

# Health Benefit Trends for Small Employers

*Jon Gabel*

*National Opinion Research Center*

## Presentation Objectives

---

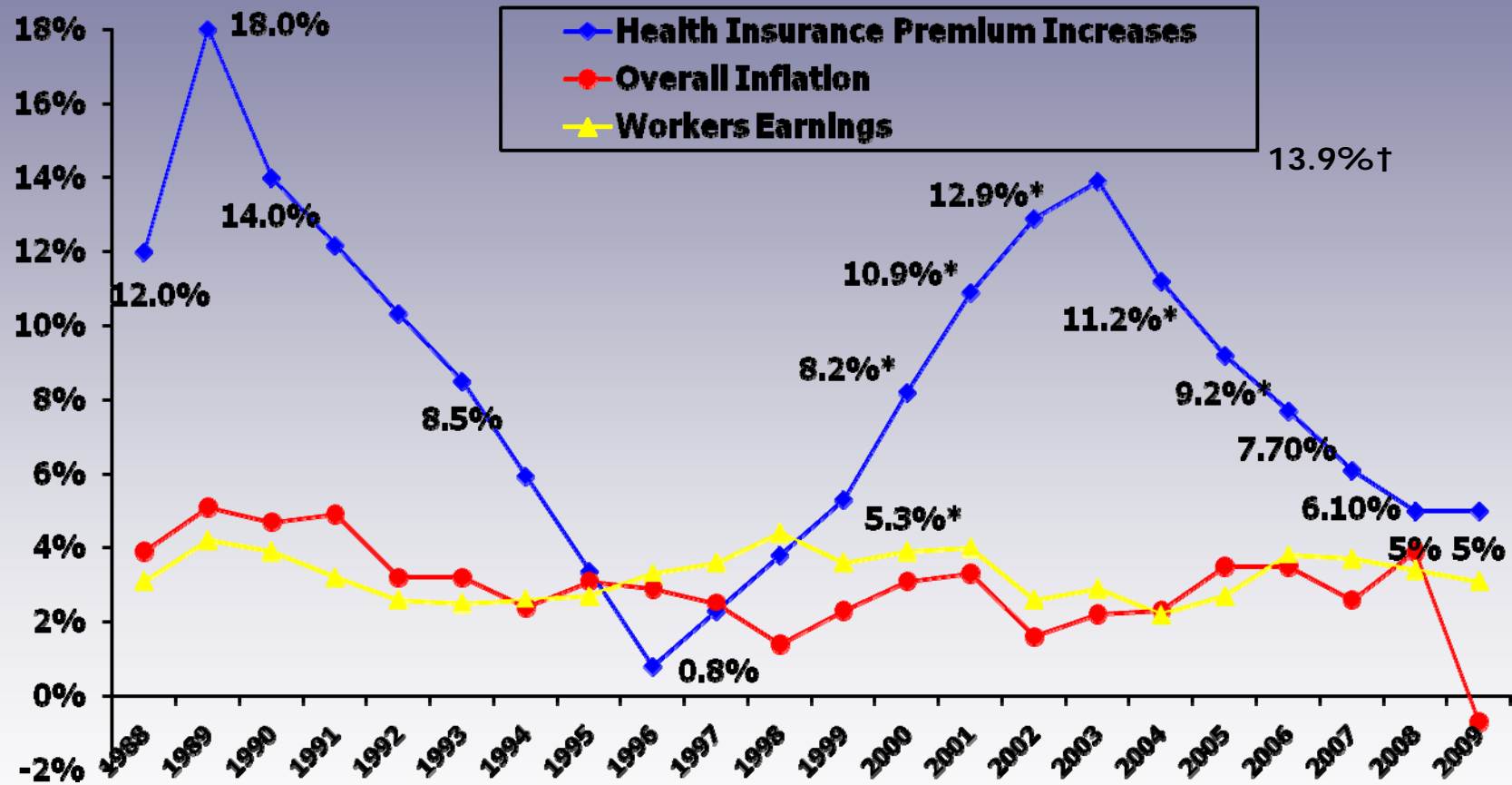
- To document the state of employer-based health benefits for small employers, 2009
- To examine changes in benefits over the last year and five years for small firms
- To examine drivers of health care costs

## KFF/HRET Health Benefits Survey 2009

---

- Telephone survey of 2,054 randomly selected public and private employers
  - 519 firms with 3-49 workers
  - 287 firms with 50-199 workers
  - National Research conducts interviews with employee benefit managers from Jan. 2009 to May 2009
- Response rate of 47 percent in 2009
- 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, 1988-2009



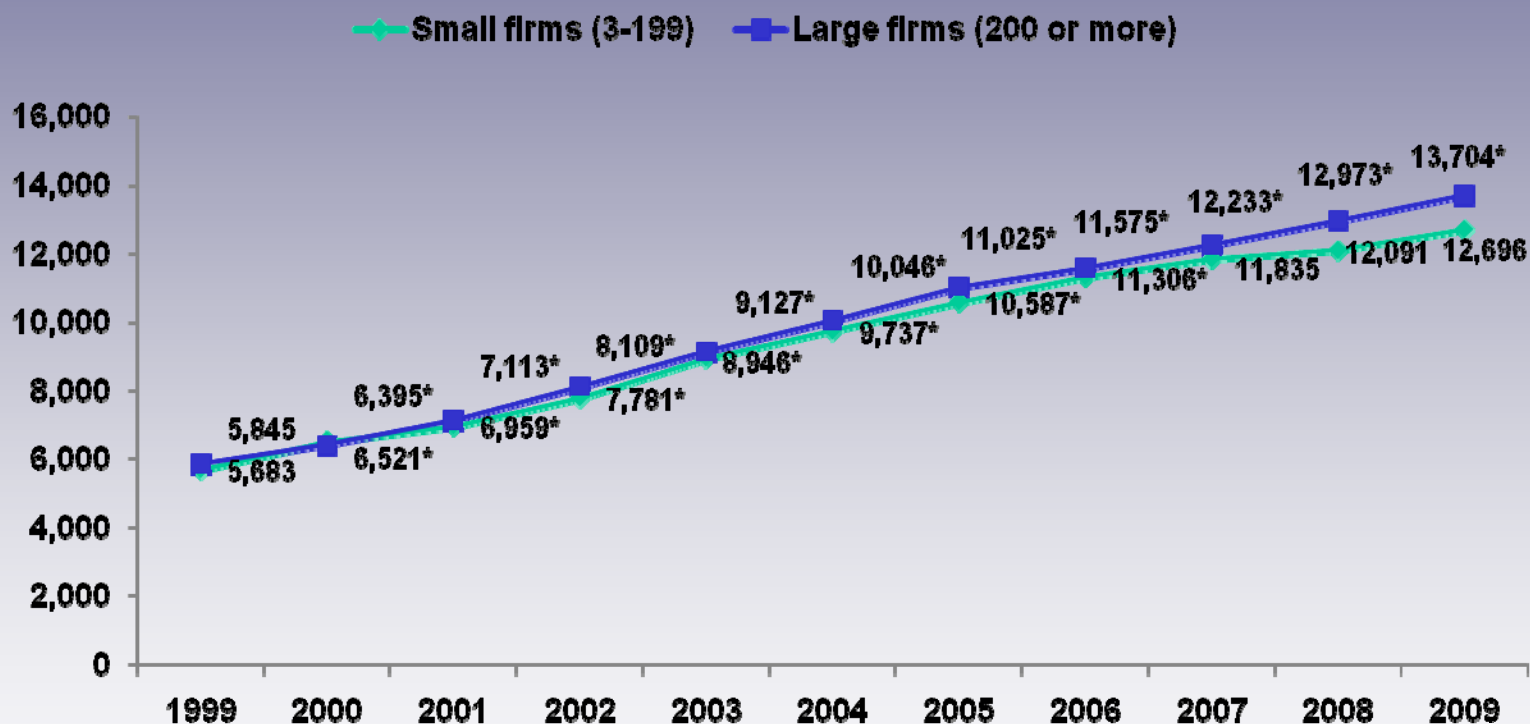
\* Estimate is statistically different from the previous year shown at  $p < 0.05$ . No statistical tests were conducted for years prior to 1999.

† 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, 1999-2009; 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), 1988-2009; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2009.

