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Employer
Health
Benefits

2012
ANNUAL SURVEY



-and-



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SUMMARY OF FINDINGS

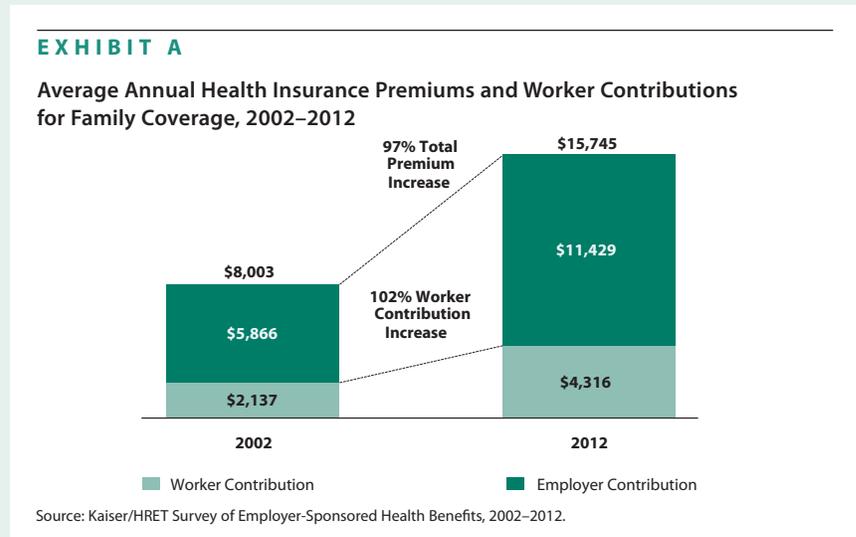
EMPLOYER-SPONSORED INSURANCE IS THE LEADING SOURCE OF HEALTH INSURANCE IN AMERICA, COVERING ABOUT 149 MILLION NONELDERLY PEOPLE.¹ TO PROVIDE CURRENT INFORMATION ABOUT THE NATURE OF EMPLOYER-SPONSORED HEALTH BENEFITS, THE KAISER FAMILY FOUNDATION (KAISER) AND THE HEALTH RESEARCH & EDUCATIONAL TRUST (HRET) CONDUCT AN ANNUAL NATIONAL SURVEY OF NONFEDERAL PRIVATE AND PUBLIC EMPLOYERS WITH THREE OR MORE WORKERS. THIS IS THE FOURTEENTH KAISER/HRET SURVEY AND REFLECTS HEALTH BENEFIT INFORMATION FOR 2012.

The key findings from the survey, conducted from January through May 2012, include modest increases in the average single and family insurance premiums and little change in the premium contributions and cost sharing that workers face since last year. Enrollment in high deductible plans with a savings option, such as a health savings account or health reimbursement arrangement, did not increase significantly over the previous year for the first time since 2009. The share of workers in a grandfathered health plan decreased significantly from the previous year to 48% of covered workers. Approximately 2.9 million adult children who were previously not eligible for benefits now have health insurance coverage through their parents due to the Affordable Care Act. In addition, the 2012 survey includes questions on employer wellness programs, including the percentage of plans with financial rewards or penalties for completing health programs or achieving biometric targets.

HEALTH INSURANCE PREMIUMS AND WORKER CONTRIBUTIONS

The average annual premiums for employer-sponsored health insurance in 2012 are \$5,615 for single coverage and \$15,745 for family coverage. Compared to 2011, the average premium for single coverage (\$5,429) is 3% higher and the average premium for family coverage (\$15,073) is 4% higher. Since 2002, average premiums for family coverage have increased 97% (Exhibit A). The growth in premiums has outpaced increases in both workers' wages (1.7% since 2011 and 33% since 2002) and inflation (2.3% since 2011 and 28% since 2002).²

The average premium for family coverage is lower for workers in small firms (3–199 workers) than for workers in large firms



(200 or more workers) (\$15,253 vs. \$15,980). Average premiums for high-deductible health plans with a savings option (HDHP/SOs) are lower than the overall average for all plan types for both single and family coverage (Exhibit B), at \$4,928 and \$14,129, respectively. Average single and family premiums are higher in the Northeast and lower in the South when compared to the other regions.

There is significant variation in the average annual premiums as a result of factors such as benefits, cost sharing, and geographical cost differences. Nineteen percent of covered workers are in plans with an annual total premium for family coverage of at least \$18,894 (120% of the average family premium), while 20% of covered workers are in plans where the family premium is less than \$12,596 (less than 80% of the average family premium). The distribution is similar around the average single premium (Exhibit C).

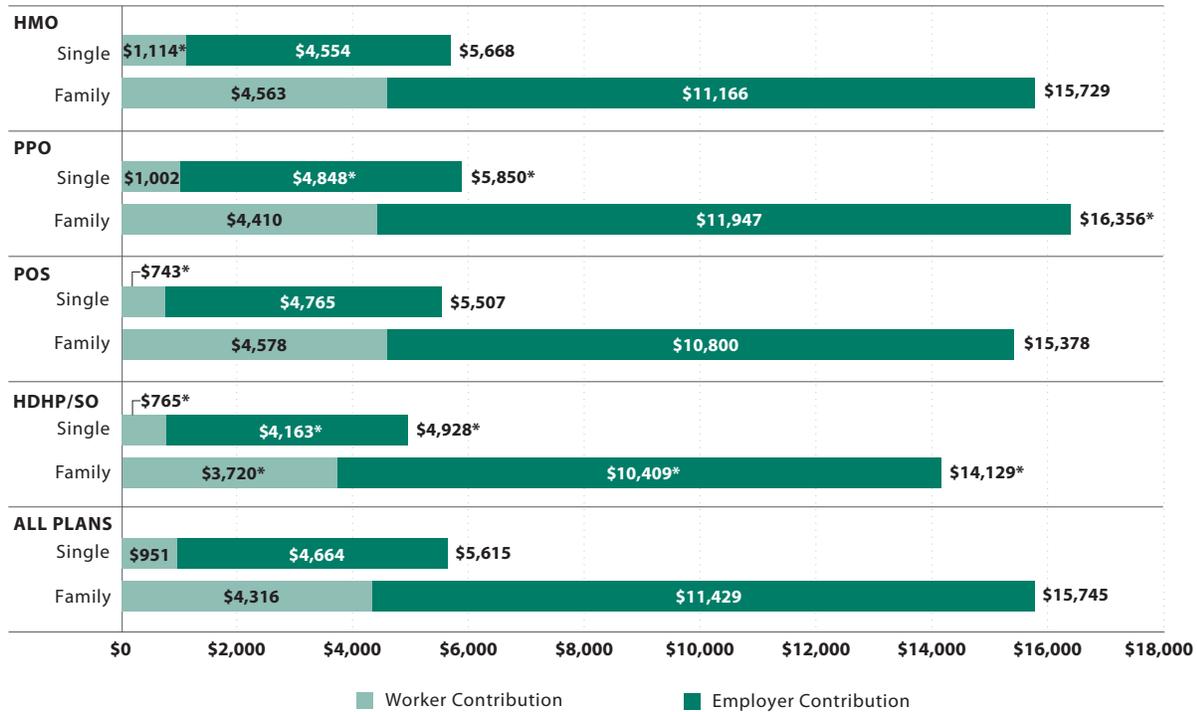
Covered workers contribute on average 18% of the premium for single coverage and 28% of the premium for family coverage,

the same percentages they contributed in 2011 and relatively unchanged over the past decade. Workers in small firms (3–199 workers) contribute a lower average percentage for single coverage compared to workers in larger firms (16% vs. 18%), but a higher average percentage for family coverage (35% vs. 25%).

As with total premiums, the share of the premium contributed by workers varies considerably around these averages. For single coverage, 61% of covered workers are in plans that require them to make a contribution of less than or equal to a quarter of the total premium and 2% are in plans that require a contribution of more than half of the premium; while 16% are in plans that require no contribution at all. For family coverage, 43% of covered workers are in plans that require them to make a contribution of less than or equal to a quarter of the total premium and 14% are in plans that require more than half of the premium; only 6% are in plans that require no contribution for family coverage (Exhibit D).

EXHIBIT B

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2012



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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Looking at the dollar amounts that workers contribute, the average annual premium contributions in 2012 are \$951 for single coverage and \$4,316 for family coverage. Neither amount is a statistically significant increase over the 2011 values (\$921 and \$4,129, respectively). Workers in small firms (3–199 workers) have lower average contributions for single coverage than workers in larger firms (\$848 vs. \$1,001), but higher average contributions for family coverage (\$5,134 vs. \$3,926). Compared to the average worker contributions, workers in HDHP/SOs have lower average contributions for both single coverage and family coverage. Workers in HMOs have higher than average contributions for single coverage, while workers in POS plans face smaller contributions.

PLAN ENROLLMENT

Overall, PPOs are by far the most common plan type, enrolling 56% of covered workers. Nineteen percent of covered workers are

enrolled in an HDHP/SO, 16% in an HMO, 9% in a POS plan, and less than 1% in a conventional plan (Exhibit E). Enrollment in HDHP/SOs did not increase significantly in 2012 over the previous year, but over time it has risen to 19% of covered workers from just 8% in 2009 (Exhibit E). Enrollment distribution varies by firm size, with PPOs being relatively more popular among large firms (200 or more workers), and POS plans and HDHP/SOs being relatively more popular among smaller firms.

EMPLOYEE COST SHARING

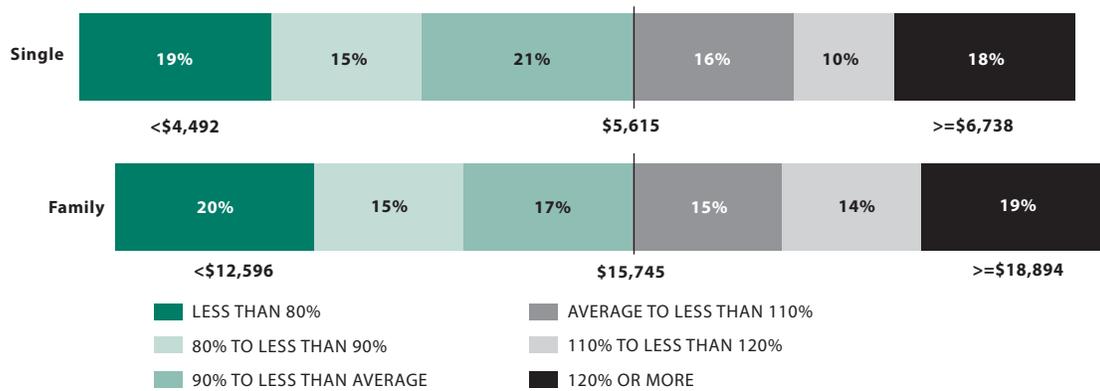
Most covered workers face additional plan costs when they use health care services. A large share of workers in PPOs (77%) and POS plans (60%) have a general annual deductible for single coverage that must be met before all or most services are reimbursed by the plan. In contrast, only 30% of workers in HMOs have a general annual deductible. However, many workers with no general annual deductible still face

other types of cost sharing when they use services, such as copayments or coinsurance for office visits and hospitalizations.

Among workers with a general annual deductible, the average deductible amount for single coverage is \$733 for workers in PPOs, \$691 for workers in HMOs, \$1,014 for workers in POS plans, and \$2,086 for workers in HDHP/SOs.³ As in recent years, workers with single coverage in small firms (3–199 workers) have higher deductibles than workers in large firms (200 or more workers); for example, the average deductibles for single coverage in PPOs, the most common plan type, are \$1,260 for workers in small firms (3–199 workers) compared to \$563 for workers in larger firms. Overall, 34% of covered workers are in a plan with a deductible of at least \$1,000 for single coverage, similar to the 31% reported in 2011, but up significantly from 22% in 2009 and just 10% in 2006 (Exhibit F). Covered workers in small firms remain more likely than covered workers in

EXHIBIT C

Distribution of Premiums for Single and Family Coverage Relative to the Average Annual Single or Family Premium, 2012



Note: The average annual premium is \$5,615 for single coverage and \$15,745 for family coverage. The premium distribution is relative to the average single or family premium. For example, \$4,492 is 80% of the average single premium, \$5,054 is 90% of the average single premium, \$6,177 is 110% of the average single premium. The same break points relative to the average are used for the distribution for family coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

larger firms (49% vs. 26%) to be in plans with deductibles of at least \$1,000.

The large majority of workers also has to pay a portion of the cost of physician office visits. Almost three in four covered workers (73%) pay a copayment (a fixed dollar amount) for office visits with a primary care physician or a specialist physician, in addition to any general annual deductible their plan may have. Smaller shares of workers pay coinsurance (a percentage of the covered

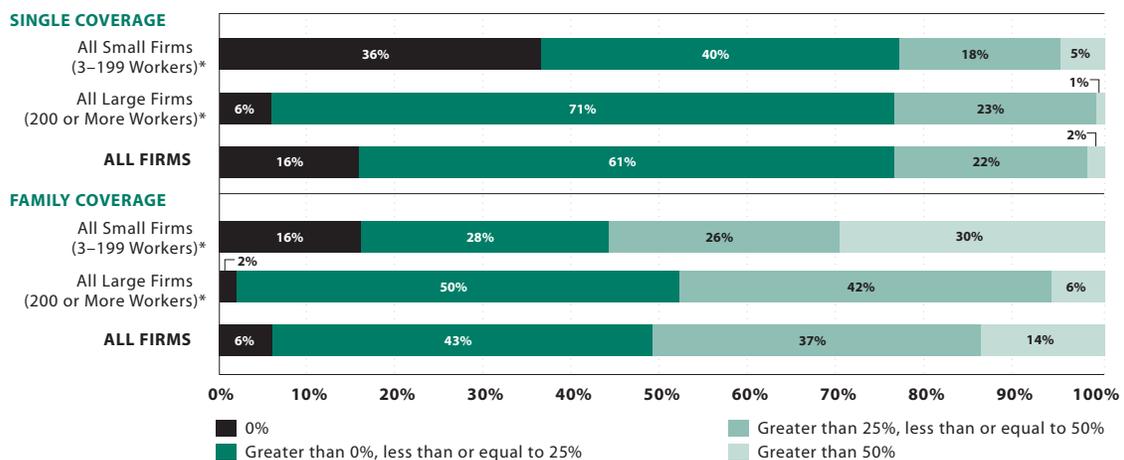
amount) for primary care office visits (17%) or specialty care visits (19%). Most covered workers in HMOs, PPOs, and POS plans face copayments for physician office visits, while covered workers in HDHP/SOs are more likely to have coinsurance requirements or no cost sharing after the deductible is met. For in-network office visits, covered workers with a copayment pay an average of \$23 for primary care and \$33 for specialty care. For covered workers with coinsurance, the

average coinsurance for office visits is 18% for primary care and 19% for specialty care. While the survey collects information only on in-network cost sharing, it is generally understood that out-of-network cost sharing is typically higher.

Fifty-eight percent of covered workers face copayments for emergency room (ER) visits and 22% pay coinsurance. The average copayment for ER visits is \$118. For three in four workers (75%), cost sharing for ER

EXHIBIT D

Distribution of Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Firm Size, 2012



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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

visits is waived if the patient is admitted to the hospital.

Almost all covered workers (99%) have prescription drug coverage, and nearly all face cost sharing for their prescriptions. Over three-quarters (78%) of covered workers are in plans with three or more tiers of cost sharing, a figure that has increased tremendously in the past decade. Copayments are more common than coinsurance for each tier of cost sharing. Among workers with three-or-more tier plans, the average copayments in these plans are \$10 for first-tier drugs, \$29 for second-tier drugs, \$51 for third-tier drugs, and \$79 for fourth-tier drugs. These amounts are not significantly different from the amounts reported last year. HDHP/SOs have a somewhat different cost-sharing pattern for prescription drugs than other plan types: just 54% of covered workers are enrolled in a plan with three or more tiers of cost sharing,

while 19% are in plans that pay 100% of prescription costs once the plan deductible is met, and 20% are in a plan with the same cost sharing for all prescription drugs.

In addition to any other cost sharing, 13% of covered workers with drug coverage also face a separate annual deductible for prescription drugs. For those with a separate drug deductible, the average amount is \$145. Eleven percent of covered workers with drug coverage have a separate annual out-of-pocket limit that applies only to spending on prescription drugs, with an average limit of \$1,722. The prevalence of these prescription drug deductibles and out-of-pocket limits has changed little over time.

