto:jaffe@ebri.org). They will receive the latest issue of EBRI’s weekly *Washington Bulletin* in response.

### *Federal Employee Health Premiums Up 11.1%*

Federal workers and annuitants will confront the third consecutive annual double-digit increase in health care premiums next year. But the 11.1 percent average

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increase is lower than the 13.3 percent jump last year, partly because the Office of Personnel Management pushed insurers to introduce or increase co-pays as a way of moderating premium hikes. Specifics won't be revealed until November. The government worker plans cover approximately 9 million employees, dependents, and annuitants, and the government pays about 72 percent of premiums, depending on which plan is selected. HMO premiums will increase by an average of 13.6 percent.

Starting next July, the government will allow workers to use a flexible spending plan that will permit the use of untaxed earnings to pay some types of premiums and medical expenses as well as child and elder care. Another major change is the option of participating in a "consumer-driven" health plan offered by the American Postal Workers Union, in which participants would receive a health spending account that they could draw down to pay for medical expenses and roll over remaining funds from one year to the next. Several civil servant groups criticized OPM for offering the new plan, expressing fears that it would lead to adverse selection problems by attracting only those who are relatively healthy.

Continuing health cost inflation is reported by the Kaiser Family Foundation, which found that nearly 80 percent of large employers are likely to increase employee premiums in the next year, and more than half said they were likely to

consider higher worker payments for prescription drugs. Workers anticipate additional pain. New evidence of concern about the issue comes from a Harris Interactive survey conducted for Allstate that found two-thirds of baby boomers worried about health care costs, up from 39 percent last year.

### ***More Evidence of Declining Retiree Health Benefits***

Adding yet more evidence to a well-measured trend, a new study finds that slightly more than a third of large employers offer retiree health benefits, a reduction of nearly 50 percent since 1988. The new study from the Kaiser Family Foundation also found that 9 percent of firms that employ 200 or more had eliminated such benefits for either new hires or existing employees in the past two years. These new data confirm a growing perception that those who retire prior to age 65 may become the new orphans of the nation's health insurance system.

Confirmation also comes from a new report from Watson Wyatt, which found that 80 percent of employers who continue to provide retiree medical coverage have reduced benefits for future retirees since 1993 and says that trend is likely to continue. By 2031, it projects that many employers will be paying less than 10 percent of retiree medical expenses. The study concludes that tax incentives to encourage employers to prefund retiree health plans, like those now

used for pension funding, could help alleviate the problem.

The report is available on the Internet at <http://www.watsonwyatt.com/research/resrender.asp?id=W-559&page=1>

### ***HHS Details Health Costs, Benefits***

American health spending and life expectancy both rose to new highs in 2000, according to new data from the Department of Health and Human Services, which reports several areas of progress. The report says Americans spent \$1.3 trillion (or 13.2 percent of GDP) on health care in 2000. This is a modest increase from the 13.1 percent recorded for each of the previous three years. Life expectancy climbed to 74 for men and approached 80 for women. HHS also reports that infant mortality declined 75 percent in the last quarter of the century and that the average hospital stay declined from seven to less than five days during the last two decades. Nearly two-thirds of all surgeries are now done on an outpatient basis.

The biggest purchaser of health care was government, which paid 43 percent of the bills in 2000. Private insurance covered 35 percent of bills.

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## EBRI in Focus

### *EBRI On-the-Road Education*

EBRI CEO Dallas Salisbury took research results on the road in September, including these events:

- On Sept. 3, Salisbury met with the editorial page editor of the *Chicago Sun-Times* and with reporters at *Crain's Chicago Business*.
- On Sept. 10, Salisbury participated in the U.S. General Accounting Office's Expert Panel to consider improvements needed in retirement income and wealth data.
- Sept. 12 marked a joint meeting in Kansas City of the International Society of Employee Benefits Specialists, the Kansas City Compensation and Benefit Association, and the Heart of America Employee Benefits Conference, for an update from Salisbury on "Demographics, Plan Design, and the Future Outlook for Financial Security."
- On Sept. 17, Salisbury participated with Nobel Prize-winning economist Bill Sharpe in a national Web seminar sponsored by Financial Engines on "What Employers Can Do to Prepare Employees for Financial Independence."
- On Sept. 20, Salisbury key-noted the Southern Employee Benefits Conference Annual Education Conference with an update on retirement preparation in the nation and the implications for savings adequacy and the ability to retire of increased longevity, a growing aged population, and accelerating health inflation. The topic of the speech was: "Will More Americans Work Forever?"
- On Sept. 22, Salisbury key-noted the annual "Guns and Hoses" Police and Fire Pension Conference in Miami with "A View From Washington on the Legislative Future for Public Pension Plans."
- Dallas Salisbury is a member of the Advisory Panel on Medicare Education, of CMS, the agency that administers Medicare and Medicaid. The 10<sup>th</sup> meeting of the Advisory Panel was held in Washington, DC, on Sept. 26.
- On Sept. 26, EBRI's Paul Fronstin spoke at the South Central Michigan Health Alliance Fall Kickoff Forum, on "The Future of Employer-Sponsored Health Care."