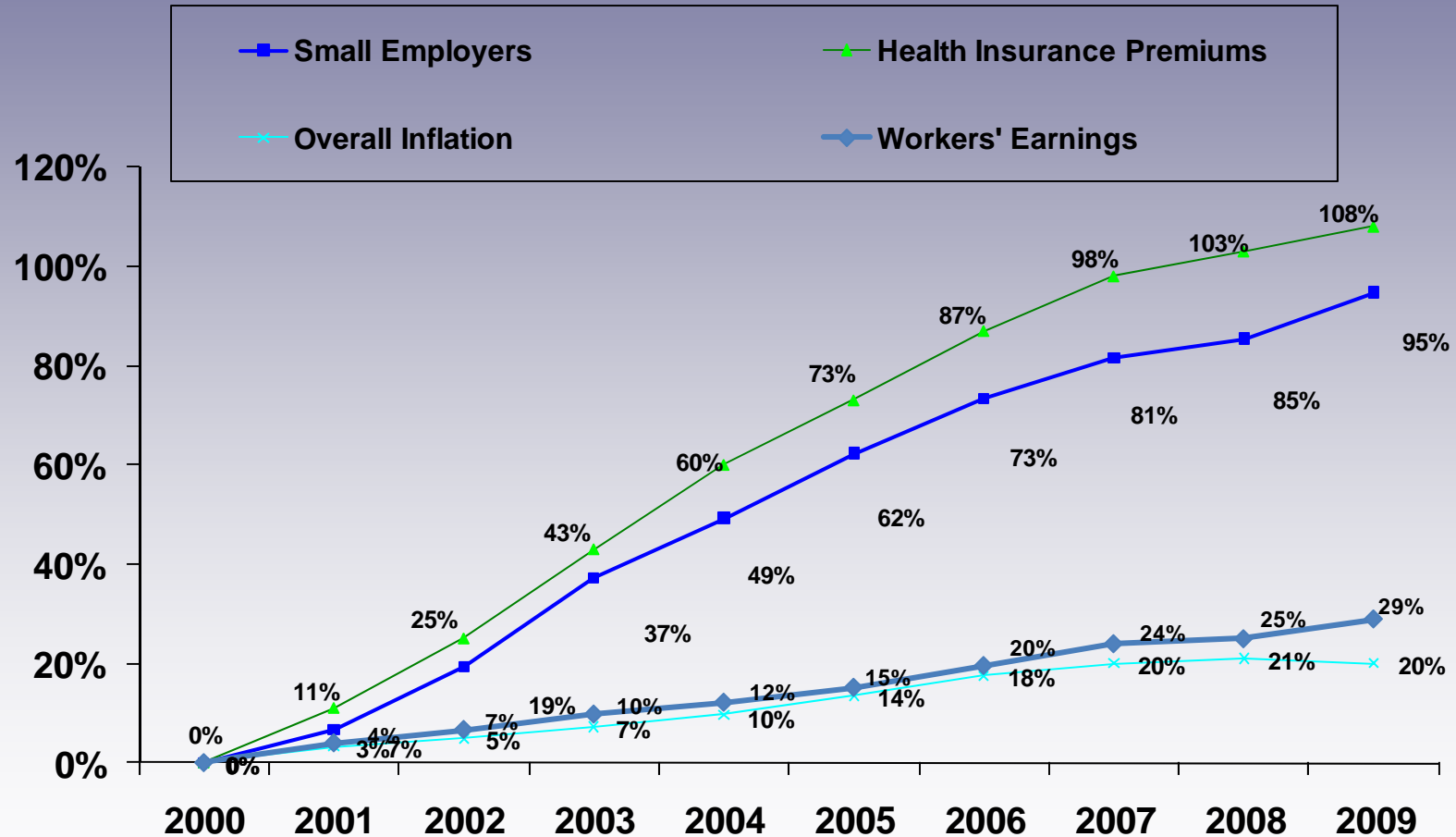
# Average Annual Premiums for Covered Workers with Family Coverage, by Firm Size, 1999–2009



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

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009; 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), 1999-2009; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2009.

# Cumulative Changes in Health Insurance Premiums, Overall Inflation, and Workers' Earnings, 2000 – 2009 Small Employers (Covered Workers with Family Coverage)



Note: small employers have 3-199 workers

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2001-2009; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2001-2009; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 2001-2009.

## Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Firm Size, 2009

		Monthly		Annually	
		Single	Coverage	Family	Coverage
<b>HMO</b>					
	All Small Firms	\$378	\$1,021*	\$4,542	\$12,256*
	All Large Firms	\$417	\$1,158*	\$5,003	\$13,893*
	All Firm Sizes	\$406	\$1,123	\$4,878	\$13,470
<b>PPO</b>					
	All Small Firms	\$412	\$1,116	\$4,948	\$13,392
	All Large Firms	\$409	\$1,154	\$4,913	\$13,844
	All Firm Sizes	\$410	\$1,143	\$4,922	\$13,719
<b>POS</b>					
	All Small Firms	\$402	\$1,071	\$4,824	\$12,847
	All Large Firms	\$404	\$1,120	\$4,853	\$13,439
	All Firm Sizes	\$403	\$1,090	\$4,835	\$13,075
<b>HDHP/SO</b>					
	All Small Firms	\$323	\$855*	\$3,877	\$10,259*
	All Large Firms	341	\$990*	4,094	11,885*
	All Firm Sizes	\$332	\$924	\$3,986	\$11,083
<b>All Plans</b>					
	All Small Firms	\$393	\$1,058*	\$4,717	\$12,696*
	All Large Firms	\$406	\$1,142*	\$4,876	\$13,704*
	All Firm Sizes	\$402	\$1,115	\$4,824	\$13,375

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

Note: small firm employs 3-119 workers, large firms employ 200 and above workers

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.

## Distribution of Annual Premiums for Covered Workers with Single Coverage, Small Firms, 2009

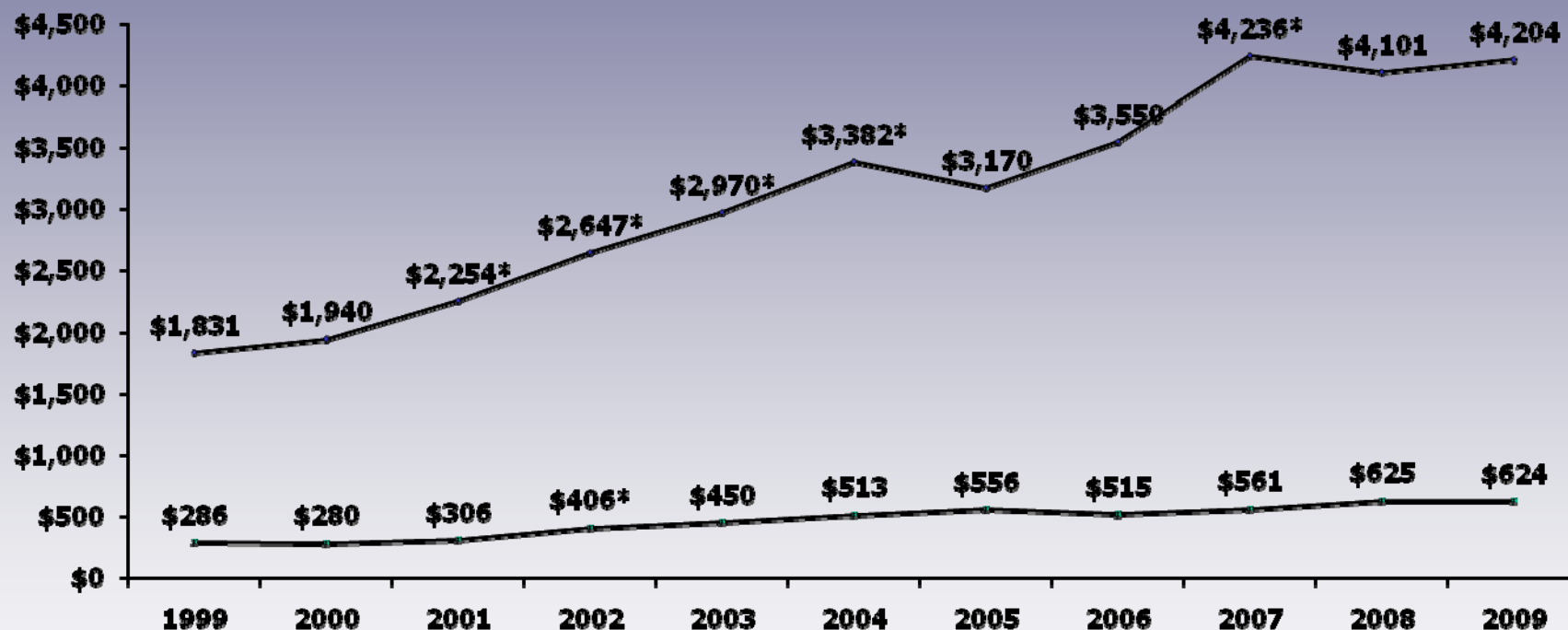


Note: small employers have 3-199 workers

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.