Most workers also face additional cost sharing for a hospital admission or an outpatient surgery episode. After any general annual deductible, 58% of covered workers have coinsurance and 17% have a copayment

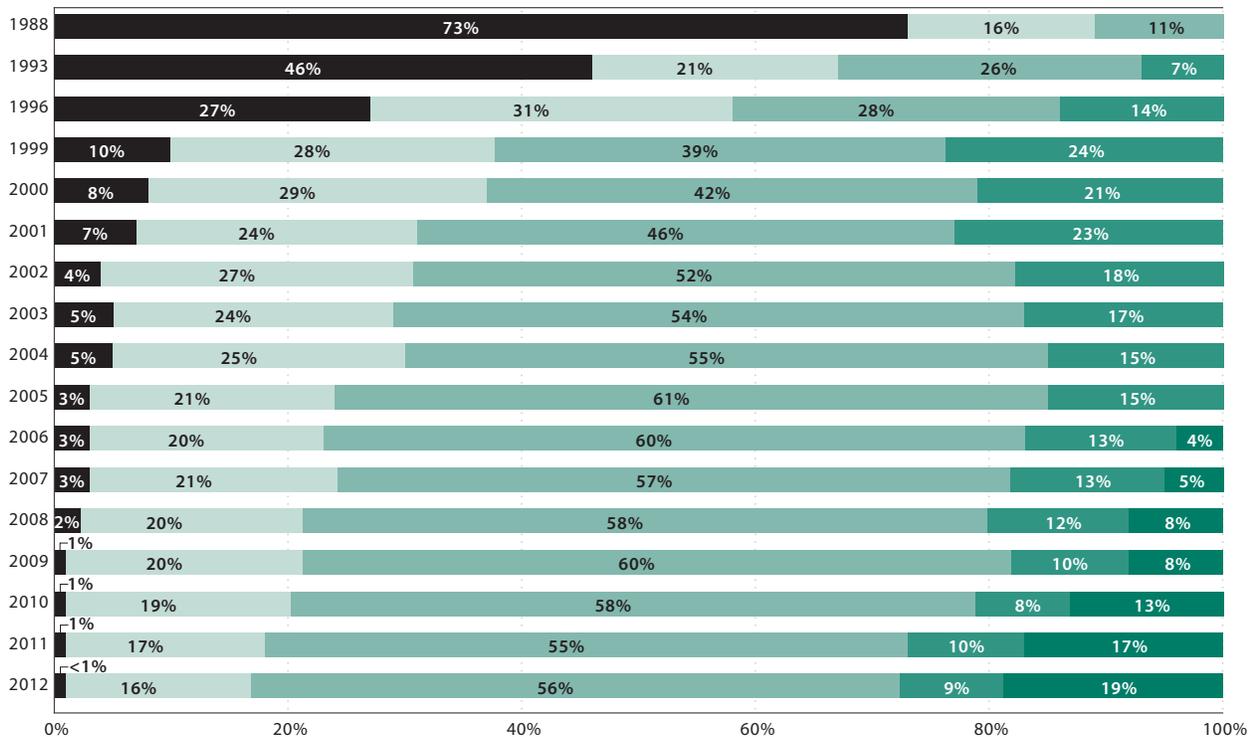
for hospital admissions. Lower percentages have per day (per diem) payments (4%), a separate hospital deductible (3%), or both copayments and coinsurance (9%).

The average coinsurance rate for hospital admissions is 18%, the average copayment is \$263 per hospital admission, the average per diem charge is \$221, and the average separate annual hospital deductible is \$548. The cost sharing provisions for outpatient surgery are similar to those for hospital admissions, as most covered workers have either coinsurance (59%) or copayments (19%). For covered workers with cost sharing for each outpatient surgery episode, the average coinsurance is 18% and the average copayment is \$127.

Most plans limit the amount of cost sharing workers must pay each year, generally referred to as an out-of-pocket maximum. Eighty-seven percent of covered workers have an out-of-pocket maximum for single coverage, but the actual dollar limits differ considerably. For

EXHIBIT E

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988–2012



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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

■ CONVENTIONAL
 ■ HMO
 ■ PPO
 ■ POS
 ■ HDHP/SO

example, among covered workers in plans that have an out-of-pocket maximum for single coverage, 41% are in plans with an annual out-of-pocket maximum of \$3,000 or more, and 16% are in plans with an out-of-pocket maximum of less than \$1,500. Even in plans with a specified out-of-pocket limit, not all spending is counted towards meeting the limit. For example, among workers in PPOs with an out-of-pocket maximum, 71% are in plans that do not count physician office visit copayments,

36% are in plans that do not count spending on the general annual deductible, and 80% are in plans that do not count prescription drug spending when determining if an enrollee has reached the out-of-pocket limit.

AVAILABILITY OF EMPLOYER-SPONSORED COVERAGE

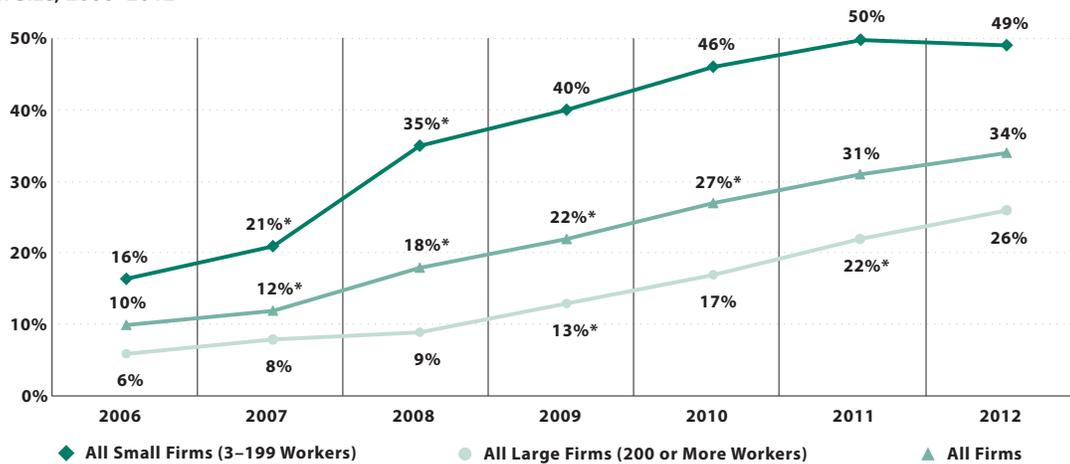
Sixty-one percent of firms offer health benefits to their workers, similar to the

percentage (60%) that offered last year (Exhibit G). The likelihood of offering health benefits differs significantly by size, with only 50% of employers with 3–9 workers offering coverage. Virtually all employers with 1,000 or more workers offer coverage to at least some of their employees.

Even in firms that offer health benefits, not all workers are covered. Some workers are not eligible to enroll as a result of waiting

EXHIBIT F

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$1,000 or More for Single Coverage, By Firm Size, 2006–2012



* 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, 2006–2012.

EXHIBIT G

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2012

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–9 Workers	55%	57%	58%	58%	55%	52%	47%	49%	45%	50%	47%	59%*	48%*	50%
10–24 Workers	74	80	77	70*	76	74	72	73	76	78	72	76	71	73
25–49 Workers	88	91	90	87	84	87	87	87	83	90*	87	92	85*	87
50–199 Workers	97	97	96	95	95	92	93	92	94	94	95	95	93	94
All Small Firms (3–199 Workers)	65%	68%	67%	65%	65%	62%	59%	60%	59%	62%	59%	68%*	59%*	61%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	97%	98%	97%	98%	99%	99%	98%	99%	99%	98%
ALL FIRMS	66%	68%	68%	66%	66%	63%	60%	61%	59%	63%	59%	69%*	60%*	61%

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

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

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

periods or minimum work-hour rules. Other workers do not enroll in coverage offered to them because of the cost of coverage or because they have access to coverage through a spouse. Among firms that offer coverage, an average of 77% of workers are eligible for the health benefits offered by their employer. Of those eligible, 81% take up their employer's coverage, resulting in 62% of workers in offering firms having coverage through their employer. Among both firms that offer and do not offer health benefits, 56% of workers are covered by health plans offered by their employer, similar to the percentage in 2011.

RETIREE COVERAGE

Twenty-five percent of large firms (200 or more workers) that offer health benefits offer retiree health benefits in 2012, similar to the percentage that did so in 2011. The offer rate has fallen slowly over time, with significantly fewer large employers offering retiree health benefits in 2012 than they did in years prior to 2007.

Among large firms (200 or more workers) that offer retiree health benefits, 88% offer health benefits to early retirees (workers retiring before age 65), 74% offer health benefits to Medicare-age retirees, and 5% offer a plan that covers exclusively prescription drugs.

WELLNESS

Employers continue to offer wellness and other programs as a benefit to their

employees. These include offering their employees the opportunity to complete a health risk assessment and offering programs that help employees engage in healthier personal behavior. Some employers have begun to collect biometric information from employees (e.g., cholesterol levels, body mass index) and are using it as part of their wellness and health programs. Some larger employers also are offering on-site medical clinics to provide care for employees for work-related and non-work-related medical conditions.

Eighteen percent of employers offering health benefits ask employees to complete a health risk assessment. A health risk assessment includes questions about medical history, health status, and lifestyle and is designed to identify the health risks of the person being assessed. Large firms (200 or more workers) are more likely than smaller firms to ask employees to complete a risk assessment or appraisal (38% vs. 18%). Among these firms, 63% of large firms (200 or more workers) provide a financial incentive to employees to encourage them to complete the assessment (Exhibit H).

This year we asked firms who ask their employees to complete a health risk assessment if employees with an identified health risk factor face financial incentives or penalties for completing a wellness or health management program, or meeting biometric targets. Eleven percent of large firms reported that there are instances where

an employee with an identified health risk factor is required to complete a wellness or health management program or activity in order to avoid a financial penalty, such as a higher premium contribution or higher patient cost sharing. Nine percent of large firms that ask employees to complete a health risk assessment report that employees are rewarded or penalized financially based on whether they meet specified biometric outcomes (not including smoking cessation), such as meeting a target body mass index (or BMI) or cholesterol level.

The majority of employers offering health benefits offers at least one of the following wellness programs in 2012 (63%): weight loss programs, gym membership discounts or on-site exercise facilities, biometric screening, smoking cessation programs, personal health coaching, classes in nutrition or healthy living, web-based resources for healthy living, or a wellness newsletter. This is similar to the percentage (65%) for 2011. Large firms (200 or more workers) are more likely to offer a wellness program than small firms (94% vs. 63%). When asked the primary reason for offering a wellness program, firms were most likely to respond that the wellness program was part of the health plan (37%) or was offered to improve employee health or reduce absenteeism (35%). Only 9 percent of employers offering these programs identified reducing health care costs as the primary reason for offering the program. When asked about the effectiveness of wellness programs,

EXHIBIT H

Percentage of Large Firms with Financial Penalties and/or Incentives for Employees Who Complete Wellness Programs or Meet Biometric Outcomes, 2012

	Large Firms (200 or More Workers)
Among firms offering health benefits:	
Firm asks employees to complete a health risk assessment:	38%
Among firms which ask employees to complete a health risk assessments:	
Firm offers financial incentives to complete a health risk assessment	63%
Employees with identified health risk factors have to complete a wellness program or face financial penalties	11%
Some employees are either rewarded or penalized based on whether they meet biometric outcomes	9%

Note: A health risk assessment or appraisal includes questions on medical history, health status, and lifestyle and is designed to identify the health risks of the person being assessed. Smoking cessation is not included as a biometric outcome. A lower percentage (18%) of small firms (3–199 workers) asks employees to complete a health risk assessment than larger firms (38%). The estimates for small firms which ask employees to complete a health risk assessment are not included due to the high standard errors.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

73% of employers offering at least one of these wellness programs reported that wellness programs were effective in improving the health of their firm's employees, while 52% said that wellness programs were effective in reducing their firm's health care costs.⁴

Employers offer other health-related programs as well. Twenty-two percent of firms with 1,000 or more employees reported operating an on-site health clinic for their employees in at least one of their major locations. About three in four of these firms (76%) reported that employees could receive treatment for non-work-related conditions at the on-site clinic.

HEALTH REFORM

While many of the most significant provisions of the Patient Protection and Affordable Care Act (ACA) will not take effect until 2014, important provisions became effective in 2010 and others will take effect over the next few years. The 2012 survey asked employers about some of these early provisions.

Grandfathered Health Plans. The ACA exempts "grandfathered" health plans from a number of its provisions, such as the requirements to cover preventive benefits without cost sharing or to have an external appeals process. An employer-sponsored health plan can be grandfathered if it

covered a worker when the ACA became law (March 23, 2010) and if the plan does not make significant changes that reduce benefits or increase employee costs.⁵ Fifty-eight percent of firms had at least one grandfathered health plan in 2012, down from 72% in 2011. The percentage of firms with at least one grandfathered plan does not differ significantly between small (3–199 workers) and larger firms. In terms of enrollment, 48% of covered workers were in grandfathered health plans in 2012, down from 56% last year (Exhibit I).

Firms with plans that were not grandfathered were asked to respond to a list of potential reasons why each plan is not a grandfathered plan. Twenty-seven percent of covered workers are in plans that were not in effect when the ACA was enacted. Roughly similar percentages of workers are in plans where the deductibles or copayments (36%) or employee premium contributions (34%) changed more than was permitted for plans to maintain grandfathered status. The reasons plans were not grandfathered varied by firm size, with workers in small firms (3–199 workers) much more likely than workers in large firms to be in a new plan that was not in effect when the ACA was enacted (55% vs. 19%) and generally less likely to be affected by plan changes.⁶

Coverage for Adult Children to Age 26. The ACA requires firms offering health coverage to extend benefits to children of covered

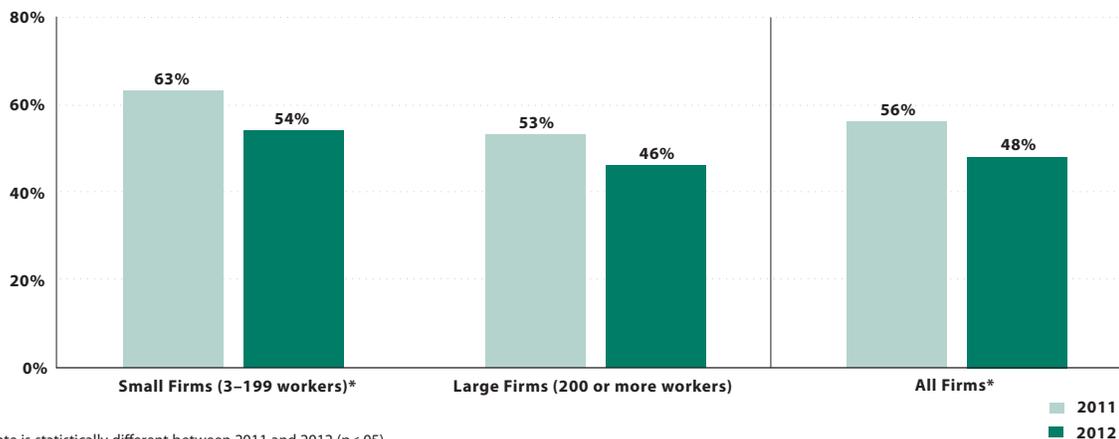
workers until the child reaches age 26. The child does not need to be a legal dependent, but until 2014, plans do not have to enroll children of employees if those children are offered employer-sponsored health coverage at their own job. The survey asked firms whether any adult children who would not have been eligible for the plan prior to the change in law were currently enrolled in health coverage under this provision. Twenty-nine percent of small firms (3–199 workers) and 90% of larger firms enrolled at least one adult child under this provision at the time of the survey. The numbers of children that enroll under this provision are closely related to the number of workers in the firm. Smaller firms (3–49 workers) on average enroll one to two adult children due to the provision, while the largest firms (5,000 or more workers) enroll an average of 478 adult children. In total, 2.9 million adult children are currently enrolled on their parent's coverage because of the ACA, 1.1 million at small firms (3–199 workers) and 1.8 million at larger firms.

OTHER TOPICS

Pre-Tax Premium Contributions. Forty-one percent of small firms (3–199 workers) and 91% of larger firms have a plan under section 125 of the Internal Revenue Service Code (sometimes called a premium-only plan) to allow employees to use pre-tax dollars to pay for their share of health

EXHIBIT I

Percentage of Covered Workers Enrolled in Plans Grandfathered under the Affordable Care Act (ACA), by Firm Size, 2011 and 2012



* Estimate is statistically different between 2011 and 2012 ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011–2012.

insurance premiums. These percentages are similar to 2010, the last time we asked about pre-tax contributions (40% and 90%).

Flexible Spending Accounts. Seventeen percent of small firms (3–199 workers) and 76% of larger firms offer employees the option of contributing to a flexible spending account (or FSA). FSAs permit employees to make pre-tax contributions that may be used during the year to pay for eligible medical expenses not covered by health insurance. These percentages are similar to 2010, the last time we asked about FSAs (12% and 74%).