## New Publications & Internet Resources

[*Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications published by GPO, call (202) 512-1808. To order U.S. General Accounting Office (GAO) publications, call (202) 512-6000; to order from the Congressional Budget Office (CBO), call (202) 226-2809.*]

### *Health Care*

Institute of Medicine. Committee on the Consequences of Uninsurance. Care Without Coverage: Too Little, Too Late. \$27 + \$4.50 S&H. National Academy Press, 2101 Constitution Ave., NW, Box 285, Washington, DC 20055, (888) 624-8373 or (202) 334-3313, fax: (202) 334-2451.

Mercer Human Resource Consulting. Mid-sized Employer Health Plans: A Series of Regional Reports Based on the Mercer/Foster Higgins National Survey of Employer-Sponsored Health Plans 2001. \$150, set of seven reports, or \$30 each. Tara Lewis, William M. Mercer Inc., 1166 Avenue of the Americas, 28<sup>th</sup> Floor, New York, NY 10036-2708, (212) 345-2451.

Midwest Business Group on Health, Juran Institute, Inc., and The Severyn Group, Inc. Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing

Leadership. Free. Midwest Business Group on Health, 8765 W. Higgins Rd., Suite 280, Chicago, IL 60631, (773) 380-9090, available at [www.mbgh.org](http://www.mbgh.org).

Teitelbaum, Fred. 2001 Drug Trend Report. \$150 + \$7 S&H. Express Scripts, Inc., 14000 Riverport Dr., Maryland Heights, MO 63043, (800) 332-5455, (314) 770-1666, [www.express-Scripts.com](http://www.express-Scripts.com).

U.S. Congress. House Committee on Education and the Workforce. (1) Assessing Mental Health Parity: Implications for Patients and Employers. (2) Genetic Non-Discrimination: Implications for Employer Provided Health Care Plans. (3) Genetic Nondiscrimination: Implications for Employers and Employees. Order from GPO.

### **Human Resources**

Hatcher, Tim. Ethics and HRD: A New Approach to Leading Responsible Organizations. \$32.50. Perseus Publishing, Eleven Cambridge Ct., Cambridge, MA 02142, (617) 252-5200.

### **Investments**

Investment Company Institute. Mutual Fund Fact Book. \$30. Investment Company Institute, 1401 H St., NW, Suite 1200, Washington, DC 20005-2148, (202) 326-5913.

Neuwirth Research Inc. The Ariel Mutual Funds/Charles Schwab &

Co., Inc. Black Investor Survey: Saving and Investing Among High Income African-American and White Americans. Available at [www.arielmotualfunds.com](http://www.arielmotualfunds.com).

New York Stock Exchange. Fact Book for the Year 2001. \$10. Newmarket Press, Special Sales Department, 18 E. 48th St., New York, NY 10017, (800) 669-3903.

PricewaterhouseCoopers, LLP and National Economic Consulting. Value of Lifetime Annuitization. NAVA members, \$7.50; nonmembers, \$10.50. National Association for Variable Annuities, 11710 Plaza America Dr., Suite 100, Reston, VA 20190, Attn: Public Relations Dept. (703) 707-8830 ext. 15, fax: (703) 707-8831, [www.navanet.org](http://www.navanet.org).

### **Pension Plans/Retirement**

CRA RogersCasey and Institute of Management & Administration, Inc. CRA RogersCasey/IOMA Annual Defined Contribution Survey 2002. Phone Donna Zaleski at (203) 656-5937 for ordering and pricing information or visit [www.crarogerscasey.com](http://www.crarogerscasey.com).

Stabile, Susan J. 401(k) Answer Book: Special Supplement: Lessons from Enron. \$90. Panel Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9782, (800) 638-8437.

U.S. Congress. House Committee on Education and the Workforce.

(1) Enhancing Retirement Security: H.R. 10, The Comprehensive Retirement Security and Pension Reform Act of 2001.

(2) Retirement Security for the American Worker: Opportunities and Challenges. Order from GPO.

U.S. Congress. House Committee on Ways and Means. Social Security and Pension Reform: Lessons from Other Countries. Order from GPO.

U.S. Congress. Joint Committee on Taxation. Present Law and Background Relating to Employer-Sponsored Defined Benefit Plans.

U.S. Congress. Senate Committee on Health, Education, Labor, and Pensions. Protecting the Pensions of Working Americans: Lessons from the Enron Debacle. Order from GPO.