## Average Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, Small Firms, 1999-2009



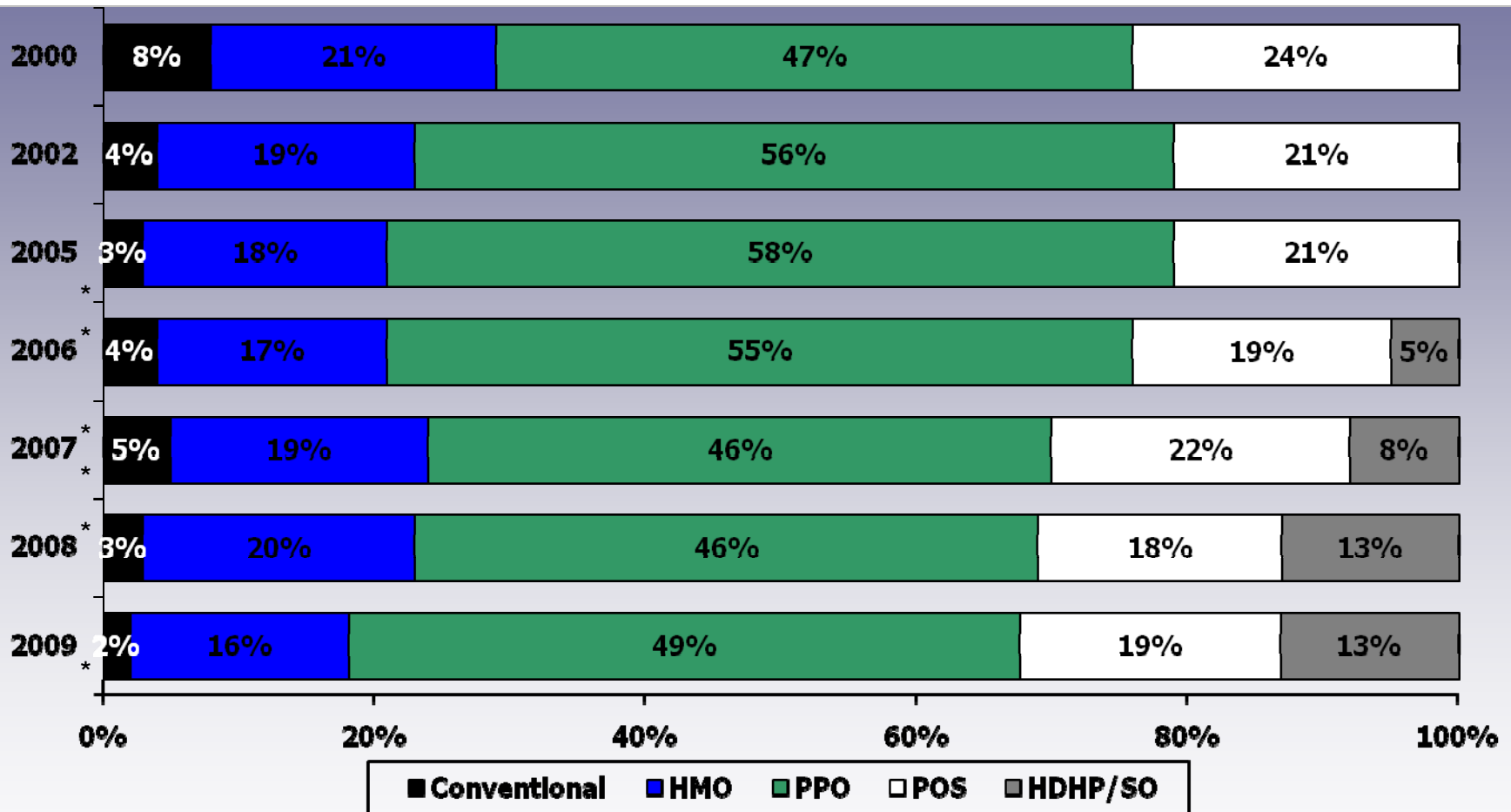
\*Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

Note: small employers have 3-199 workers

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.



## Health Plan Enrollment for Covered Workers in Small Firms, by Plan Type, 1988-2009

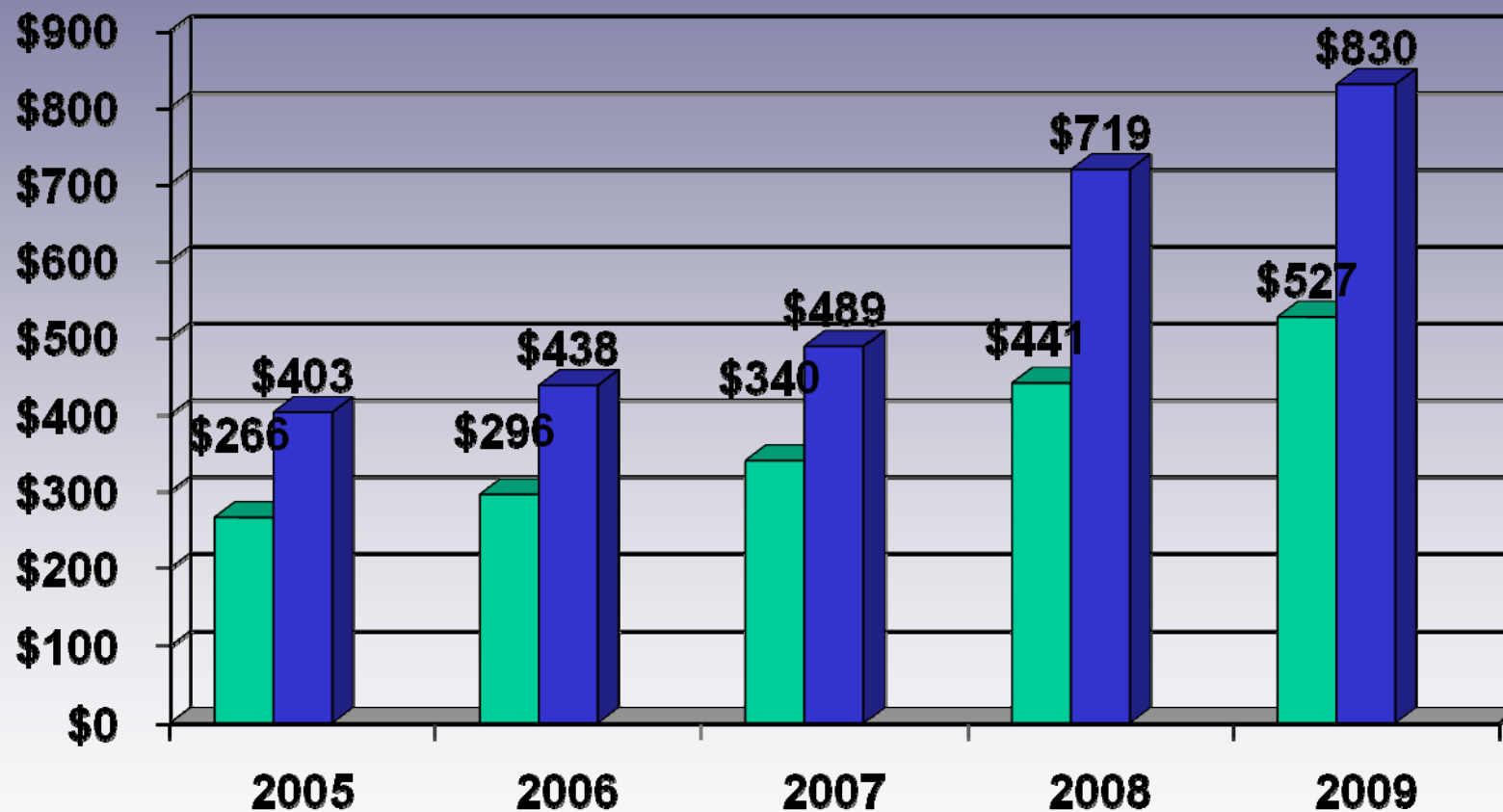


\* Distribution is statistically different from the previous year shown at  $p < .05$ . No statistical tests were conducted for years prior to 1999. Information was not obtained for POS plans in 1988.