Shopping for Coverage. Fifty-four percent of offering firms shopped for a new health plan or insurance carrier in the previous year. There was not a significant difference between small (3–199 workers) and larger firms in the likelihood of shopping for new coverage. Among firms that shopped, 18% changed carriers in the past year and 27% changed the type of health plan (e.g., HMO, PPO, POS or HDHP/SO) that they offer.

Stoploss Coverage. Most firms that have self-funded health plans purchase insurance, often called “stoploss” coverage, to limit the amount they may have to pay in claims either overall, or for any particular plan enrollee. Fifty-nine percent of workers in self-funded health plans are enrolled in plans covered by stoploss insurance. The average per employee claims cost at which stoploss insurance begins paying benefits is about \$223,000.

CONCLUSION

In 2012, premiums increased moderately as the economy continued to recover slowly and utilization remained sluggish. The percentage of firms offering health insurance and the percentage of workers covered by

health insurance remained steady. For the first time since 2009, the percentage of covered workers enrolled in high deductible health plans with a savings option did not increase significantly versus the previous year. Important differences remain in the health plans being offered at small and large firms, with covered workers facing larger premium contributions for family coverage and cost-sharing requirements at smaller firms.

A significant number of firms (18%) are asking their employees to complete a health risk assessment, with a share of employers levying financial penalties to certain workers who do not complete wellness programs or meet biometric outcomes.

Employers continue to implement the early provisions of the Affordable Care Act. Currently 2.9 million children are enrolled in a parent’s employer-sponsored health plan as a result of the ACA. Less than half of covered workers are in grandfathered plans, a reduction from last year. The survey will continue to monitor employers’ responses to health reform and other changes in the insurance market.

METHODOLOGY

The Kaiser Family Foundation/Health Research & Educational Trust 2012 Annual Employer Health Benefits Survey (Kaiser/HRET) reports findings from a telephone survey of 2,121 randomly selected public and private employers with three or more workers. Researchers at the Health Research & Educational Trust, NORC at the University of Chicago, and the Kaiser Family Foundation designed and analyzed the survey. National Research, LLC conducted the fieldwork between January and May 2012. In 2012 the overall response rate is 47%, which

includes firms that offer and do not offer health benefits. Among firms that offer health benefits, the survey’s response rate is also 47%.

From previous years’ experience, we learned that firms that decline to participate in the study are less likely to offer health coverage. Therefore, we asked one question to all firms with which we made phone contact, but the firm declined to participate. The question was, “Does your company offer a health insurance program as a benefit to any of your employees?” A total of 3,326 firms responded to this question (including the 2,121 who responded to the full survey and 1,205 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health coverage. The response rate for this question is 73%. Since firms are selected randomly, it is possible to extrapolate from the sample to national, regional, industry, and firm size estimates using statistical weights. In calculating weights, we first determined the basic weight, then applied a nonresponse adjustment, and finally applied a post-stratification adjustment. We used the U.S. Census Bureau’s Statistics of U.S. Businesses as the basis for the stratification and the post-stratification adjustment for firms in the private sector, and we used the Census of Governments as the basis for post-stratification for firms in the public sector. Some numbers in the exhibits in the report do not sum up to totals due to rounding effects, and, in a few cases, numbers from distribution exhibits referenced in the text may not add due to rounding effects. Unless otherwise noted, differences referred to in the text and exhibits use the 0.05 confidence level as the threshold for significance.

For more information on the survey methodology, please visit the Survey Design and Methods Section at <http://ehbs.kff.org/>.

¹ Kaiser Commission on Medicaid and the Uninsured. The Uninsured: A Primer. Kaiser Family Foundation. 2011 Oct. Available from: <http://www.kff.org/uninsured/upload/7451-07.pdf>. 56.2% of the non-elderly American population receives insurance coverage through an employer-sponsored plan.

² Kaiser/HRET surveys use the April-to-April time period. The inflation numbers are not seasonally adjusted. Bureau of Labor Statistics. Consumer Price Index, U.S. city average of annual inflation (April to April). [Internet]. Washington (DC): Department of Labor; 2012 [cited 2012 Aug 27]. Available from: http://data.bls.gov/timeseries/CUUR0000SA0?include_graphs=false&output_type=column&years_option=all_years10. Wage data are from the Bureau of Labor Statistics and based on the change in total average hourly earnings of production and nonsupervisory employees. Employment, hours, and earnings from the Current Employment Statistics survey [Internet]. Washington (DC): Department of Labor; 2012 [cited 2012 Aug 27]. Available from: <http://data.bls.gov/timeseries/CE50500000008>.

³ The survey treats high-deductible plans that can be paired with a savings option as a distinct plan type – High-Deductible Health Plan with Savings Option (HDHP/SO) – even if the plan would otherwise be considered a PPO, HMO, POS plan, or conventional health plan. Specifically for the survey, HDHP/SOs are defined as (1) health plans with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage offered with an HRA (referred to as HDHP/HRAs); or (2) high-deductible health plans that meet the federal legal requirements to permit an enrollee to establish and contribute to an HSA (referred to as HSA-qualified HDHPs).

⁴ Twelve percent of firms indicated that they did not know if wellness programs were effective in improving employees’ health and 13% did not know if wellness programs were effective in reducing costs.

⁵ *Federal Register*. Vol. 75, No 221, November 17, 2010, <http://www.gpo.gov/fdsys/pkg/FR-2010-11-17/pdf/2010-28861.pdf>.

⁶ In 2012 and 2011 firms that indicate “other” were allowed to explain why the plan was no longer eligible. In 2011 firms that indicated that they changed carriers were recoded as having a new plan. Federal regulations now allow some firms that changed carriers to preserve their grandfather status, and therefore these firms were not recoded as new plans in 2012.

⁷ *Federal Register*. Vol. 75, No 92, May 13, 2010, <http://www.gpo.gov/fdsys/pkg/FR-2010-05-13/pdf/2010-11391.pdf>.

EMPLOYER HEALTH BENEFITS
2012 ANNUAL SURVEY

Survey Design
and
Methods

SURVEY DESIGN AND METHODS

THE KAISER FAMILY FOUNDATION AND THE HEALTH RESEARCH & EDUCATIONAL TRUST (KAISER/HRET) CONDUCT THIS ANNUAL SURVEY OF EMPLOYER-SPONSORED HEALTH BENEFITS. HRET, A NONPROFIT RESEARCH ORGANIZATION, IS AN AFFILIATE OF THE AMERICAN HOSPITAL ASSOCIATION. THE KAISER FAMILY FOUNDATION DESIGNS, ANALYZES, AND CONDUCTS THIS SURVEY IN PARTNERSHIP WITH HRET, AND ALSO PAYS FOR THE COST OF THE SURVEY. HRET SUBCONTRACTS WITH RESEARCHERS AT NORC AT THE UNIVERSITY OF CHICAGO (NORC) TO WORK WITH FOUNDATION AND HRET RESEARCHERS IN CONDUCTING THE STUDY. KAISER/HRET RETAINED NATIONAL RESEARCH, LLC (NR), A WASHINGTON, D.C.-BASED SURVEY RESEARCH FIRM, TO CONDUCT TELEPHONE INTERVIEWS WITH HUMAN RESOURCE AND BENEFITS MANAGERS USING THE KAISER/HRET SURVEY INSTRUMENT. FROM JANUARY TO MAY 2012, NR COMPLETED FULL INTERVIEWS WITH 2,121 FIRMS.

SURVEY TOPICS

As in past years, Kaiser/HRET asked each participating firm as many as 400 questions about its largest health maintenance organization (HMO), preferred provider organization (PPO), point-of-service (POS) plan, and high-deductible health plan with a savings option (HDHP/SO).¹ In 2006, Kaiser/HRET began asking employers if they had a health plan that was an exclusive provider organization (EPO). We treat EPOs and HMOs as one plan type and report the information under the banner of “HMO;” if an employer sponsors both an HMO and an EPO, they are asked about the attributes of the plan with the larger enrollment.

As in past years, the survey includes questions on the cost of health insurance, health benefit offer rates, coverage, eligibility, enrollment patterns, premiums,² employee cost sharing, prescription drug benefits, retiree health benefits, wellness benefits, and employer opinions. New topics in the 2012 survey include the use of biometric screening, domestic partner benefits,

and emergency room cost sharing. In addition, many of the questions on health reform included in the 2011 survey were retained, including stoploss coverage for self-funded plans, cost sharing for preventive care, and plan grandfathering resulting from the Affordable Care Act (ACA).

RESPONSE RATE

After determining the required sample from U.S. Census Bureau data, Kaiser/HRET drew its sample from a Survey Sampling Incorporated list (based on an original Dun and Bradstreet list) of the nation’s private employers and from the Census Bureau’s Census of Governments list of public employers with three or more workers. To increase precision, Kaiser/HRET stratified the sample by ten industry categories and six size categories. Kaiser/HRET attempted to repeat interviews with prior years’ survey respondents (with at least ten employees) who participated in either the 2010 or the 2011 survey, or both. As a result, 1,579 of the 2,121 firms that completed the survey also participated in either the 2010 or 2011 surveys, or both.³ The overall response rate is 47%.⁴

NOTE:

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

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

³ In total, 166 firms participated in 2010 and 2012, 323 firms participated in 2011 and 2012, and 1,090 firms participated in 2010, 2011, and 2012.

⁴ Response rate estimates are calculated by dividing the number of completes over the number of refusals and the fraction of the firms with unknown eligibility to participate estimated to be eligible. Firms determined to be ineligible to complete the survey are not included in the response rate calculation.

The vast majority of questions are asked only of firms that offer health benefits. A total of 1,930 of the 2,121 responding firms indicated that they offered health benefits. The response rate for firms that offer health benefits is 47%.

We asked one question of all firms in the study that we made phone contact with but the firm declined to participate. The question was, “Does your company offer a health insurance program as a benefit to any of your employees?” A total of 3,326 firms responded to this question (including 2,121 who responded to the full survey and 1,205 who responded to this one question). These responses are included in our estimates of the percentage of firms offering health benefits.⁵ The response rate for this question is 73%. In 2012 the calculation of the response rates was adjusted to be slightly more conservative than previous years.

FIRM SIZE CATEGORIES AND KEY DEFINITIONS

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

Exhibit M.2 displays the distribution of the nation’s firms, workers, and covered workers (employees receiving coverage from their employer). Among the over three million firms nationally, approximately 61.1% are firms employing 3 to 9 workers; such firms employ 8.3% of workers, and 4.4% of workers covered by health insurance. In contrast, less than one percent of firms employ 1,000 or more workers; these firms employ 48% of workers and 53% of covered workers. Therefore, the smallest firms dominate any national statistics about what employers in general are doing. For this reason, most statistics about firms are broken out by size categories. In contrast, firms with 1,000 or more workers are the most important employer group

in calculating statistics regarding covered workers, since they employ the largest percentage of the nation’s workforce.

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

Each year, the survey asks firms for the percentage of their employees who earn less than a specified amount in order to identify the portion of a firm’s workforce that has relatively low wages. This year, the income threshold is \$24,000 per year for low-wage workers and \$55,000 for high-wage workers. These thresholds are based on the 25th and 75th percentile of workers’ earnings as reported by the Bureau of Labor Statistics using data from the National Compensation Survey (2010), the most current data available at the time of the survey design.

ROUNDING AND IMPUTATION

Some exhibits in the report do not sum to totals due to rounding effects. In a few cases, numbers from distribution exhibits may not add to the numbers referenced in the text due to rounding effects. Although overall totals and totals for size and industry are statistically valid, some breakdowns may not be available due to limited sample sizes. Where the unweighted sample size is fewer than 30 observations, exhibits include the notation “NSD” (Not Sufficient Data).

To control for item nonresponse bias, Kaiser/HRET imputes values that are missing for most variables in the survey. In general, 3% of observations are imputed for any given variable. All variables are imputed following a hotdeck approach. In 2012, there were nine variables where the imputation rate exceeded 20%. For these cases, the unimputed variable is compared with the imputed variable. There are a few variables that Kaiser/HRET has decided should not be imputed; these are typically variables where “don’t know” is considered a valid response option (for example, firms’ opinions about effectiveness of various strategies to control health insurance costs). In addition, there are several variables in which missing data is calculated based on respondents’ answers to other questions (for example, when missing

NOTE:

⁵ Estimates presented in Exhibits 2.1, 2.2 and 2.3 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.

employer contributions to premiums is calculated from the respondent's premium and the ratio of contributions to premiums). In 2012 the method to calculate missing premiums and contributions was revised; if a firm provides a premium for single coverage or family coverage, or a worker contribution for single coverage or family coverage, that information was used in the imputation. For example, if a firm provided a worker contribution for family coverage but no premium information, a ratio between the family premium and family contribution was imputed and then the family premium was calculated. In addition, in cases where premiums or contributions for both family and single coverage were missing, the hotdeck procedure was revised to draw all four responses from a single firm. The change in the imputation method did not make a significant impact on the premium or contribution estimates.

SAMPLE DESIGN

We determined the sample requirements based on the universe of firms obtained from the U.S. Census. Prior to the 2009 survey, the sample requirements were based on the total counts provided by Survey Sampling Incorporated (SSI) (which obtains data from Dun and Bradstreet). Over the years, we have found the Dun and Bradstreet frequency counts to be volatile because of duplicate listings of firms, or firms that are no longer in business. These inaccuracies vary by firm size and industry. In 2003, we began using the more consistent and accurate counts provided by the Census Bureau's Statistics of U.S. Businesses and the Census of Governments as the basis for post-stratification, although the sample was still drawn from a Dun and Bradstreet list. In order to further address this concern at the time of sampling, starting in 2009 we use Census data as the basis for the sample.

We also defined Education as a separate sampling category, rather than as a subgroup of the Service category. In the past, Education firms were a disproportionately large share of Service firms. Education is controlled for during post-stratification, and adjusting the sampling frame to also control for Education allows for a more accurate representation of both Education and Service industries.

In past years, both private and government firms were sampled from the Dun and Bradstreet database. Beginning in 2009, Government firms were sampled from the 2007 Census of Governments. This change was made to eliminate the overlap of state agencies that were frequently sampled from the Dun and Bradstreet database. The sample of private firms is screened for firms that are related to state/local governments,

and if these firms are identified in the Census of Governments, they are reclassified as government firms and a private firm is randomly drawn to replace the reclassified firm. The federal government is not included in the sample frame.

Finally, the data used to determine the 2012 Employer Health Benefits sample frame include the U.S. Census' 2008 Statistics of U.S. Businesses and the 2007 Census of Governments. At the time of the sample design (December 2011), these data represented the most current information on the number of public and private firms nationwide with three or more workers. As in the past, the post-stratification is based on the most up-to-date Census data available (the 2008 update to the Census of U.S. Businesses was purchased during the survey field period) and the 2007 Census of Governments. The Census of Governments is conducted every five years, and this is the fourth year the data from the 2007 Census of Governments has been available for use.

In 2012, the method for calculating the size of the sample was adjusted. Rather than using a combined response rate for panel and non-panel firms, separate response rates were used to calculate the number of firms to be selected in each strata. In addition, the mining stratum was collapsed into the agriculture and construction industry grouping. In sum, changes to the sampling method required more firms to be included and may have reduced the response rate in order to provide more balanced power within each strata.

WEIGHTING AND STATISTICAL SIGNIFICANCE

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

Calculation of the weights follows a common approach. First, the basic weight is determined, followed by a nonresponse adjustment. As part of this nonresponse adjustment, Kaiser/HRET conducted

a small follow-up survey of those firms with 3 to 49 workers that refused to participate in the full survey. Just as in years passed, Kaiser/HRET conducted a McNemar test to verify that the results of the follow-up survey are comparable to the results from the original survey. Starting in 2012 the sample for the non-response survey was changed to exclude firms which were considered ineligible during the initial phase of the survey. Next, we trimmed the weights in order to reduce the influence of weight outliers. First, we identified common groups of observations. Within each group, we identified the median and the interquartile range of the weights and calculated the trimming cut point as the median plus six times the interquartile range ($M + [6 * IQR]$). Weight values larger than this cut point are trimmed to the cut point. In all instances, less than one percent of the weight values were trimmed. Finally, we calibrated the weights to U.S. Census Bureau's 2008 Statistics of U.S. Businesses for firms in the private sector, and the 2007 Census of Governments as the basis for calibration/post-stratification for public sector firms.