### **Social Security**

Favreault, Melissa M., Frank J. Sammartino, and C. Eugene Steuerle. Social Security and the Family: Addressing Unmet Needs in an Underfunded System. \$25. The Urban Institute Press, P.O. Box 7273, Dept. C., Washington, DC 20044, Toll-free: (877) 847-7377, fax: (202) 467-5775, [pubs@ui.urban.org](mailto:pubs@ui.urban.org).

### **Work Force**

Aon Consulting. United States@Work. Free. Aon Consult-

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ing, 200 E. Randolph St., Chicago,  
IL 60601, (800) 438-6487.

## Recent Internet Documents

### Consumer-Driven Health Plans

Gaining Momentum

[www.medscape.com/viewarticle/  
436314](http://www.medscape.com/viewarticle/436314)

### Employee Benefits in Private Industry, 2000

[www.bls.gov/news.release/  
ebs2.nr0.htm](http://www.bls.gov/news.release/<br/>ebs2.nr0.htm)

### Employee Costs and the Decline in Health Insurance Coverage

[www.nber.org/books/garber6/  
cutler6-28-02.pdf](http://www.nber.org/books/garber6/<br/>cutler6-28-02.pdf)

### Family Out-of-Pocket Spending for Health Services: A Continuing Source of Financial Insecurity

[www.cmwf.org/publist/  
publist2.asp?CategoryID=4](http://www.cmwf.org/publist/<br/>publist2.asp?CategoryID=4)

### The Global Retirement Crisis: The Threat to World Stability and What to Do About It

[www.csis.org/gai/  
global\\_retirement.pdf](http://www.csis.org/gai/<br/>global_retirement.pdf)

### Mutual Funds and the U.S. Retirement Market in 2001

[www.ici.org/pdf/fm-v11n2.pdf](http://www.ici.org/pdf/fm-v11n2.pdf)

### A New Vision for Health Care: A Leadership Role for Business

[www.ced.org/docs/report/  
report\\_healthcare.pdf](http://www.ced.org/docs/report/<br/>report_healthcare.pdf)

### One Europe, One Pension: Affording the Future

[www.efsrt.org/efsrt/print/  
EFRPension.pdf](http://www.efsrt.org/efsrt/print/<br/>EFRPension.pdf)

### Pension Insurance Data Book 2001

[www.pbgc.gov/publications/  
databook/databook01.pdf](http://www.pbgc.gov/publications/<br/>databook/databook01.pdf)

### Present Law and Background

Relating to Employer-Sponsored  
Defined Benefit Plans

[www.house.gov/jct/x-71-02.pdf](http://www.house.gov/jct/x-71-02.pdf)

## Retirement Policy Sites

### American Society of Pension

Actuaries

[www.aspa.org/](http://www.aspa.org/)

### Center for Retirement Research at Boston College

[www.bc.edu/bc\\_org/avp/csom/  
executive/crr/](http://www.bc.edu/bc_org/avp/csom/<br/>executive/crr/)

### Coalition to Preserve Retirement Security

[www.retirementsecurity.org/](http://www.retirementsecurity.org/)

### Employee Benefit Research Institute

[www.ebri.org/](http://www.ebri.org/)

### ICMA Retirement Corporation

[www2.icmarc.org/](http://www2.icmarc.org/)

### National Association of Government Defined Contribution Administra- tors

[www.nagdca.org/](http://www.nagdca.org/)

### National Commission on Retirement Policy

[www.csis.org/retire/](http://www.csis.org/retire/)

### National Conference on Public Employee Retirement Systems

[www.ncpers.org/](http://www.ncpers.org/)

### National Council on Teacher Retirement

[www.nctr.org/](http://www.nctr.org/)

### National Defined Contribution Council

[www.ndcconline.org/](http://www.ndcconline.org/)

### Pension Research Council

[prc.wharton.upenn.edu/prc/  
prc.html](http://prc.wharton.upenn.edu/prc/<br/>prc.html)

### Pension Rights Center

[pensionrights.org/](http://pensionrights.org/)

### Public Pension Coordinating Council

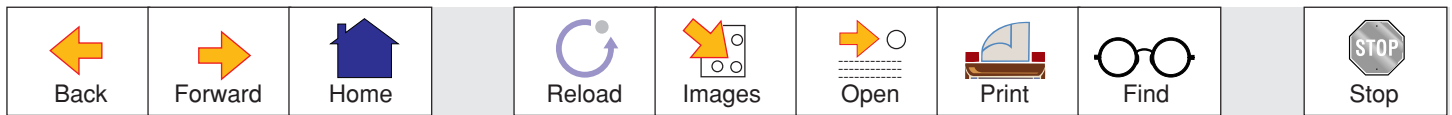
[ppcc.grsnet.com/](http://ppcc.grsnet.com/)

### U.S. Pension and Welfare Benefits Administration

[www.dol.gov/pwba/](http://www.dol.gov/pwba/)

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