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/).

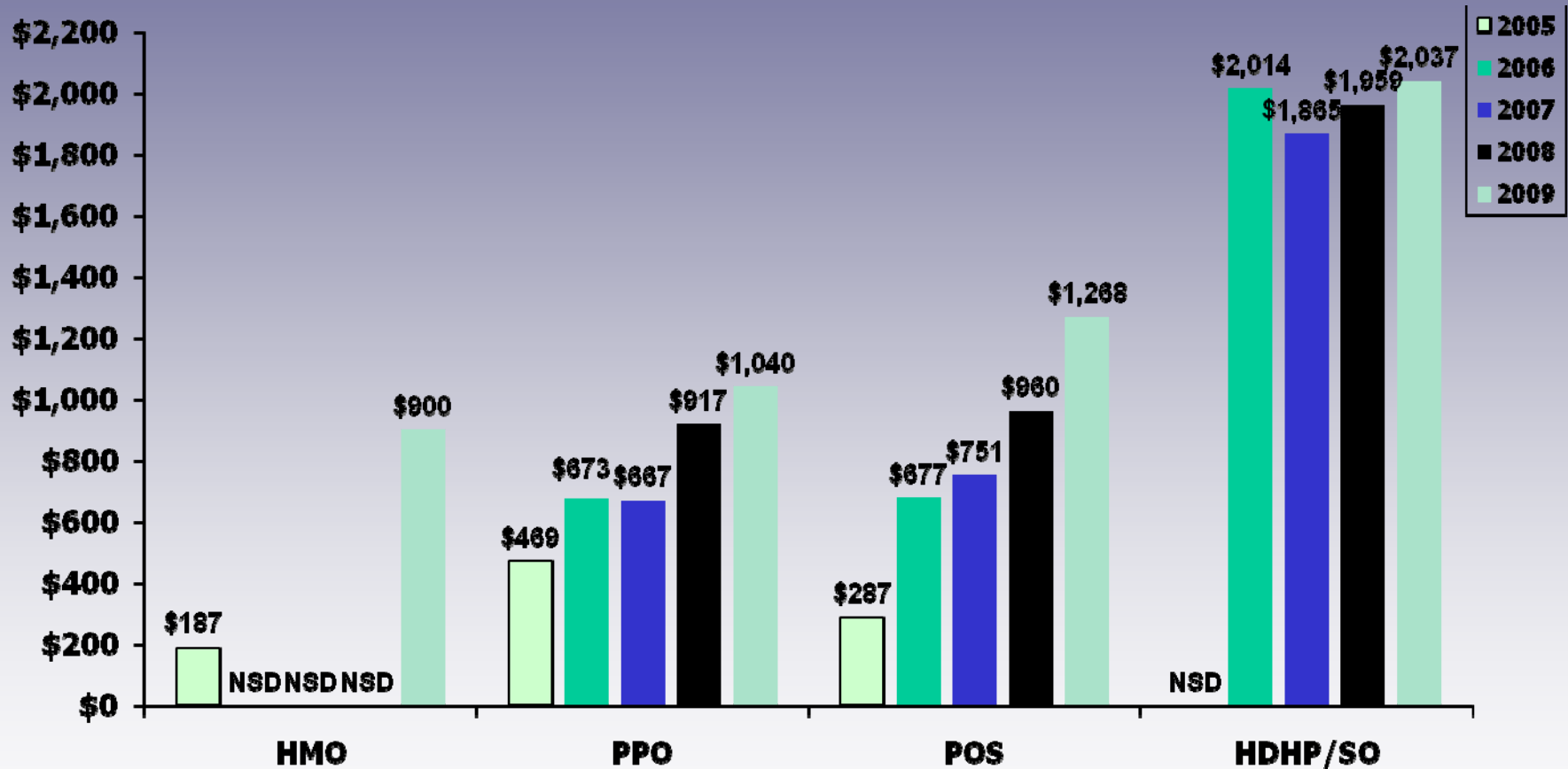
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996. The Health Insurance Association of America (HIAA), 1988.

## Increases in Overall Deductible (All Plans), All Firms and Small Firms, 2005-2009



Includes plans with and without deductibles

## Average Annual Deductibles for Single Coverage, by Plan Type, Small Firms, 2005-2009 (Includes Plans with and without Deductibles)



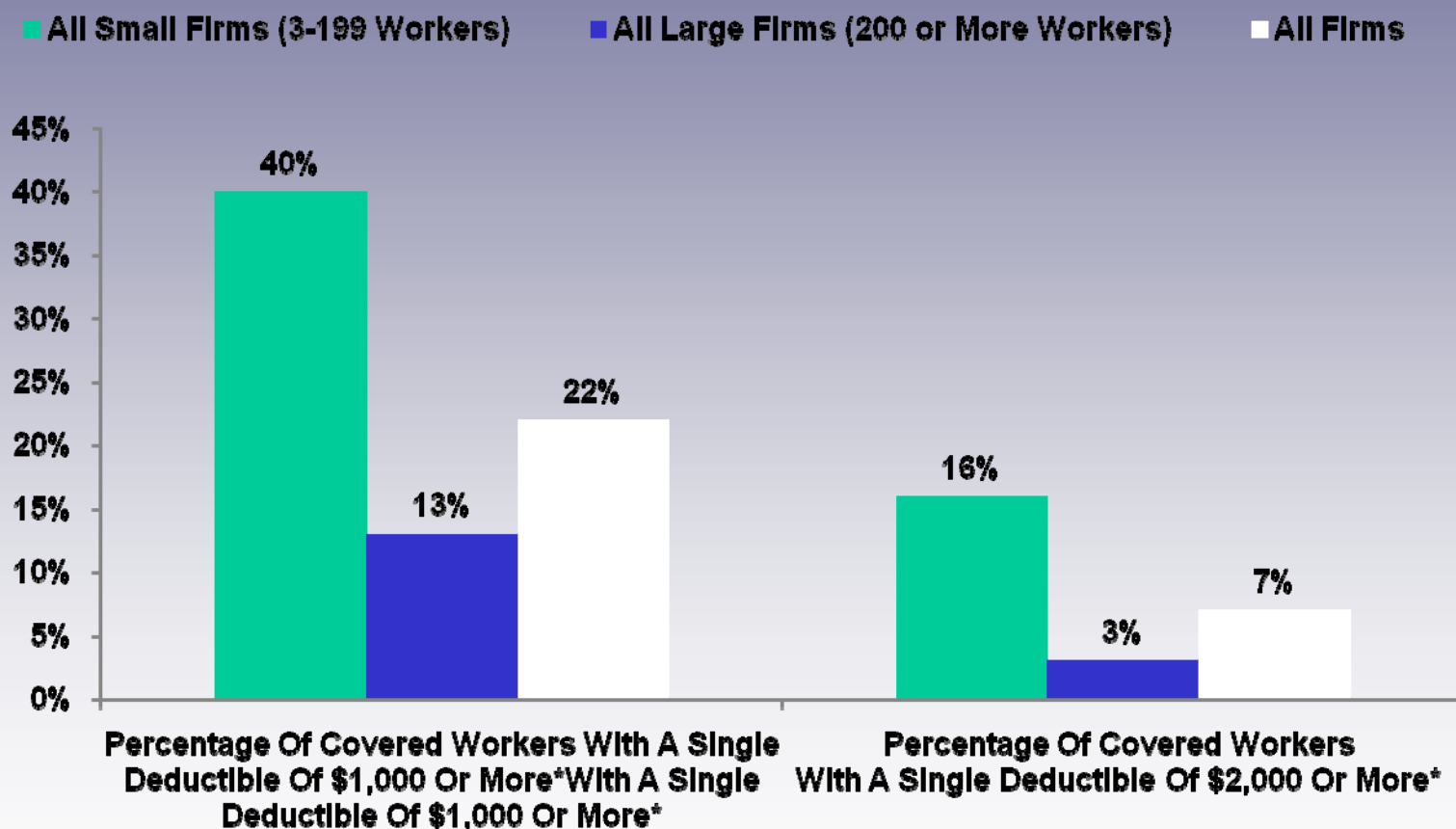
\* Estimate is statistically different from the previous year shown at  $p < .05$ .