In 2011, we became aware that the way we had been using the data from the Census Bureau for calibration was incorrect and resulted in an over-count of the actual number of firms in the nation. Specifically, firms operating in more than one industry were counted more than once in computing the total firm count by industry, and firms with establishments were counted more than once in computing the total firm count by state (which affects the regional count). Because smaller firms are less likely to operate in more than one industry or state, the miscounts occurred largely for larger firm sizes. The error affected only statistics that are weighted by the number of firms (such as the percent of firms offering health benefits). Statistics that are weighted by the number of workers or covered workers (such as average premiums, contributions, or deductibles) were not affected.

We addressed this issue by proportionally distributing the correct national total count of firms within each firm size as provided by the U.S. Census Bureau across industry and states based on the observed distribution of workers. This effectively weights each firm within each category (industry or state) in proportion to its

share of workers in that category. The end result is a synthetic count of firms across industry and state that sums to the national totals.

Firm-weighted estimates resulting from this change show only small changes from previous estimates, because smaller firms have much more influence on national estimates. For example, the estimate of the percentage of firms offering coverage was reduced by about .05 percentage points in each year (in some years no change is evident due to rounding).⁶ Estimates of the percentage of large firms offering retiree benefits were reduced by a somewhat larger amount (about 2 percentage points). Historical estimates used in the 2011 survey report were updated following this same process. As noted above, worker-weighted estimates from prior years were not affected by the miscount and remained the same.

We continue to ask firms whether or not they offer a conventional health plan and, if so, how many of their covered workers are enrolled in that plan and whether it is self-funded or underwritten by an insurer. However, due to the declining market share of conventional health plans, in 2006 we stopped asking respondents additional questions about the attributes of the conventional plans they offer.⁷ As of 2009 our primary covered worker weight no longer includes those workers with conventional coverage. Therefore, premium and cost-sharing levels are estimated among workers covered by an HMO, PPO, POS plan, or HDHP/SO. Removing workers covered by conventional health insurance from the covered worker weight has little impact on the estimates reported for "All Plans," such as the average single or family premium. In cases where a firm offers only conventional health plans, no information from that respondent is included in "All Plan" averages. The exception is for whether or not the plan is self-funded, for which we have information. For enrollment statistics, we weight the statistics by all covered workers, including those in conventional insurance.

The survey contains a few questions on employee cost sharing that are asked only of firms that indicate in a previous question that they have a certain cost-sharing provision. For example, the copayment amount for prescription drugs is asked only of those that report

NOTE:

⁶ Comparisons of estimates before and after this change are available at "Supplement on Updated Weighting Methodology," <http://www.kff.org/insurance/8225.cfm>.

⁷ In 2012, less than one percent of covered workers are enrolled in a conventional plan.

they have copayments for prescription drugs. Because the composite variables (using data from across all plan types) are reflective of only those plans with the provision, separate weights for the relevant variables were created in order to account for the fact that not all covered workers have such provisions.

To account for design effects, the statistical computing package R and the library package “survey” were used to calculate standard errors.^{8,9} All statistical tests are performed at the .05 level, unless otherwise noted. For figures with multiple years, statistical tests are conducted for each year against the previous year shown, unless otherwise noted. No statistical tests are conducted for years prior to 1999. In 2012 the method to test the difference between distributions across years was changed to use a Wald test which accounts for the complex survey design. In general this method was more conservative than the approach used in prior years. Exhibits such as 7.9, 7.10, 7.16 etc. are affected by the change.

Statistical tests for a given subgroup (firms with 25–49 workers, for instance) are tested against all other firm sizes not included in that subgroup (all firm sizes NOT including firms with 25–49 workers, in this example). Tests are done similarly for region and industry; for example, Northeast is compared to all firms NOT in the Northeast (an aggregate of firms in the Midwest, South, and West). However, statistical tests for estimates compared across plan types (for example, average premiums in PPOs) are tested against the “All Plans” estimate. In some cases, we also test plan-specific estimates against similar estimates for other plan types (for example, single and family premiums for HDHP/SOs against single and family premiums for HMO, PPO, and POS plans); these are noted specifically in the text. The two types of statistical tests performed are the t-test and the Wald test.

The small number of observations for some variables resulted in large variability around the point estimates. These observations sometimes carry large weights, primarily for small firms. The reader should be cautioned that these influential weights may result in large

movements in point estimates from year to year; however, often these movements are not statistically significant.

ADDITIONAL NOTES ON THE 2012 SURVEY

In 2012, average coinsurance rates for prescription drugs, primary care office visits, specialty office visits, and emergency room visits include firms that have a minimum and/or maximum attached to the rate. In years prior to 2012 we did not ask firms the structure of their coinsurance rate. For most prescription drug tiers, and most services, the average coinsurance rate is not statically different depending on whether the plan has a minimum or maximum.

HISTORICAL DATA

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

This report uses historical data from the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits and the 1999–2012 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. For a longer-term perspective, we also use the 1988 survey of the nation’s employers conducted by the HIAA, on which the KPMG and Kaiser/HRET surveys are based. The survey designs for the three surveys are similar.

NOTE:

⁸ Analysis of the 2011 survey data using both R and SUDAAN (the statistical package used prior to 2012) produced the same estimates and standard errors. Research Triangle Institute (2008). SUDAAN Software for the Statistical Analysis of Correlated Data, Release 10.0, Research Triangle Park, NC: Research Triangle Institute.

⁹ A supplement with standard errors for select estimates can be found online at Technical Supplement: Standard Error Tables for Selected Estimates, <http://www.kff.org/insurance/8345.cfm>.

EXHIBIT M.1

Selected Characteristics of Firms in the Survey Sample, 2012

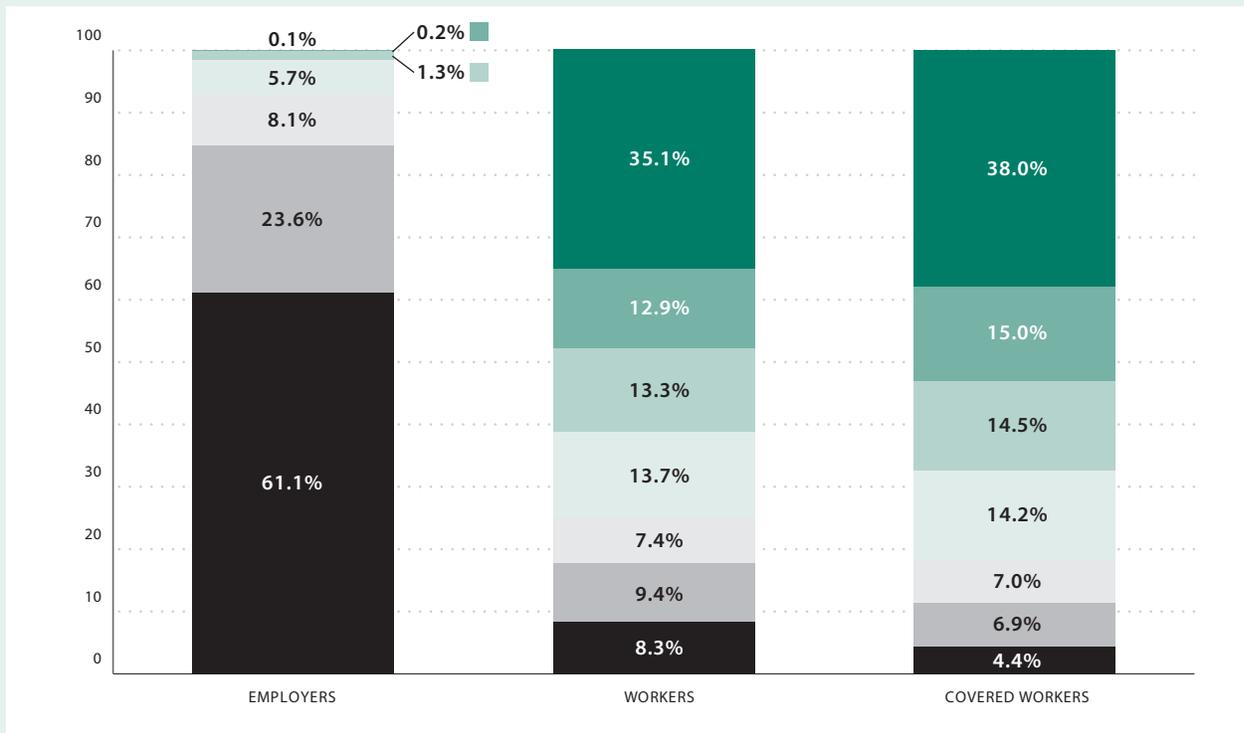
	Sample Size	Sample Distribution After Weighting	Percentage of Total for Weighted Sample
FIRM SIZE			
3–9 Workers	120	1,938,250	61.1%
10–24 Workers	193	748,360	23.6
25–49 Workers	147	257,274	8.1
50–199 Workers	264	179,328	5.7
200–999 Workers	511	40,360	1.3
1,000–4,999 Workers	509	7,522	0.2
5,000 or More Workers	377	2,028	0.1
ALL FIRM SIZES	2,121	3,173,121	100%
REGION			
Northeast	435	624,584	19.7%
Midwest	604	724,214	22.8
South	695	1,084,540	34.2
West	387	739,783	23.3
ALL REGIONS	2,121	3,173,121	100%
INDUSTRY			
Agriculture/Mining/Construction	119	352,644	11.1%
Manufacturing	217	189,016	6.0
Transportation/Communications/Utilities	120	117,933	3.7
Wholesale	99	176,918	5.6
Retail	181	388,629	12.2
Finance	128	206,891	6.5
Service	766	1,283,872	40.5
State/Local Government	140	50,587	1.6
Health Care	351	406,631	12.8
ALL INDUSTRIES	2,121	3,173,121	100%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

EXHIBIT M.2

Distribution of Employers, Workers, and Workers Covered by Health Benefits, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Data are based on a special data request to the U.S. Census Bureau for their most recent (2009) Statistics of U.S. Businesses data on private sector firms. State and local government data are from the Census Bureau's 2007 Census of Governments.

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

EXHIBIT M.3

States by Region, 2012

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

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012; From, U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, available at http://www.census.gov/geo/www/us_regdiv.pdf.

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Cost of
Health
Insurance

SECTION

1

COST OF HEALTH INSURANCE

THE AVERAGE ANNUAL PREMIUMS IN 2012 ARE \$5,615 FOR SINGLE COVERAGE AND \$15,745 FOR FAMILY COVERAGE. AVERAGE PREMIUMS INCREASED 3% FOR SINGLE COVERAGE AND 4% FOR FAMILY COVERAGE IN THE LAST YEAR. CONSISTENT WITH RECENT YEARS, AVERAGE FAMILY PREMIUMS FOR SMALL FIRMS (3–199 WORKERS) (\$15,253) ARE SIGNIFICANTLY LOWER THAN AVERAGE FAMILY PREMIUMS FOR LARGER FIRMS (200 OR MORE WORKERS) (\$15,980).

PREMIUM COSTS FOR SINGLE AND FAMILY COVERAGE

- ▶ The average premium for single coverage in 2012 is \$468 per month or \$5,615 per year (Exhibit 1.1). The average premium for family coverage is \$1,312 per month or \$15,745 per year (Exhibit 1.1).
- ▶ The average annual premiums for covered workers in HDHP/SOs are lower for single (\$4,928) and family coverage (\$14,129) than the overall average premiums for covered workers. Average annual premiums for PPO plans are higher for single coverage (\$5,850) and family coverage (\$16,356) than the overall average premiums for covered workers (Exhibit 1.1).
- ▶ The average premium for family coverage for covered workers in small firms (3–199 workers) (\$15,253) is lower than the average premium for covered workers in large firms (200 or more workers) (\$15,980) (Exhibit 1.2). The average single premiums in small firms (3–199 workers) and larger firms do not differ significantly.
- ▶ Average single and family premiums for covered workers are higher in the Northeast (\$5,964 and \$17,099) and lower in the South (\$5,445 and \$14,988) than the average premiums for covered workers in all other regions (Exhibit 1.3).
- ▶ Covered workers in firms where 35% or more of the workers are age 26 or younger have lower average single and family premiums (\$4,961 and \$14,217) than covered workers in firms where a lower percentage of workers are age 26 or younger (\$5,669 and \$15,871). Covered workers in firms where 35% or more of the workers are age 50 or older have higher average single and family premiums (\$5,860 and \$16,392) than covered workers in firms where a lower percentage of workers are age 50 or older (\$5,440 and \$15,281) (Exhibits 1.5 and 1.6).
- ▶ Covered workers in firms with a large percentage of lower-wage workers (at least 35% of workers earn \$24,000 per year or less) have lower average single and family premiums (\$5,135 and \$14,694) than covered workers in firms with a smaller percentage of lower-wage workers (\$5,673 and \$15,871). Covered workers in firms with a large percentage of higher-wage workers (at least 35% of workers earn \$55,000 per year or more) have higher average single and family premiums (\$5,789 and \$16,427) than covered workers in firms with a smaller percentage of higher-wage workers (\$5,448 and \$15,087) (Exhibits 1.5 and 1.6).
- ▶ There is considerable variation in premiums for both single and family coverage.
 - Eighteen percent of covered workers are employed by firms that have a single premium at least 20% higher than the average single premium, while 19% of covered workers are in firms that have a single premium less than 80% of the average single premium (Exhibit 1.7 and 1.8).
 - For family coverage, 19% of covered workers are employed in a firm that has a family premium at least 20% higher than the average family premium, while 20% of covered workers are in firms that have a family premium less than 80% of the average family premium (Exhibit 1.7 and 1.8).

PREMIUM CHANGES OVER TIME

- ▶ The average annual single premium (\$5,615) in 2012 is 3% higher than the average annual single premium in 2011 (\$5,429), and the average annual family premium (\$15,745) is 4% higher than the average annual family premium last year (\$15,073) (Exhibit 1.11).
 - The \$15,745 average annual family premium in 2012 is 30% higher than the average family premium in 2007 and 97% higher than the average family premium in 2002 (Exhibit 1.11).
- ▶ For large firms (200 or more workers), the average family premium for covered workers in firms that are fully insured has grown at a similar rate to premiums for workers in fully or partially self-funded firms from 2007 to 2012 (36% in fully insured firms vs. 29% in self-funded firms) and from 2002 to 2012 (105% in fully insured firms vs. 94% in self-funded firms) (Exhibit 1.14).