NSD: Not sufficient data

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. Small firms employ 3-199 workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

## Percent of Covered Workers Enrolled in a Plan with a High General Annual Deductible for Single Coverage, By Firm Size, 2009

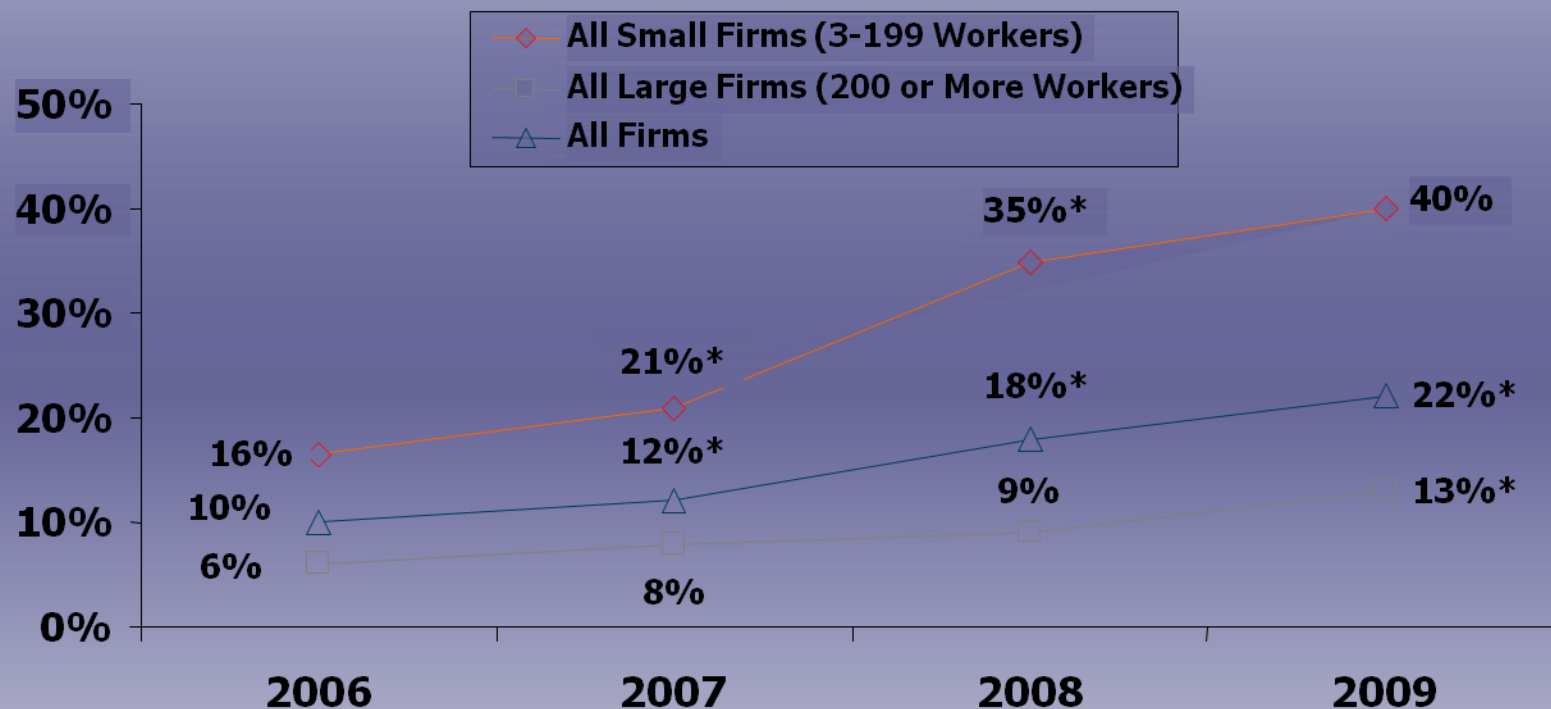


\* Estimate is statistically different between All Small Firms and All Large Firms within category ( $p < .05$ ).

Note: These estimates include workers enrolled in HDHP/SO and other plan types. Because we do not collect information on the attributes of conventional plans, to be conservative, we assumed that workers in conventional plans do not have a deductible of \$1,000 or more. Because of the low enrollment in conventional plans, the impact of this assumption is minimal. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services. Small firms employ 3-199 workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.

## Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$1,000 or More for Single Coverage, By Firm Size, 2006-2009

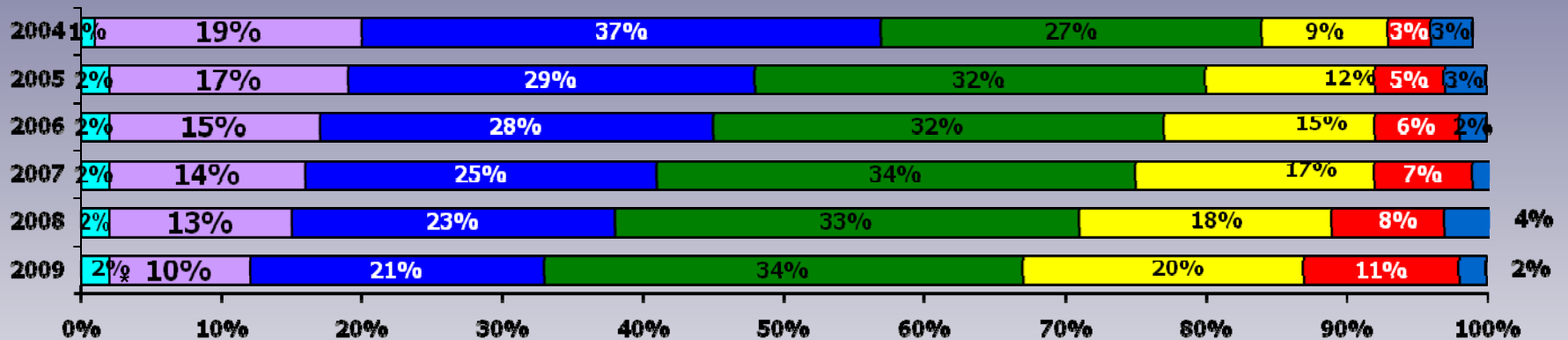


\*Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

Note: These estimates include workers enrolled in HDHP/SO and other plan types. Because we do not collect information on the attributes of conventional plans, to be conservative, we assumed that workers in conventional plans do not have a deductible of \$1,000 or more. Because of the low enrollment in conventional plans, the impact of this assumption is minimal. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2009.

## Among Covered Workers Facing Copayments for Primary Care Physician Office Visits, Distribution of Copayments, 2004-2009



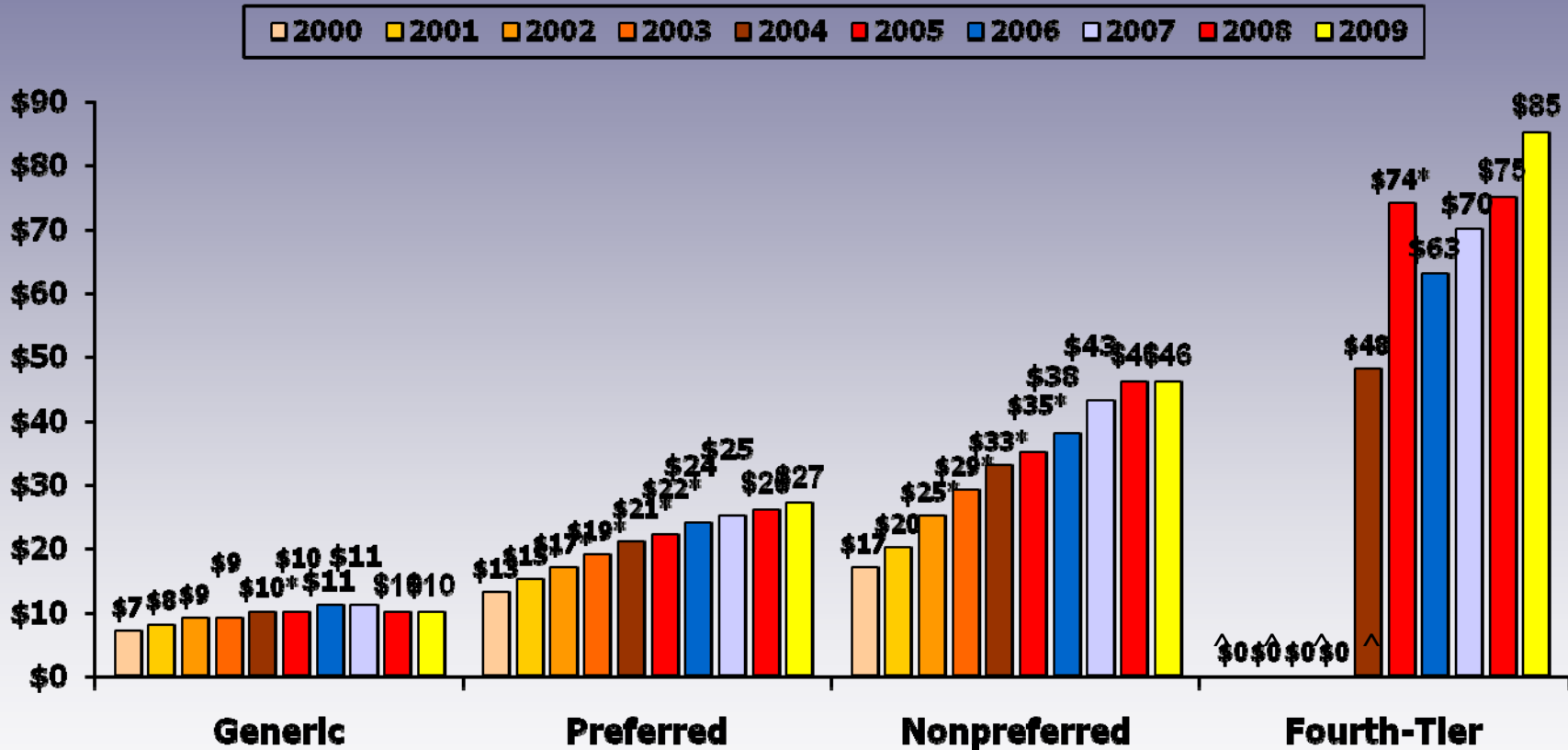
\*Distribution is statistically different from previous year shown at  $p < .05$ .