EXHIBIT 1.1

Average Monthly and Annual Premiums for Covered Workers, Single and Family Coverage, by Plan Type, 2012

	Monthly	Annual
HMO		
Single Coverage	\$472	\$5,668
Family Coverage	\$1,311	\$15,729
PPO		
Single Coverage	\$488*	\$5,850*
Family Coverage	\$1,363*	\$16,356*
POS		
Single Coverage	\$459	\$5,507
Family Coverage	\$1,281	\$15,378
HDHP/SO		
Single Coverage	\$411*	\$4,928*
Family Coverage	\$1,177*	\$14,129*
ALL PLAN TYPES		
Single Coverage	\$468	\$5,615
Family Coverage	\$1,312	\$15,745

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 1.2

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Firm Size, 2012

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
All Small Firms (3–199 Workers)	\$467	\$1,254	\$5,605	\$15,044
All Large Firms (200 or More Workers)	475	1,337	5,697	16,047
ALL FIRM SIZES	\$472	\$1,311	\$5,668	\$15,729
PPO				
All Small Firms (3–199 Workers)	\$500	\$1,359	\$5,997	\$16,311
All Large Firms (200 or More Workers)	484	1,364	5,802	16,371
ALL FIRM SIZES	\$488	\$1,363	\$5,850	\$16,356
POS				
All Small Firms (3–199 Workers)	\$447	\$1,259	\$5,360	\$15,102
All Large Firms (200 or More Workers)	483	1,325	5,790	15,901
ALL FIRM SIZES	\$459	\$1,281	\$5,507	\$15,378
HDHP/SO				
All Small Firms (3–199 Workers)	\$418	\$1,135	\$5,013	\$13,619
All Large Firms (200 or More Workers)	406	1,206	4,871	14,477
ALL FIRM SIZES	\$411	\$1,177	\$4,928	\$14,129
ALL PLANS				
All Small Firms (3–199 Workers)	\$466	\$1,271*	5,588	15,253*
All Large Firms (200 or More Workers)	469	1,332*	5,628	15,980*
ALL FIRM SIZES	\$468	\$1,312	\$5,615	\$15,745

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 1.3

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Region, 2012

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Northeast	\$509*	\$1,450*	\$6,102*	\$17,404*
Midwest	461	1,244	5,532	14,926
South	456	1,256	5,478	15,068
West	467	1,292	5,600	15,505
ALL REGIONS	\$472	\$1,311	\$5,668	\$15,729
PPO				
Northeast	\$513*	\$1,472*	\$6,156*	\$17,670*
Midwest	490	1,362	5,882	16,350
South	467*	1,279*	5,599*	15,343*
West	503	1,432*	6,040	17,187*
ALL REGIONS	\$488	\$1,363	\$5,850	\$16,356
POS				
Northeast	\$521*	\$1,413	\$6,247*	\$16,960
Midwest	456	1,250	5,467	15,000
South	451	1,247	5,414	14,960
West	444	1,290	5,325	15,481
ALL REGIONS	\$459	\$1,281	\$5,507	\$15,378
HDHP/SO				
Northeast	\$429	\$1,258*	\$5,151	\$15,101*
Midwest	399	1,153	4,788	13,838
South	405	1,135	4,862	13,624
West	426	1,222	5,115	14,662
ALL REGIONS	\$411	\$1,177	\$4,928	\$14,129
ALL PLANS				
Northeast	\$497*	\$1,425*	\$5,964*	\$17,099*
Midwest	458	1,282	5,501	15,388
South	454*	1,249*	5,445*	14,988*
West	476	1,350	5,715	16,198
ALL REGIONS	\$468	\$1,312	\$5,615	\$15,745

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 1.4

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2012

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$430	\$1,285	\$5,154	\$15,416
Transportation/Communications/Utilities	510*	1,504*	6,117*	18,053*
Wholesale	NSD	NSD	NSD	NSD
Retail	369*	1,045*	4,422*	12,543*
Finance	467	1,336	5,609	16,029
Service	469	1,344	5,627	16,123
State/Local Government	502	1,328	6,027	15,940
Health Care	519	1,253	6,228	15,034
ALL INDUSTRIES	\$472	\$1,311	\$5,668	\$15,729
PPO				
Agriculture/Mining/Construction	\$425*	\$1,235*	\$5,095*	\$14,819*
Manufacturing	447*	1,270	5,366*	15,234
Transportation/Communications/Utilities	487	1,407	5,839	16,890
Wholesale	424*	1,319	5,091*	15,829
Retail	423*	1,257*	5,070*	15,080*
Finance	529	1,506*	6,346	18,076*
Service	494	1,376	5,924	16,507
State/Local Government	505	1,252*	6,056	15,029*
Health Care	549*	1,494*	6,584*	17,924*
ALL INDUSTRIES	\$488	\$1,363	\$5,850	\$16,356
POS				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	NSD	NSD	NSD	NSD
Transportation/Communications/Utilities	NSD	NSD	NSD	NSD
Wholesale	NSD	NSD	NSD	NSD
Retail	NSD	NSD	NSD	NSD
Finance	NSD	NSD	NSD	NSD
Service	\$469	\$1,331	\$5,631	\$15,972
State/Local Government	NSD	NSD	NSD	NSD
Health Care	467	1,297	5,605	15,565
ALL INDUSTRIES	\$459	\$1,281	\$5,507	\$15,378

Continued on next page

EXHIBIT 1.4 Continued from previous page

Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Industry, 2012

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HDHP/SO				
Agriculture/Mining/Construction	NSD	NSD	NSD	NSD
Manufacturing	\$403	\$1,135	\$4,841	\$13,620
Transportation/Communications/Utilities	406	1,200	4,869	14,400
Wholesale	383	1,097	4,600	13,159
Retail	343*	1,015*	4,119*	12,185*
Finance	399	1,163	4,787	13,952
Service	418	1,246	5,015	14,953
State/Local Government	435	1,197	5,226	14,367
Health Care	462*	1,258	5,540*	15,101
ALL INDUSTRIES	\$411	\$1,177	\$4,928	\$14,129
ALL PLANS				
Agriculture/Mining/Construction	\$417*	\$1,156*	\$5,008*	\$13,868*
Manufacturing	432*	1,230*	5,188*	14,765*
Transportation/Communications/Utilities	482	1,412*	5,790	16,939*
Wholesale	421*	1,236*	5,049*	14,829*
Retail	401*	1,166*	4,810*	13,995*
Finance	485	1,383*	5,819	16,600*
Service	471	1,339	5,655	16,071
State/Local Government	500*	1,269	6,005*	15,232
Health Care	525*	1,404*	6,294*	16,849*
ALL INDUSTRIES	\$468	\$1,312	\$5,615	\$15,745

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

NSD: Not Sufficient Data.

EXHIBIT 1.5

Average Annual Premiums for Covered Workers with Single Coverage, by Firm Characteristics, 2012

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)	All Firms
Low Wage Level			
Few Workers are Lower-Wage (Less Than 35% Earn \$24,000 a Year or Less)	\$5,636	\$5,690*	\$5,673*
Many Workers are Lower-Wage (35% or More Earn \$24,000 a Year or Less)	\$5,210	\$5,095*	\$5,135*
High Wage Level			
Few Workers are Higher-Wage (Less Than 35% Earn \$55,000 a Year or More)	\$5,443	\$5,451*	\$5,448*
Many Workers are Lower-Wage (35% or More Earn \$55,000 a Year or More)	\$5,850	\$5,770*	\$5,789*
Unions			
Firm Has At Least Some Union Workers	\$6,091	\$5,699	\$5,734
Firm Does Not Have Any Union Workers	\$5,532	\$5,563	\$5,549
Younger Workers			
Less Than 35% of Workers Are Age 26 or Younger	\$5,627*	\$5,691*	\$5,669*
35% or More Workers Are Age 26 or Younger	\$4,368*	\$5,051*	\$4,961*
Older Workers			
Less Than 35% of Workers Are Age 50 or Older	\$5,414*	\$5,453*	\$5,440*
35% or More Workers Are Age 50 or Older	\$5,848*	\$5,865*	\$5,860*
Funding Arrangement			
Fully Insured	\$5,512	\$5,750	\$5,587
Self-Funded	\$6,019	\$5,600	\$5,634

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 1.6

Average Annual Premiums for Covered Workers with Family Coverage, by Firm Characteristics, 2012

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)	All Firms
Low Wage Level			
Few Workers Are Lower-Wage (Less Than 35% Earn \$24,000 a Year or Less)	\$15,325	\$16,129*	\$15,871*
Many Workers are Lower-Wage (35% or More Earn \$24,000 a Year or Less)	\$14,693	\$14,694*	\$14,694*
High Wage Level			
Few Workers are Higher-Wage (Less Than 35% Earn \$55,000 a Year or More)	\$14,685*	\$15,365*	\$15,087*
Many Workers are Lower-Wage (35% or More Earn \$55,000 a Year or More)	\$16,282*	\$16,471*	\$16,427*
Unions			
Firm Has At Least Some Union Workers	\$16,500	\$16,031	\$16,073
Firm Does Not Have Any Union Workers	\$15,115	\$15,933	\$15,562
Younger Workers			
Less Than 35% of Workers Are Age 26 or Younger	\$15,357*	\$16,134*	\$15,871*
35% or More Workers Are Age 26 or Younger	\$12,021*	\$14,552*	\$14,217*
Older Workers			
Less Than 35% of Workers Are Age 50 or Older	\$14,712*	\$15,564*	\$15,281*
35% or More Workers Are Age 50 or Older	\$16,058*	\$16,543*	\$16,392*
Funding Arrangement			
Fully Insured	\$15,034	\$16,292	\$15,435
Self-Funded	\$16,496	\$15,907	\$15,955

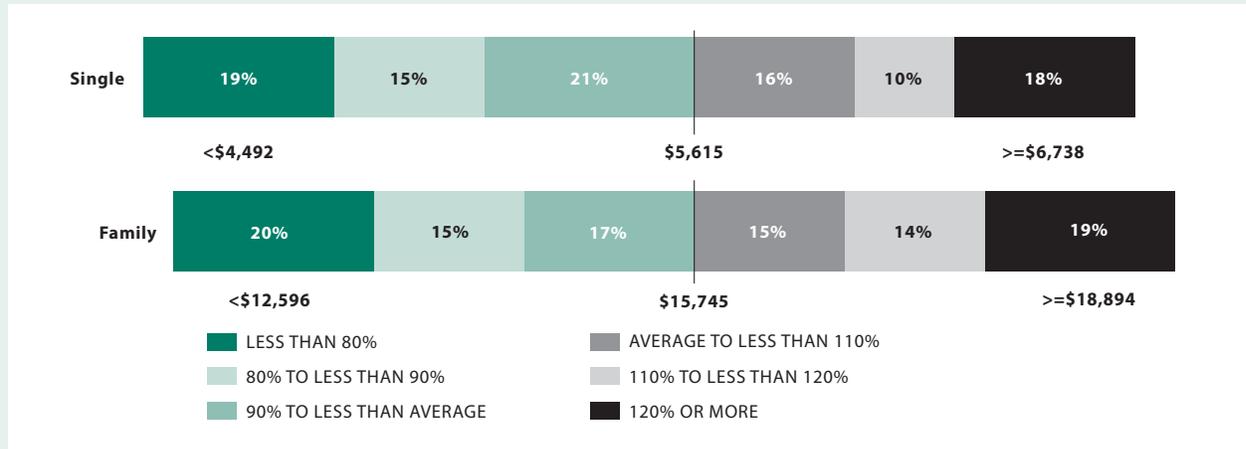
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 1.7

Distribution of Annual Premiums for Single and Family Coverage Relative to the Average Annual Single or Family Premium, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The average annual premium is \$5,615 for single coverage and \$15,745 for family coverage. The premium distribution is relative to the average single or family premium. For example, \$4,492 is 80% of the average single premium, \$5,054 is 90% of the average single premium, \$6,177 is 110% of the average single premium, and \$6,738 is 120% of the average single premium. The same break points relative to the average are used for the distribution for family coverage.

EXHIBIT 1.8

Distribution of Premiums for Single and Family Coverage Relative to the Average Annual Single or Family Premium, 2012

Premium Range, Relative to Average Premium	Single Coverage		Family Coverage	
	Premium Range, Dollar Amount	Percentage of Covered Workers in Range	Premium Range, Dollar Amount	Percentage of Covered Workers in Range
Less than 80%	Less Than \$4,492	19%	Less Than \$12,596	20%
80% to Less Than 90%	\$4,492 to <\$5,054	15%	\$12,596 to <\$14,171	15%
90% to Less Than Average	\$5,054 to <\$5,615	21%	\$14,171 to <\$15,745	17%
Average to Less Than 110%	\$5,615 to <\$6,177	16%	\$15,745 to <\$17,320	15%
110% to Less Than 120%	\$6,177 to <\$6,738	10%	\$17,320 to <\$18,894	14%
120% or More	\$6,738 or More	18%	\$18,894 or More	19%

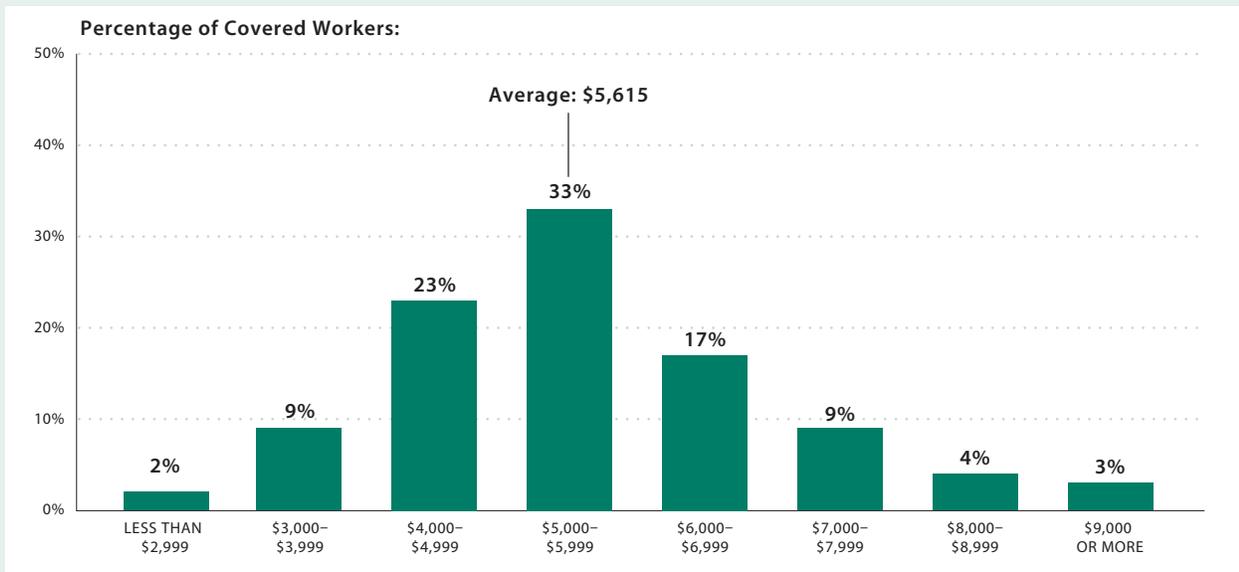
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The average annual premium is \$5,615 for single coverage and \$15,745 for family coverage. The premium distribution is relative to the average single or family premium. For example, \$4,492 is 80% of the average single premium, \$5,054 is 90% of the average single premium, \$6,177 is 110% of the average single premium, and \$6,738 is 120% of the average single premium. The same break points relative to the average are used for the distribution for family coverage.

EXHIBIT 1.9

Distribution of Annual Premiums for Covered Workers with Single Coverage, 2012

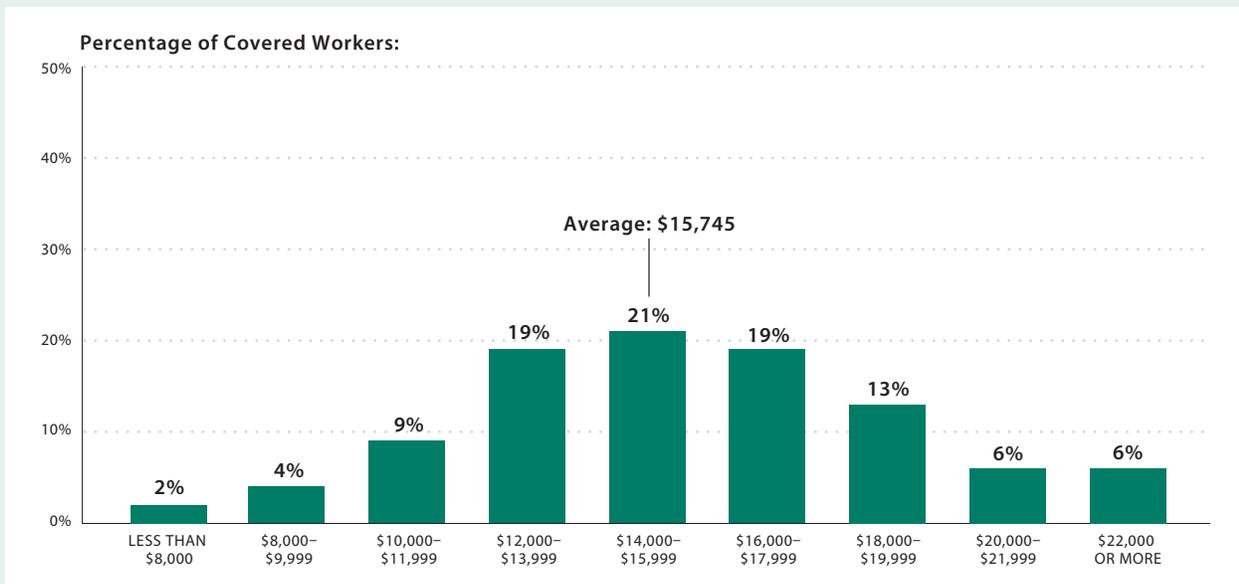


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

EXHIBIT 1.10

Distribution of Annual Premiums for Covered Workers with Family Coverage, 2012

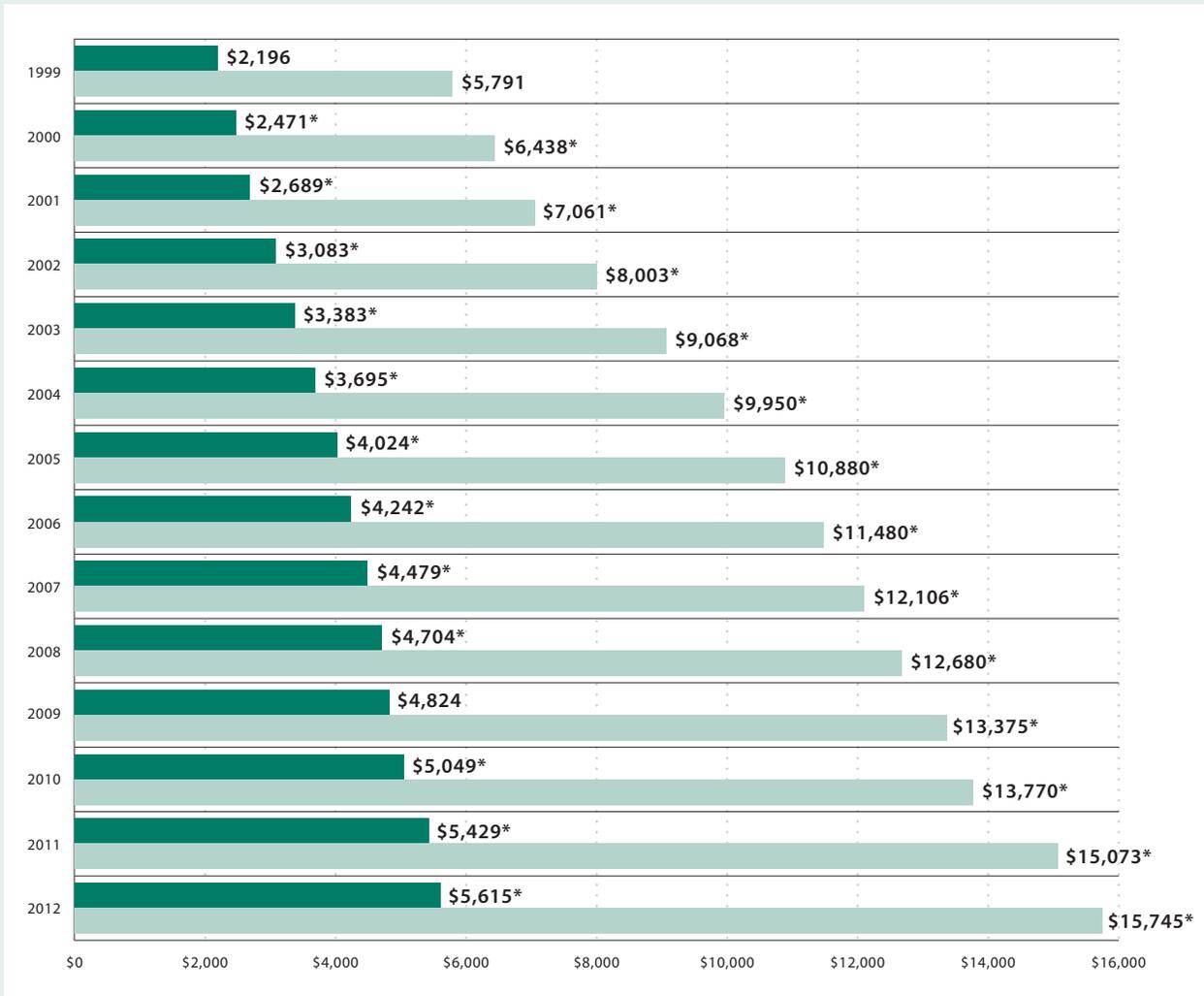


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

EXHIBIT 1.11

Average Annual Premiums for Single and Family Coverage, 1999–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

■ SINGLE COVERAGE
■ FAMILY COVERAGE

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

EXHIBIT 1.12

Average Annual Premiums for Covered Workers with Family Coverage, by Firm Size, 1999–2012

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)
1999	\$5,683	\$5,845
2000	\$6,521	\$6,395
2001	\$6,959	\$7,113
2002*	\$7,781	\$8,109
2003	\$8,946	\$9,127
2004	\$9,737	\$10,046
2005*	\$10,587	\$11,025
2006	\$11,306	\$11,575
2007	\$11,835	\$12,233
2008*	\$12,091	\$12,973
2009*	\$12,696	\$13,704
2010*	\$13,250	\$14,038
2011*	\$14,098	\$15,520
2012*	\$15,253	\$15,980

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

EXHIBIT 1.13

Average Annual Premiums for Covered Workers with Family Coverage, by Firm Size, 1999–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

— ALL SMALL FIRMS (3–199 WORKERS)
— ALL LARGE FIRMS (200 OR MORE WORKERS)

EXHIBIT 1.14

Among Workers in Large Firms (200 or More Workers), Average Annual Health Insurance Premiums for Family Coverage, by Funding Arrangement, 1999–2012

Funding Arrangement	Fully Insured	Self-Funded
1999	\$5,769	\$5,896
2000	\$6,315*	\$6,430*
2001	\$7,169*	\$7,086*
2002	\$7,950*	\$8,192*
2003	\$9,070*	\$9,149*
2004	\$10,217*	\$9,984*
2005	\$10,870*	\$11,077*
2006	\$11,222	\$11,673*
2007	\$11,968*	\$12,315*
2008	\$13,029*	\$12,956*
2009	\$13,870*	\$13,655*
2010	\$14,678*	\$13,903
2011	\$15,533*	\$15,517*
2012	\$16,292*	\$15,907

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Health
Benefits
Offer Rates

SECTION

2

HEALTH BENEFITS OFFER RATES

WHILE NEARLY ALL LARGE FIRMS (200 OR MORE WORKERS) OFFER HEALTH BENEFITS, SMALL FIRMS (3–199 WORKERS) ARE SIGNIFICANTLY LESS LIKELY TO DO SO. THE PERCENTAGE OF ALL FIRMS OFFERING HEALTH BENEFITS IN 2012 (61%) IS STATISTICALLY UNCHANGED FROM 2011 (60%), AND ALSO SIMILAR TO THE REPORTED PERCENTAGES FROM 2004 THROUGH 2009.¹

- ▶ In 2012, 61% of firms offer health benefits, unchanged from the 60% reported in 2011 (Exhibit 2.1).
 - Similar to 2011, 98% of large firms (200 or more workers) offer health benefits in 2012 (Exhibit 2.2). In contrast, only 61% of small firms (3–199 workers) offer health benefits in 2012.
 - Between 1999 and 2012, the offer rate for large firms (200 or more workers) has consistently remained at or above 97%. Among small firms (3–199 workers), the offer rate has varied from a high of 68% in 2000 and 2010, to a low of 59% in 2005, 2007, 2009, and 2011 (Exhibit 2.2). Since most firms in the country are small, variation in the overall offer rate is driven primarily by changes in the percentages of the smallest firms (3–9 workers) offering health benefits.
- ▶ Offer rates vary across different types of firms.
 - Smaller firms are less likely to offer health insurance: 50% of firms with 3 to 9 workers offer coverage, compared to 73% of firms with 10 to 24 workers, 87% of firms with 25 to 49 workers, and 94% of firms with 50 to 199 employees (Exhibit 2.3).
 - Firms with fewer lower-wage workers (less than 35% of workers earn \$24,000 or less annually) are significantly more likely to offer health insurance than firms with many lower-wage workers (35% or more of workers earn \$24,000 or less annually). While 64% of firms with fewer lower-wage workers offer health benefits, only 28% of firms with many lower-wage workers do (Exhibit 2.4). The offer rate for firms with many lower-wage workers is not significantly different from the 28% reported in 2011. We observe a similar pattern among firms with many higher-wage workers (35% or more of workers earn \$55,000 or more annually) (Exhibit 2.4).
- The age of the workforce significantly affects the probability of a firm offering health benefits. Firms where 35% or more of its workers are age 26 or younger are less likely to offer health benefits than firms where less than 35% of workers are age 26 or younger (26% and 60%, respectively) (Exhibit 2.4).
- ▶ Among firms offering health benefits, relatively few offer benefits to their part-time and temporary workers.
 - In 2012, 28% of all firms that offer health benefits offer them to part-time workers, a significant increase from the 16% reported in 2011 but similar to the 25% reported in 2010 (Exhibit 2.5). Firms with 200 or more workers are more likely to offer health benefits to part-time employees than firms with 3 to 199 workers (45% vs. 28%) (Exhibit 2.7).
 - Consistently, a very small percentage (2% in 2012) of firms offering health benefits have offered them to temporary workers (Exhibit 2.6). The percentage of firms offering temporary workers benefits is lower at small firms (3–199 workers) than large firms (200 or more workers) (2% vs. 6%) (Exhibit 2.8).

NOTE:

¹ The large increase in 2010 was largely driven by a significant (12 percentage point) increase in offering among firms with 3 to 9 workers (from 47% in 2009 to 59% in 2010). This year, 50% of firms with 3 to 9 employees offer health benefits, a level that is more consistent with levels from recent years other than 2010.

DENTAL AND VISION BENEFITS

- ▶ Fifty-four percent of firms offering health benefits offer or contribute to a dental insurance benefit for their employees that are separate from any dental coverage the health plans might include. This is not statistically different from the 46% reported in 2010, which is the last time we asked about dental benefits (Exhibit 2.10). Large firms (200 or more workers) are far more likely than small firms (3–199 workers) to offer or contribute to a separate dental health benefit, at 89% versus 53% (Exhibit 2.9).
- ▶ Twenty-seven percent of firms offer or contribute to a vision benefit for their employees that is separate from any vision coverage the health plan might include, which is significantly more than the 17% reported in 2010, the last time we asked about vision benefits (Exhibit 2.10). Though large firms (200 or more workers) are more likely than small firms (3–199 workers) to offer or contribute to a separate vision care benefit, at 62% versus 27% (Exhibit 2.9), significantly more firms in both groups offered vision benefits in 2012 compared with 2010 (Exhibit 2.10).

DOMESTIC PARTNER BENEFITS

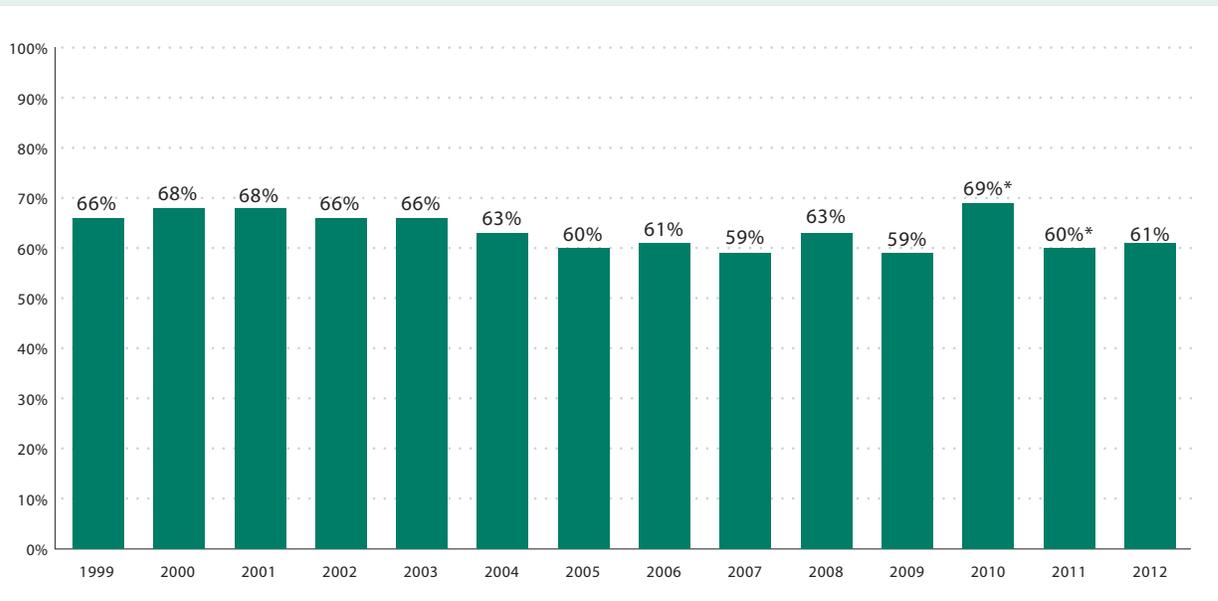
- ▶ In 2012, more firms offer benefits to unmarried opposite and same-sex domestic partners.
 - In 2012, 37% of all firms offer health benefits to unmarried opposite-sex partners, while in 2009, 31% of firms did so. An even larger increase in the past four years may be observed in the percentage of firms offering health benefits to unmarried same-sex domestic partners. In 2009, 21% of all firms offered benefits to same-sex domestic partners; in 2012, this percentage increased to 31% of firms (Exhibit 2.13).
 - When asked if they offer health benefits to opposite or same-sex domestic partners, however, many firms report that they have not encountered domestic partners. For example, many small firms may not have any employees who are in either an opposite or same-sex domestic partnerships. Regarding health benefits for opposite-sex domestic partners, 36% of firms report in 2012 that they have not encountered this need or that the question was not applicable. More small firms (37%) compared to large firms (5%) indicate that they have not encountered this
- need or that the question was not applicable (Exhibit 2.11). Regarding health benefits for same-sex domestic partners, 45% of firms report that they have not encountered the need or that the question was not applicable. More small firms (3–199 workers) (46%) than larger firms (5%) report that they have not encountered same-sex domestic partners (Exhibit 2.12).
 - Firms in the Northeast are more likely (54%) and firms in the South are less likely (15%) to offer health benefits to unmarried same-sex domestic partners than firms in other regions (Exhibit 2.12). Similarly, firms in the South are less likely (14%) to offer health benefits to unmarried opposite-sex domestic partners than firms in other regions (Exhibit 2.11).

FIRMS NOT OFFERING HEALTH BENEFITS

- ▶ The survey asks firms that do not offer health benefits if they have offered insurance or shopped for insurance in the recent past, and about their most important reasons for not offering. Because such a small percentage of large firms report not offering health benefits, we present responses for the 39% of employers with 3 to 199 workers that do not offer health benefits.
 - ▶ The cost of health insurance remains the primary reason cited by firms for not offering health benefits. Among small firms (3–199 workers) not offering health benefits, 48% cite high cost as “the most important reason” for not doing so, followed by: employees are covered elsewhere (21%) and firm is too small (15%) (Exhibit 2.14).
 - ▶ Many non-offering small firms have either offered health benefits in the past five years, or shopped for coverage recently.
 - Sixteen percent of non-offering small firms (3–199 workers) have offered health benefits in the past five years, while 15% have shopped for coverage in the past year (Exhibit 2.15). Sixteen percent of those that stopped offering within the past five years reported doing so in just the past 12 months.
 - ▶ Among non-offering small firms (3–199 workers), 9% report that they provide funds to their employees to purchase health insurance through the individual (non-group) market (Exhibit 2.16).