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 - 2009.

- \$5 Per Visit
- \$10 Per Visit
- \$15 Per Visit
- \$20 Per Visit
- \$25 Per Visit
- \$30 Per Visit
- Other

## Among Covered Workers Facing Prescription Drug Copayment Amounts, Average Copayments, 2000-2009



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

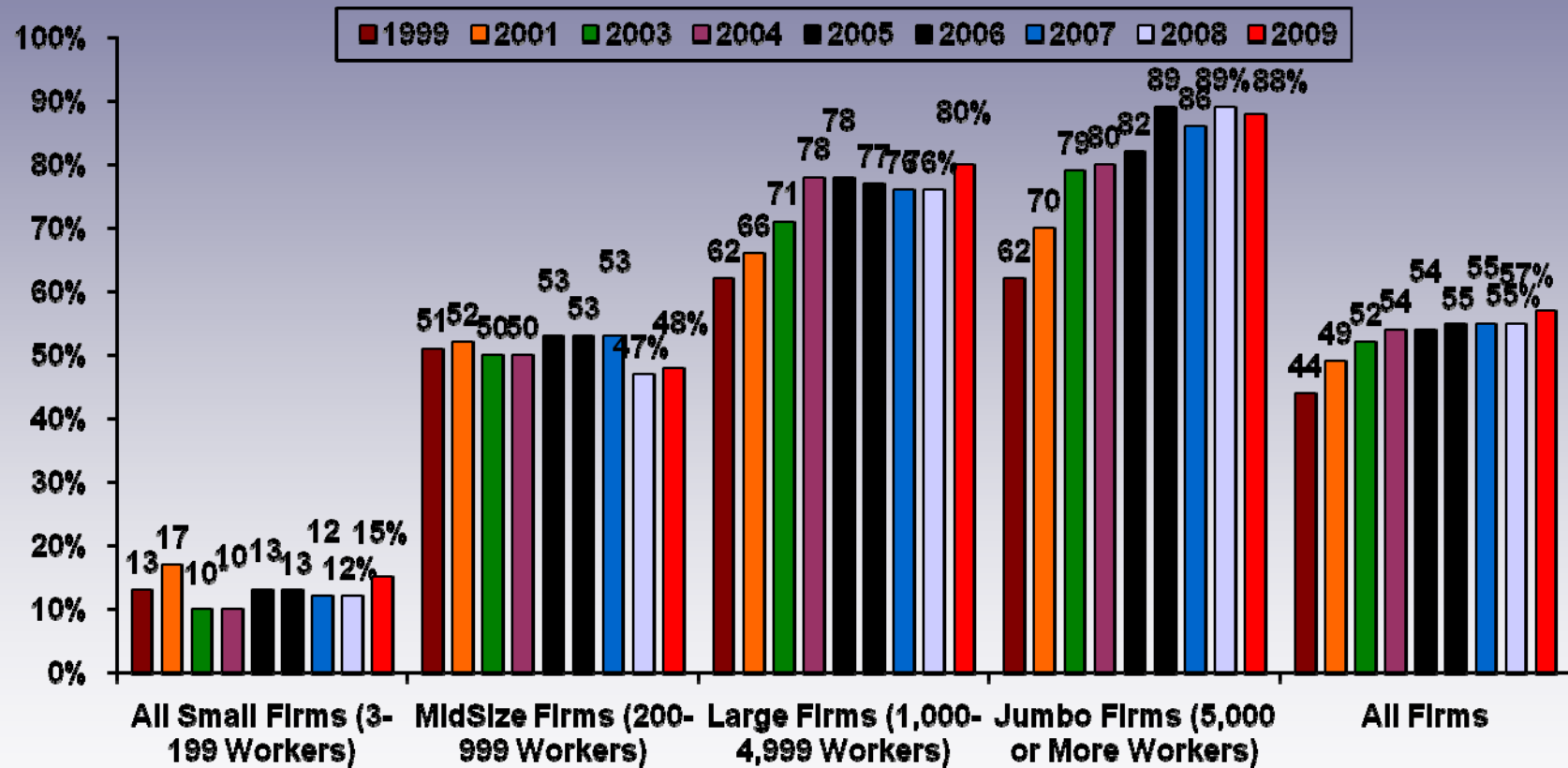
^ Fourth-tier copayment information was not obtained prior to 2004.

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: 2000-2009.



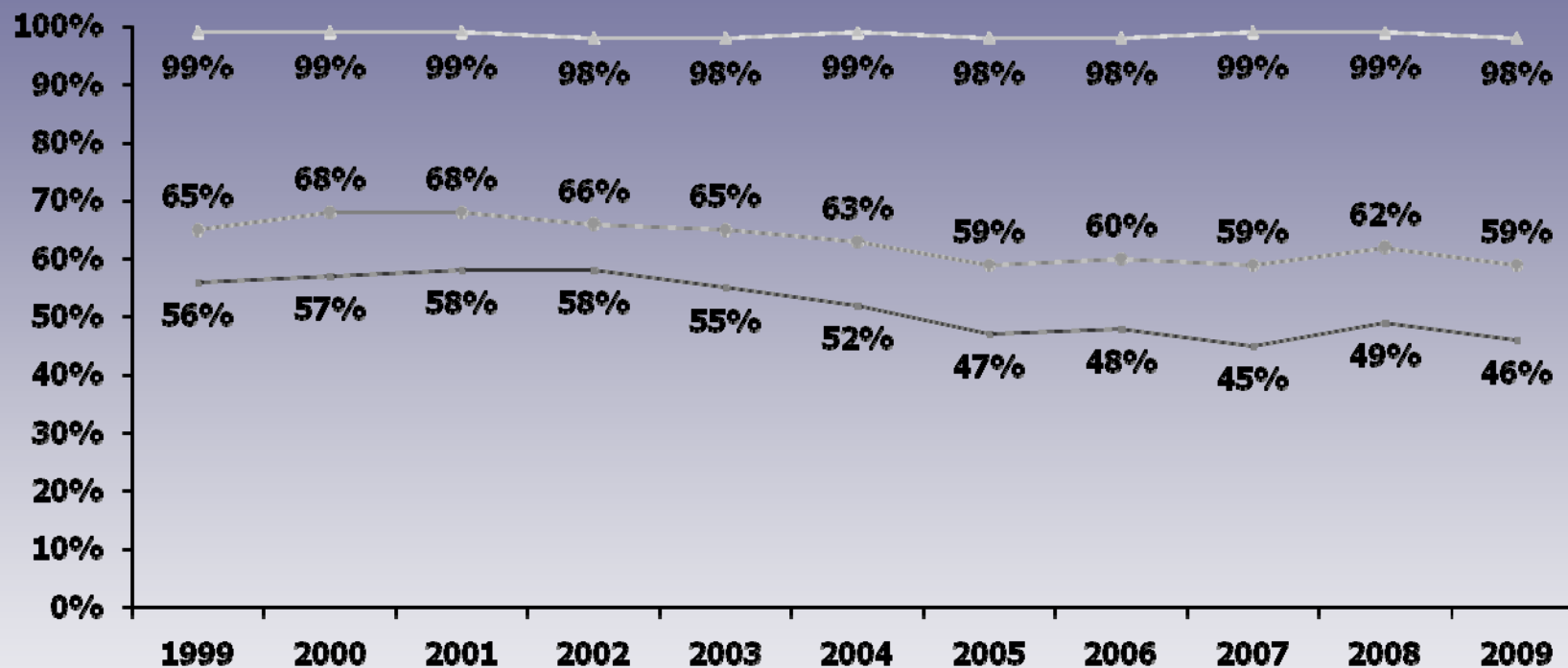
## Percentage of Covered Workers in Partially or Completely Self-Funded Plans, By Firm Size, 1999-2009



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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

## Percentage of All Firms Offering Health Benefits, 1999-2009.



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

Note: 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.

- All Small Firms (3-199 Workers)
- ▲— All Large Firms (200 or More Workers)
- 3-9 Workers

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

## Average Annual Premiums and Contributions to Savings Accounts For Covered Workers in HDHP/HRAs or HSA-Qualified HDHPs, Compared to All Non-HDHP/SO Plans, Small Firms (3-199 Workers), 2009

	<b>HDHP/HRA</b>		<b>HSA-Qualified HDHP</b>		<b>Non-HDHP/SO Plans<sup>§</sup></b>	
	<i>Single</i>	<i>Family</i>	<i>Single</i>	<i>Family</i>	<i>Single</i>	<i>Family</i>
<b>Total Annual Premium</b>	\$3,737	\$10,495	\$3,921	\$10,170	\$4,842	\$13,061
<i>Worker Contribution to Premium</i>	\$548	\$2,917	\$426	\$2,888	\$650	\$4,396
<i>Firm Contribution to Premium</i>	\$3,189	\$7,577	\$3,495	\$7,281	\$4,191	\$8,665
<b>Annual Firm Contribution to the HRA or HSA<sup>†</sup></b>	\$1,495	\$2,886	\$868	\$1,364	NA	NA
<b>Total Annual Firm Contribution (Firm Share of Premium Plus Firm Contribution to HRA or HSA)</b>	\$4,683	\$10,463	\$4,363	\$8,645	\$4,191	\$8,665
<b>Total Annual Cost (Total Premium Plus Firm Contribution to HRA or HSA, if Applicable)</b>	\$5,325*	\$13,381	\$4,789	\$11,533	\$4,842	\$13,061

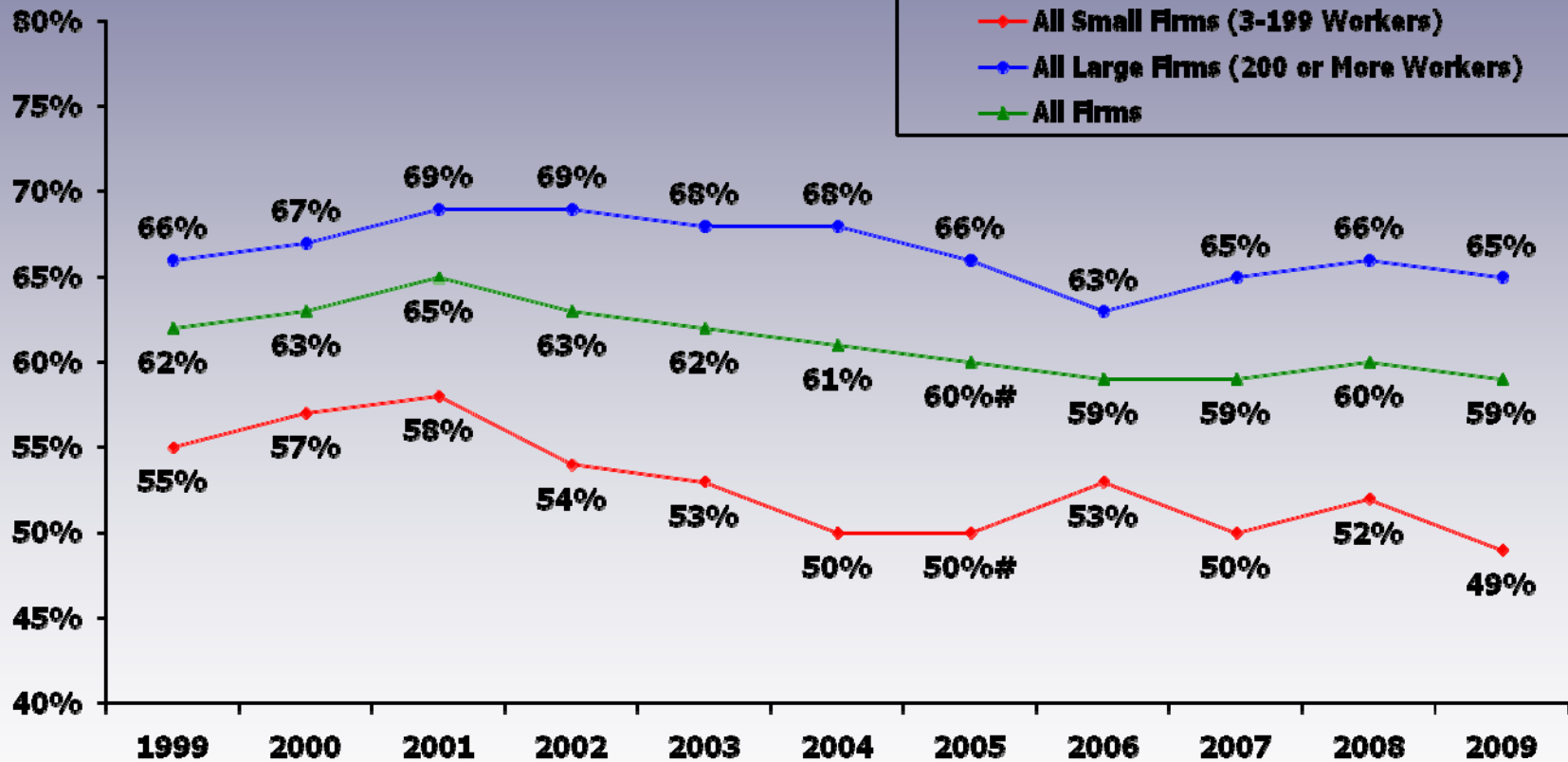
\* Estimate is statistically different from estimate for All Non-HDHP/SO Plans ( $p < .05$ ).

<sup>†</sup> When those firms that do not contribute to the HSA (28% for single and family coverage) are excluded from the calculation, the average firm contribution to the HSA for covered workers is \$1,139 for single coverage and \$2,067 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. Therefore, 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.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.