EXHIBIT 2.1

Percentage of Firms Offering Health Benefits, 1999–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 2.2

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2012

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–9 Workers	55%	57%	58%	58%	55%	52%	47%	49%	45%	50%	47%	59%*	48%*	50%
10–24 Workers	74	80	77	70*	76	74	72	73	76	78	72	76	71	73
25–49 Workers	88	91	90	87	84	87	87	87	83	90*	87	92	85*	87
50–199 Workers	97	97	96	95	95	92	93	92	94	94	95	95	93	94
All Small Firms (3–199 Workers)	65%	68%	67%	65%	65%	62%	59%	60%	59%	62%	59%	68%*	59%*	61%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	97%	98%	97%	98%	99%	99%	98%	99%	99%	98%
ALL FIRMS	66%	68%	68%	66%	66%	63%	60%	61%	59%	63%	59%	69%*	60%*	61%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 2.3

Percentage of Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2012

	Percentage of Firms Offering Health Benefits
FIRM SIZE	
3–9 Workers	50%*
10–24 Workers	73*
25–49 Workers	87*
50–199 Workers	94*
200–999 Workers	97*
1,000–4,999 Workers	100*
5,000 or More Workers	100*
All Small Firms (3–199 Workers)	61%*
All Large Firms (200 or More Workers)	98%*
REGION	
Northeast	59%
Midwest	65
South	59
West	63
INDUSTRY	
Agriculture/Mining/Construction	54%
Manufacturing	69
Transportation/Communications/Utilities	46
Wholesale	74
Retail	45*
Finance	59
Service	66
State/Local Government	73
Health Care	65
ALL FIRMS	61%

SOURCE:

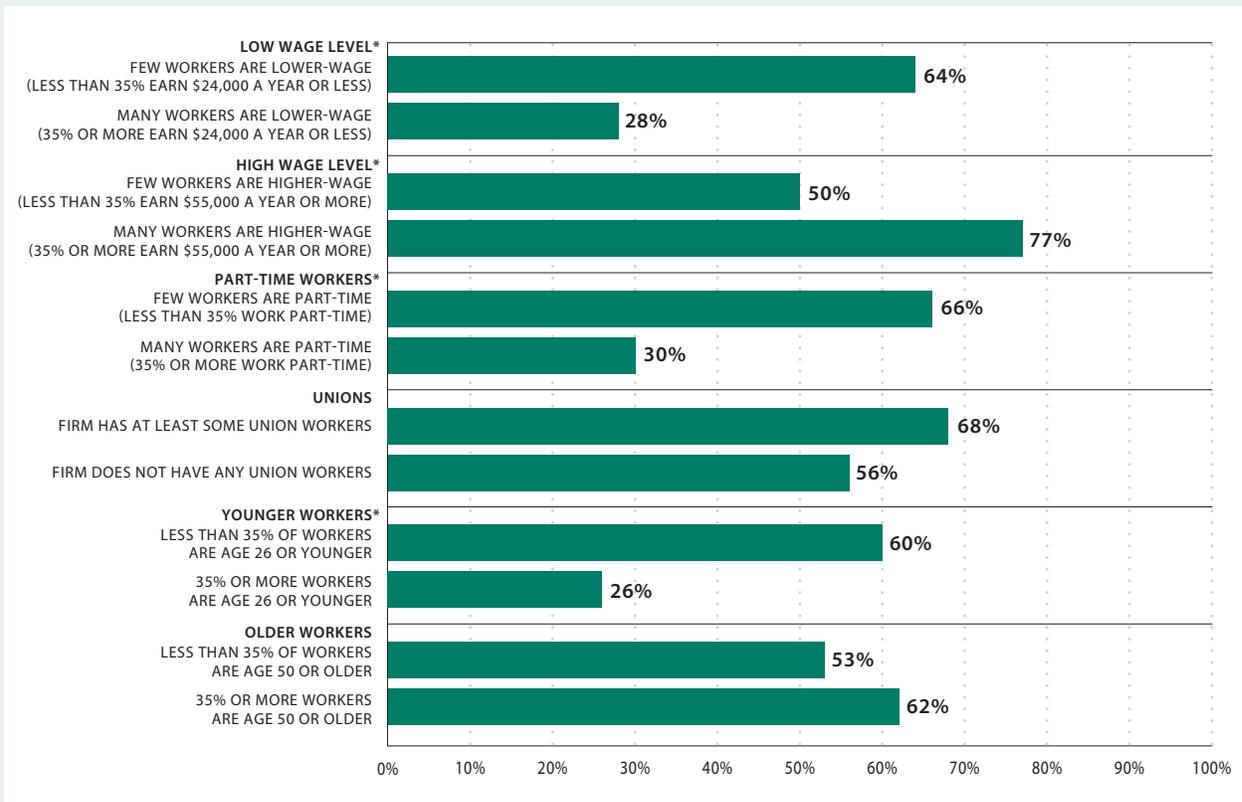
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

EXHIBIT 2.4

Percentage of Firms Offering Health Benefits, by Firm Characteristics, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: Only firms that completed the entire survey were included in these statistics.

EXHIBIT 2.5

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Part-Time Workers, by Firm Size, 1999–2012

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–24 Workers	20%	21%	17%	22%	24%	20%	27%	31%	23%	22%	31%	24%	12%	27%*
25–199 Workers	25	24	31	28	29	29	28	28	25	30	27	28	26	30
200–999 Workers	35	34	42	43	38	41	33	40*	38	40	44	35*	40	41
1,000–4,999 Workers	52	48	55	60	57	51	46	55*	54	53	55	55	50	61*
5,000 or More Workers	61	52	60	58	57	60	61	63	63	67	60	61	59	66
All Small Firms (3–199 Workers)	21%	22%	20%	23%	25%	22%	27%	30%	23%	24%	30%	25%	15%	28%*
All Large Firms (200 or More Workers)	39%	37%	45%	46%	42%	43%	36%*	43%*	41%	43%	46%	39%*	42%	45%
ALL FIRMS	21%	22%	20%	24%	26%	23%	27%	31%	24%	25%	31%	25%	16%	28%*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

EXHIBIT 2.6

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Temporary Workers, by Firm Size, 1999–2012

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–24 Workers	5%	2%	4%	2%	1%	4%	2%	3%	2%	3%	4%	1%	4%	2%
25–199 Workers	3	7	3	4	4	3	5	4	4	3	3	4	4	2
200–999 Workers	3	9	6	5	9	8	5	5	7	4	4	6	6	6
1,000–4,999 Workers	7	8	9	8	7	6	5	9	9	7	7	8	5	5
5,000 or More Workers	9	8	8	7	10	7	9	11	6*	8	9	8	4	8
All Small Firms (3–199 Workers)	4%	3%	4%	3%	2%	3%	3%	3%	2%	3%	3%	1%	4%	2%
All Large Firms (200 or More Workers)	4%	9%	7%	6%	9%	8%	5%	6%	7%	5%	5%	6%	6%	6%
ALL FIRMS	4%	3%	4%	3%	2%	4%	3%	3%	2%	3%	3%	1%	4%	2%

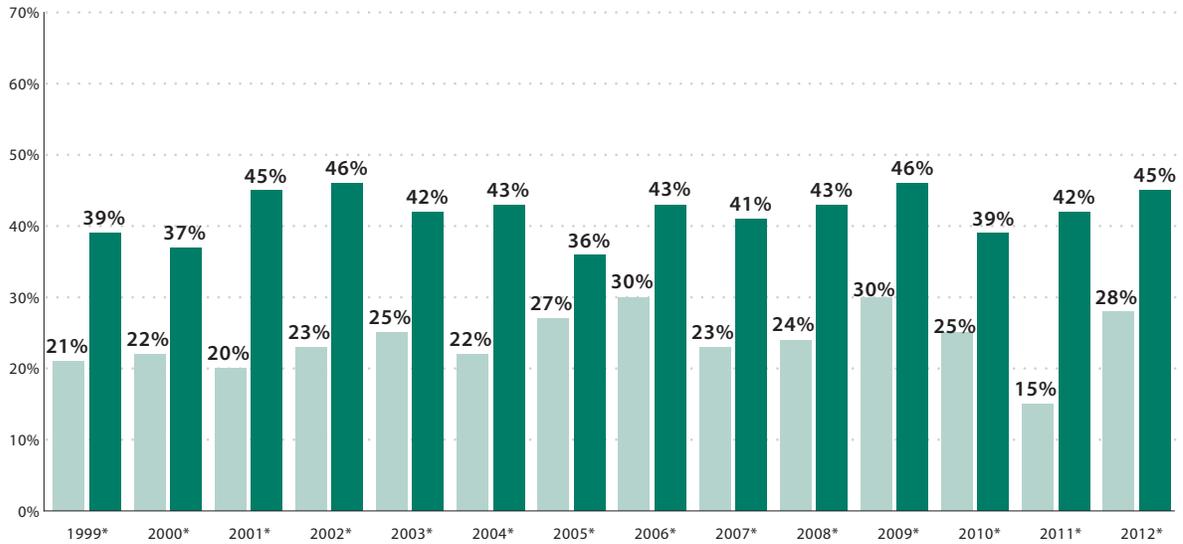
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

EXHIBIT 2.7

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Part-Time Workers, by Firm Size, 1999–2012



SOURCE:

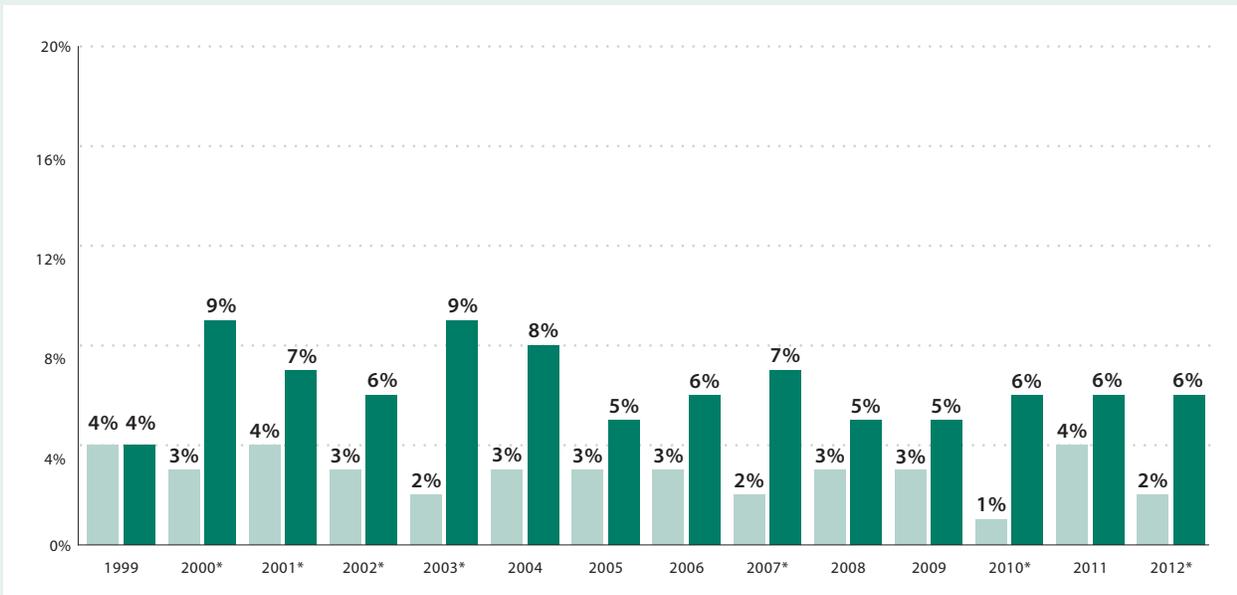
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 2.8

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Temporary Workers, by Firm Size, 1999–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 2.9

Among Firms Offering Health Benefits, Percentage That Offer or Contribute to a Separate Benefit Plan Providing Dental or Vision Benefits, by Firm Size, 2012

	Separate Dental Benefits	Separate Vision Benefits
FIRM SIZE		
200–999 Workers	88%*	59%*
1,000–4,999 Workers	93*	72*
5,000 or More Workers	95*	75*
All Small Firms (3–199 Workers)	53%*	27%*
All Large Firms (200 or More Workers)	89%*	62%*
REGION		
Northeast	70%	31%
Midwest	50	26
South	45	28
West	58	25
ALL FIRMS	54%	27%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The survey asks firms that offer health benefits if they offer or contribute to a dental or vision insurance program that is separate from any dental or vision coverage the health plans might include.

EXHIBIT 2.10

Among Firms Offering Health Benefits, Percentage That Offer or Contribute to a Separate Benefit Plan Providing Dental or Vision Benefits, by Firm Size, 2000–2012

	2000	2003	2006	2008	2010	2012
Dental Benefits						
All Small Firms (3–199 workers)	30%	37%	49%*	42%	45%	53%
All Large Firms (200 or More Workers)	60	78*	79	81	87*	89
All Firms	31%	38%	50%*	43%	46%	54%
Vision Benefits						
All Small Firms (3–199 workers)	—	—	20%	15%	16%	27%*
All Large Firms (200 or More Workers)	—	—	42	47	53	62*
All Firms	—	—	20%	16%	17%	27%*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

Note: Data on vision benefits was not collected in 2000 and 2003. The survey asks firms that offer health benefits if they offer or contribute to a dental or vision insurance program that is separate from any dental or vision coverage the health plans might include.

EXHIBIT 2.11

Among Firms Offering Health Benefits, Distribution of Whether Employers Offer Health Benefits to Unmarried Opposite-Sex Domestic Partners, by Firm Size and Region, 2012

	Yes	No	Not Encountered/ Not Applicable
FIRM SIZE			
3–24 Workers	39%	19%*	42%*
25–199 Workers	32	48*	19*
200–999 Workers	38	56*	6*
1,000–4,999 Workers	43	56*	<1*
5,000 or More Workers	50*	50*	0*
All Small Firms (3–199 Workers)	37%	26%*	37%*
All Large Firms (200 or More Workers)	39%	56%*	5%*
REGION			
Northeast	53%	26%	22%
Midwest	49	29	22*
South	14*	28	58*
West	47	23	30
INDUSTRY			
Agriculture/Mining/Construction	33%	30%	37%
Manufacturing	47	25	28
Transportation/Communications/Utilities	22	58*	20
Wholesale	50	23	28
Retail	28	16	56
Finance	48	42	10*
Service	34	32	34
State/Local Government	25	18	57
Health Care	44	10*	45
ALL FIRMS	37%	27%	36%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: In 2008, we changed the response options because during early tests of the survey, several firms noted that they had not encountered the issue, indicating that the responses of “yes,” “no,” and “don’t know” were insufficient. Therefore, for the 2008 and 2009 surveys we included the response option “not applicable/not encountered” to better capture the number of firms that report not having a policy on the issue. This response is distinguished from firms that report “no” since those firms have a set policy on the issue.

EXHIBIT 2.12

Among Firms Offering Health Benefits, Distribution of Whether Employers Offer Health Benefits to Unmarried Same-Sex Domestic Partners, by Firm Size and Region, 2012

	Yes	No	Not Encountered/ Not Applicable
FIRM SIZE			
3–24 Workers	31%	17%*	52%*
25–199 Workers	32	42*	26*
200–999 Workers	40	54*	6*
1,000–4,999 Workers	51*	48*	1*
5,000 or More Workers	63*	37*	0*
All Small Firms (3–199 Workers)	31%*	23%*	46%*
All Large Firms (200 or More Workers)	42%*	52%*	5%*
REGION			
Northeast	54%*	19%	27%*
Midwest	34	24	42
South	15*	24	61*
West	36	27	37
INDUSTRY			
Agriculture/Mining/Construction	39%	23%	38%
Manufacturing	25	41	34
Transportation/Communications/Utilities	23	42	35
Wholesale	14*	21	65
Retail	30	4*	66
Finance	43	40	17*
Service	33	29	38
State/Local Government	25	15	60
Health Care	33	7*	60
ALL FIRMS	31%	24%	45%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: In 2008, we changed the response options because during early tests of the survey, several firms noted that they had not encountered the issue, indicating that the responses of “yes,” “no,” and “don’t know” were insufficient. Therefore, for the 2008 and 2009 surveys we included the response option “not applicable/not encountered” to better capture the number of firms that report not having a policy on the issue. This response is distinguished from firms that report “no” since those firms have a set policy on the issue.

EXHIBIT 2.13

Among Firms Offering Health Benefits, Percent of Employers That Offer Health Benefits to Unmarried Opposite-Sex and Same-Sex Domestic Partners, by Firm Size, 2008, 2009 & 2012

Opposite-Sex Domestic Partners			
	2008	2009	2012
All Small Firms (3–199 Workers)	24%	31%	37%
All Large Firms (200 or More Workers)	32%	34%	39%
ALL FIRMS	24%	31%	37%
Same-Sex Domestic Partners			
	2008	2009	2012
All Small Firms (3–199 Workers)	22%	21%	31%
All Large Firms (200 or More Workers)	32%	34%	42%*
ALL FIRMS	22%	21%	31%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2008, 2009 & 2012.

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

Note: In 2008, we changed the response options because during early tests of the survey, several firms noted that they had not encountered the issue, indicating that the responses of “yes,” “no,” and “don’t know” were insufficient. Therefore, for the 2008, 2009, and 2012 surveys we included the response option “not applicable/not encountered” to better capture the number of firms that report not having a policy on the issue. This response is distinguished from firms that report “no” since those firms have a set policy on the issue. In 2012, 36% of firms had not encountered opposite-sex domestic partners and 45% had not encountered same-sex domestic partners.