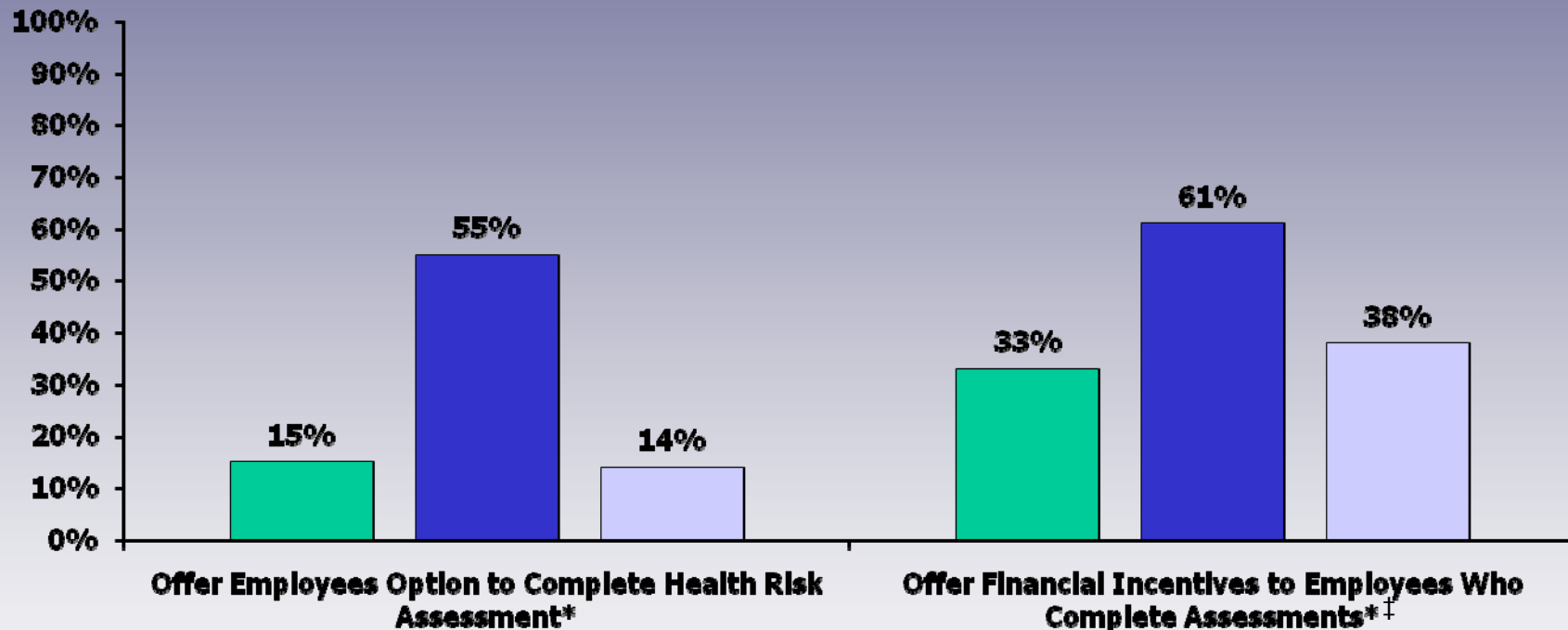
## Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999-2009



# 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, 1999–2009.

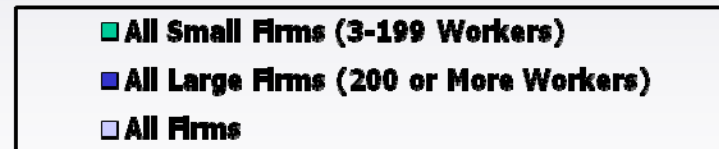
## Among Firms Offering Health Benefits, Percentage of Firms That Offer Employees Health Risk Assessments and Offer Incentives to Complete Assessments, by Firm Size, 2009



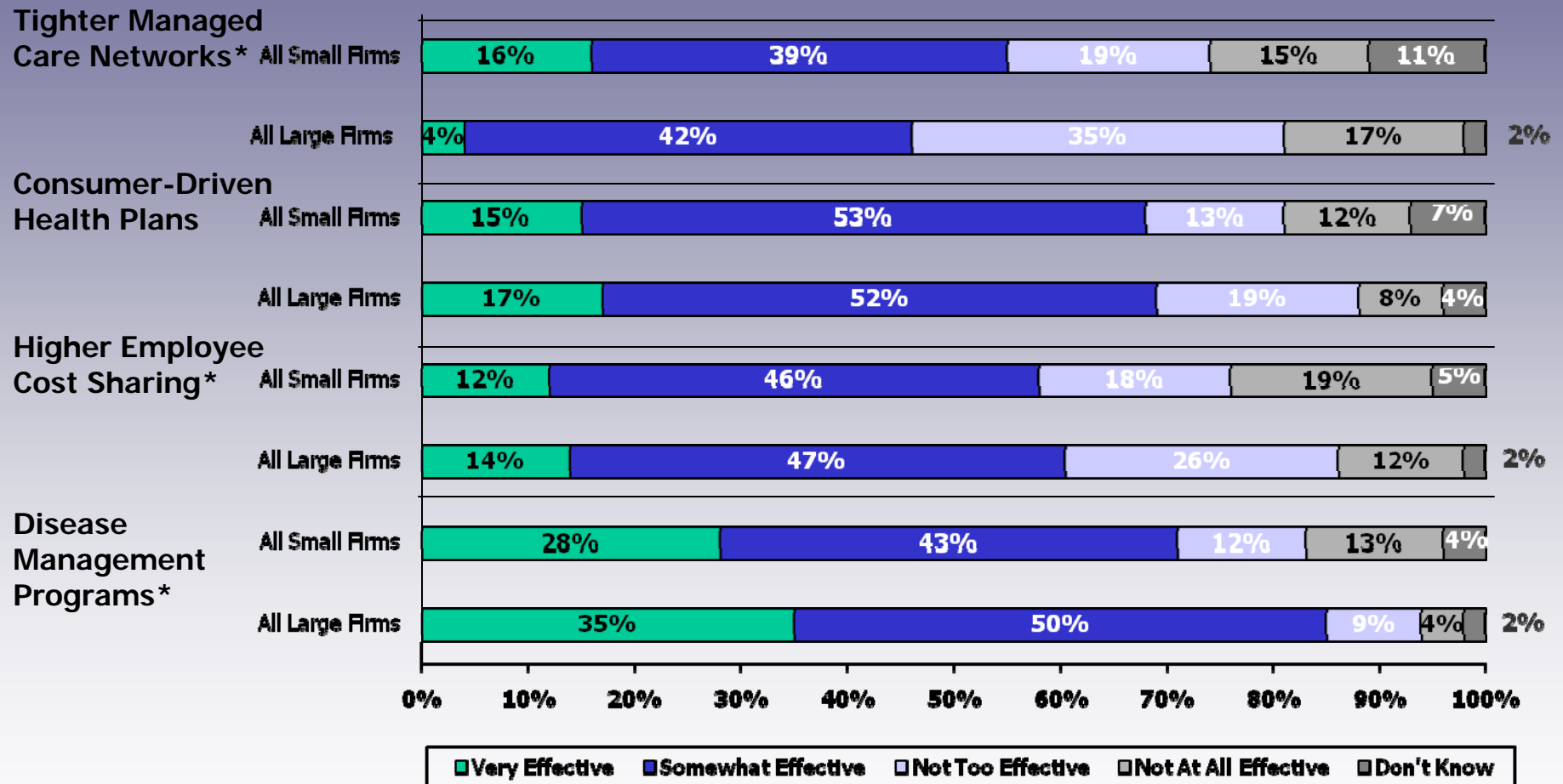
\*Estimate is statistically different between All Small Firms and All Large Firms within category ( $p < .05$ ).

‡ Among Firms Offering Employees Option to Complete Health Risk Assessment.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.



## Distribution of Firms' Opinions on the Effectiveness of the Following Cost Containment Strategies, 2009



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

Note: Distributions are among all firms both offering and not offering health benefits.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.

## Drivers of the Cost Trend

---

*Rising population incomes*

*Developments in medical technology*

*Less healthy lifestyles*

*Only small productivity gains in delivery of services*

*New patterns of competition in health care*

*Aging of the population*

*Not on the list: medical malpractice, benefit mandates*

## Role of Aging Often Overstated

*Aging contributes about a half percentage point per year to spending*

**The most sophisticated studies get even lower numbers**

*Distinct from the financing challenge*

**Sharp increase in Medicare spending begins in 2011**

*Contradiction between consistent research findings and popular opinion*

**Many would like us to believe that rising spending mostly from aging**

Implication that we must accept it



## Congressional Budget Office's Perspective on Cost Savings

---

Disease Management -- “Evidence about cost-reduction in the private sector have been inconclusive, and programs in the Medicare population have not shown cost reductions either.”

Comparative Effectiveness – “It would take several years before new research on comparative effectiveness would reduce health care spending substantially.”

Preventive Services – (Quoting study by Tufts) “Only 20 percent of preventive services that have been accessed yielded savings.”

Malpractice – “CBO has not found consistent evidence that changes in the malpractice environment would have a measurable impact on health care spending.”

## Summary

*• Premium increases (5.0 percent) moderated to the lowest level since 1999:*

- Buy downs*
- Loss of “market discipline” (Wall Street speak)*
- But six percentage points more than overall inflation.*
- Since 2000, premiums have risen 108 percent compared to 20 percent overall inflation and 29 percent increase in workers earnings.*
- Number of workers with employer-based insurance from their employer declined due to fall in employment.*
- Overall deductibles have more than doubled since 2005*
- Look for larger increases to due H1N1 and need to restore margins.*