EXHIBIT 2.14

Among Small Firms (3–199 Workers) Not Offering Health Benefits, the Most Important Reason for Not Offering, 2012

	Most Important Reason
Cost of health insurance is too high	48%
The firm is too small	15
Employees are generally covered under another plan	21
Employee turnover is too great	3
No interest/Employees don't want it	6
Other	5
Don't know	1

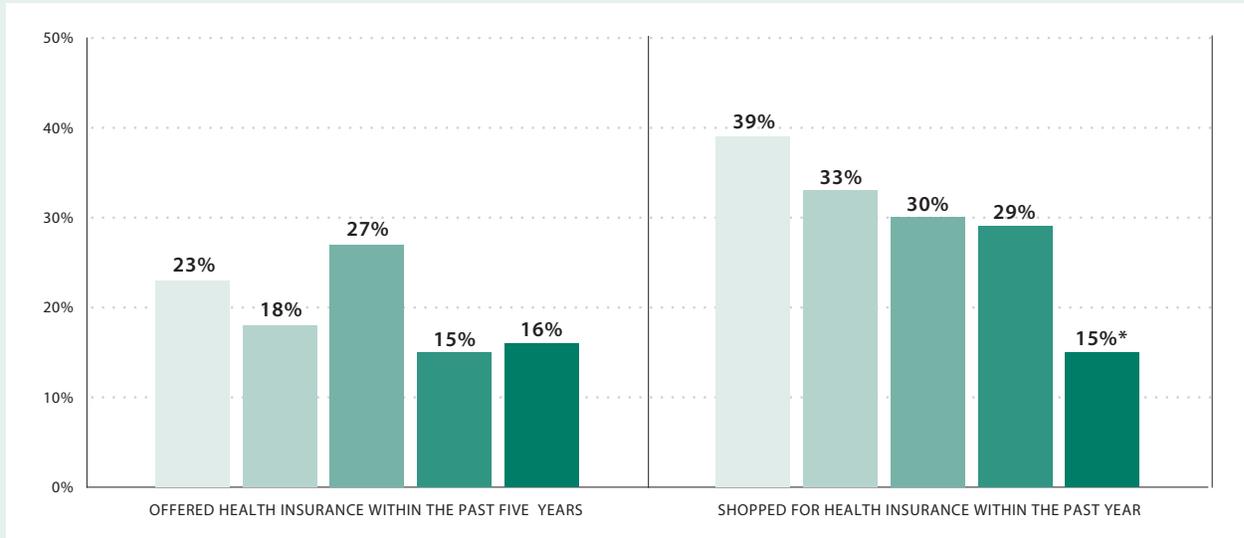
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 2.15

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Percentage That Report the Following Activities Regarding Health Benefits, 2007–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

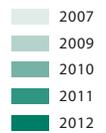


EXHIBIT 2.16

Among Small Firms (3–199 Workers) Not Offering Health Benefits, Percentage That Provide Employees Funds to Purchase Non-Group Insurance, 2012

FIRM SIZE	Percentage
3–9 Workers	9%
10–199 Workers	11
All Small Firms (3–199 Workers)	9%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Tests found no statistical difference from estimate for all firms not in the indicated size category (p<.05).

EMPLOYER HEALTH BENEFITS
2012 ANNUAL SURVEY

Employee
Coverage,
Eligibility, and
Participation

SECTION

3

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRINCIPAL SOURCE OF HEALTH INSURANCE IN THE UNITED STATES, PROVIDING HEALTH BENEFITS FOR ABOUT 149 MILLION NONELDERLY PEOPLE IN AMERICA.¹ MOST WORKERS ARE OFFERED HEALTH COVERAGE AT WORK, AND THE MAJORITY OF WORKERS WHO ARE OFFERED COVERAGE TAKE IT. WORKERS MAY NOT BE COVERED BY THEIR OWN EMPLOYER FOR SEVERAL REASONS: THEIR EMPLOYER MAY NOT OFFER COVERAGE, THEY MAY BE INELIGIBLE FOR BENEFITS OFFERED BY THEIR FIRM, THEY MAY CHOOSE TO ELECT COVERAGE THROUGH THEIR SPOUSE'S EMPLOYER, OR THEY MAY REFUSE COVERAGE FROM THEIR FIRM.

- ▶ Among firms offering health benefits, 62% percent of workers are covered by health benefits through their own employer (Exhibit 3.2). When considering both firms that offer health benefits and those that don't, 56% of workers are covered under an employer plan (Exhibit 3.1). This coverage rate has remained stable over time.
- ▶ Not all employees are eligible for the health benefits offered by their firm, and not all eligible employees take up the offer of coverage. The share of workers covered in a firm is a product of both the percentage of workers who are eligible for the firm's health insurance and the percentage who choose to "take up" (i.e., elect to participate in) the benefit.
 - Seventy-seven percent of workers in firms offering health benefits are eligible for the coverage offered by their employer (Exhibit 3.2).
 - Eligibility varies considerably by wage level. Employees in firms with a lower proportion of lower-wage workers (less than 35% of workers earn \$24,000 or less annually) are more likely to be eligible for health benefits than employees in firms with a higher proportion of lower-wage workers (where 35% or more of workers earn \$24,000 or less annually) (79% vs. 66%). We observe a similar pattern among firms with many higher-wage workers (35% or more of workers earn \$55,000 or more annually) (82% vs. 73%) (Exhibit 3.3).
- Eligibility also varies by the age of the workforce. Those in firms with fewer younger workers (less than 35% of workers are age 26 or younger) are more likely to be eligible for health benefits than are workers in firms with many younger workers (35% or more of workers are age 26 or younger), at 79% versus 60% (Exhibit 3.3).
- ▶ Employees who are offered health benefits generally elect to take up the coverage. In 2012, 81% of eligible workers take up coverage when it is offered to them, the same as the 81% reported last year (Exhibit 3.2).²
 - The likelihood of a worker accepting a firm's offer of coverage also varies by firm wage level. Eligible employees in firms with a lower proportion of lower-wage workers are more likely to take up coverage (71%) than eligible employees in firms with a higher proportion of lower-wage workers (35% or more of workers earn \$24,000 or less annually) (82%) (Exhibit 3.4). Similar patterns are seen in firms with a higher proportion of younger workers, with workers in these firms being less likely to take up coverage than those in firms with a smaller share of younger workers (71% vs. 81%).

NOTE:

¹ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *The Uninsured: A Primer*, October 2011. <http://www.kff.org/uninsured/upload/7451-07.pdf>. 56.2% of the non-elderly American population receives insurance coverage through an employer-sponsored plan.² In 2009, Kaiser/HRET began weighting the percentage of workers that take up coverage by the number of workers eligible for coverage. The historical take up estimates have also been updated. See the Survey Design and Methods section for more information.

² In 2009, Kaiser/HRET began weighting the percentage of workers that take up coverage by the number of workers eligible for coverage. The historical take up estimates have also been updated. See the Survey Design and Methods section for more information.

- ▶ The rate of coverage varies by certain firm characteristics.
 - There is significant variation by industry in the coverage rate among workers in firms offering health benefits. For example, only 40% of workers in retail firms are covered by health benefits offered by their firm, compared to 79% of workers in state and local government, and 76% of workers in the transportation/communications/utilities industry category (Exhibit 3.2).
 - Among workers in firms offering health benefits, those in firms with relatively few part-time workers (less than 35% of workers are part-time) are much more likely to be covered by their own firm than workers in firms with a greater percentage (35% or more) of part-time workers (68% vs. 37%) (Exhibit 3.5).
 - Among workers in firms offering health benefits, those in firms with fewer lower-wage workers (less than 35% of workers earn \$24,000 or less annually) are more likely to be covered by their own firm than workers in firms with many lower-wage workers (35% or more of workers earn \$24,000 or less annually) (65% vs. 47%) (Exhibit 3.5). A comparable pattern exists in firms with a larger proportion of higher wage workers (35% or more earn \$55,000 or more annually).

- Among workers in firms offering health benefits, those in firms with fewer younger workers (less than 35% of workers are age 26 or younger) are more likely to be covered by their own firm than workers in firms with many younger workers (35% or more of workers are age 26 or younger) (64% vs. 43%) (Exhibit 3.5).

AVERAGE WAITING PERIODS

- ▶ Seventy-four percent of covered workers face a waiting period before coverage is available. Covered workers in small firms (3–199 workers) are more likely than those in large firms to have a waiting period, at 81% versus 71% (Exhibit 3.7). Workers in the West also are more likely to face a wait for coverage (84%).
- ▶ The average waiting period among covered workers who face a waiting period is 2.3 months (Exhibit 3.7). While 33% of covered workers face a waiting period of 3 months or more, only 8% face a waiting period of 4 months or more. Workers in small firms (3–199 workers) are more likely to have longer waiting periods than workers in large firms (Exhibit 3.8).
- ▶ The distribution of covered workers electing single coverage, single plus one coverage, or family coverage is 46%, 17%, and 36% respectively in 2012 (Exhibit 3.9). The distribution of enrollment in single coverage, single plus one and family coverage has remained stable over time.

EXHIBIT 3.1

Percentage of All Workers Covered by Their Employers' Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999–2012

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–24 Workers	50%	50%	49%	45%	44%	43%	41%	45%	42%	43%	39%	44%	38%	36%
25–49 Workers	56	63	62	57	59	56	55	55	51	57	54	59	49	54
50–199 Workers	61	62	67	64	61	56	59	62	59	60	59	60	59	58
200–999 Workers	69	69	71	69	68	69	65	66	65	67	63	61	63	61
1,000–4,999 Workers	68	68	69	70	69	68	69	68	69	69	67	66	66	66
5,000 or More Workers	64	66	69	68	68	67	66	60	63	64	65	63	64	61
All Small Firms (3–199 Workers)	55%	57%	58%	54%	53%	50%	50%	53%	50%	52%	49%	52%	48%*	47%
All Large Firms (200 or More Workers)	66%	67%	69%	69%	68%	68%	66%	63%	65%	66%	65%	63%	64%	62%
ALL FIRMS	62%	63%	65%	63%	62%	61%	60%	59%	59%	60%	59%	59%	58%	56%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

*Estimates are significantly different from estimate for the previous year shown ($p < .05$).

EXHIBIT 3.2

Eligibility, Take-Up Rate, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2012

	Percentage of Workers Eligible For Health Benefits Offered By Their Employer	Percentage of Eligible Workers Who Participate in Their Employers' Plan (Take-Up Rate)	Percentage of Workers Covered by Their Employers' Health Benefits
FIRM SIZE			
3–24 Workers	81%	75%*	60%
25–49 Workers	78	79	62
50–199 Workers	76	81	62
200–999 Workers	78	80	63
1,000–4,999 Workers	80*	82	66*
5,000 or More Workers	74*	82	61
All Small Firms (3–199 Workers)	78%	78%*	61%
All Large Firms (200 or More Workers)	76%	82%*	62%
REGION			
Northeast	77%	78%*	60%
Midwest	75	80	60
South	80*	80	64
West	75	84*	63
INDUSTRY			
Agriculture/Mining/Construction	77%	82%	63%
Manufacturing	90*	83	74*
Transportation/Communications/Utilities	88*	86*	76*
Wholesale	87*	83	72*
Retail	58*	69*	40*
Finance	90*	84*	75*
Service	72*	79*	57*
State/Local Government	88*	90*	79*
Health Care	75	79	59
ALL FIRMS	77%	81%	62%

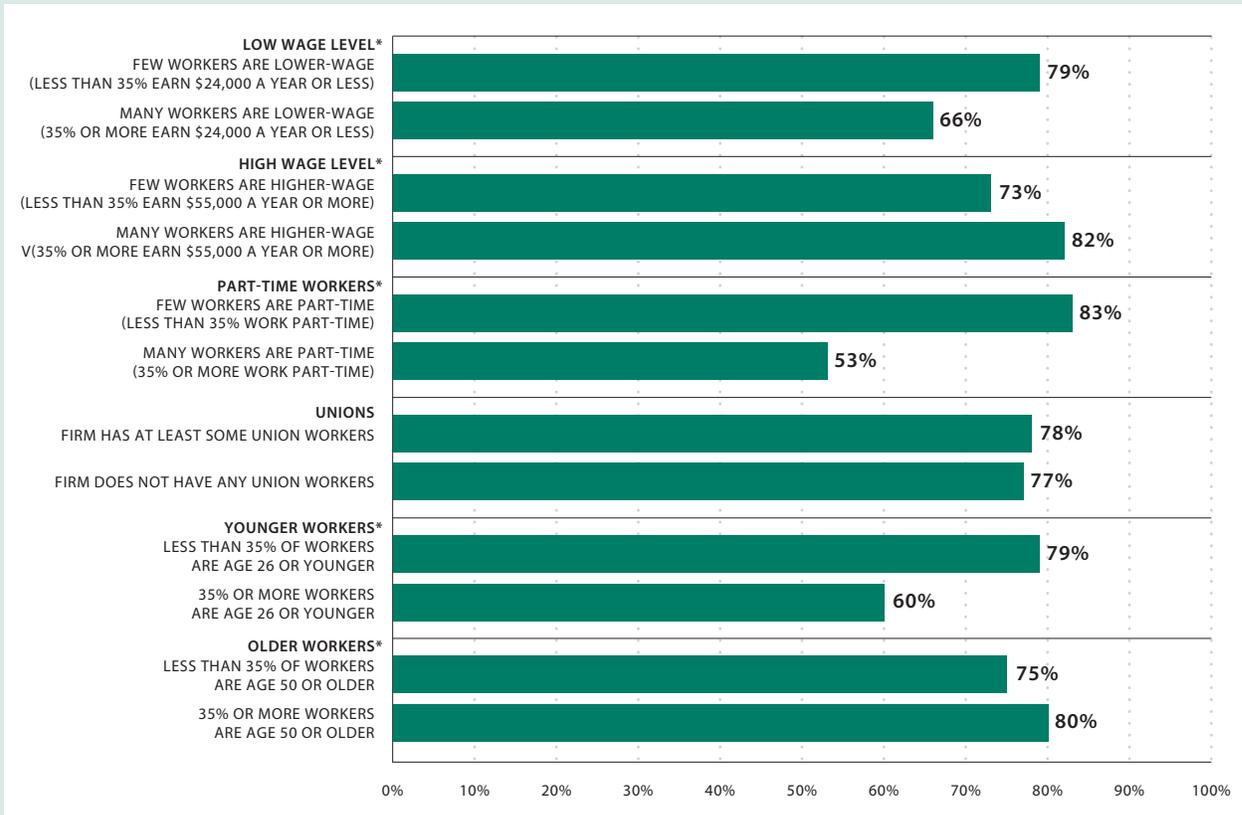
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 3.3

Among Workers in Firms Offering Health Benefits, Percentage of Workers Eligible for Health Benefits Offered by Their Firm, by Firm Characteristics, 2012



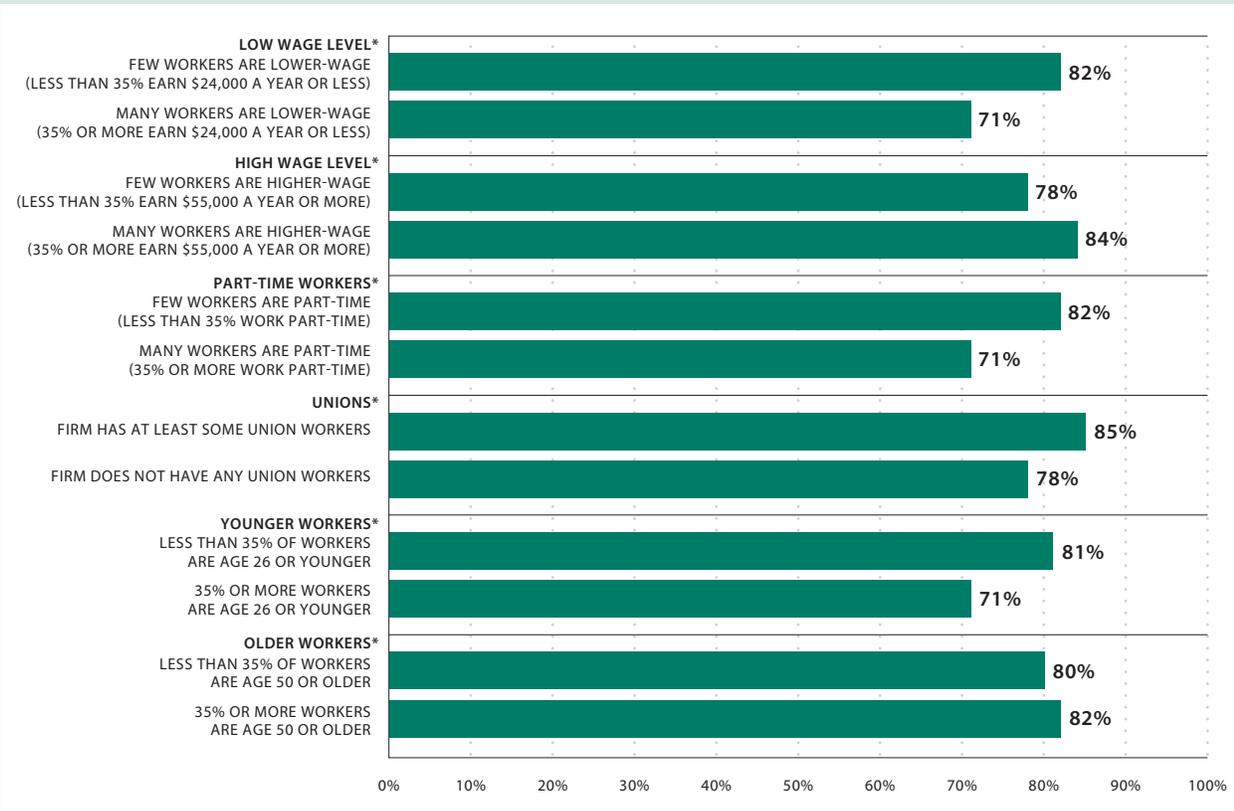
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 3.4

Among Workers in Firms Offering Health Benefits, Percentage of Eligible Workers Who Take Up Health Benefits Offered by Their Firm, by Firm Characteristics, 2012



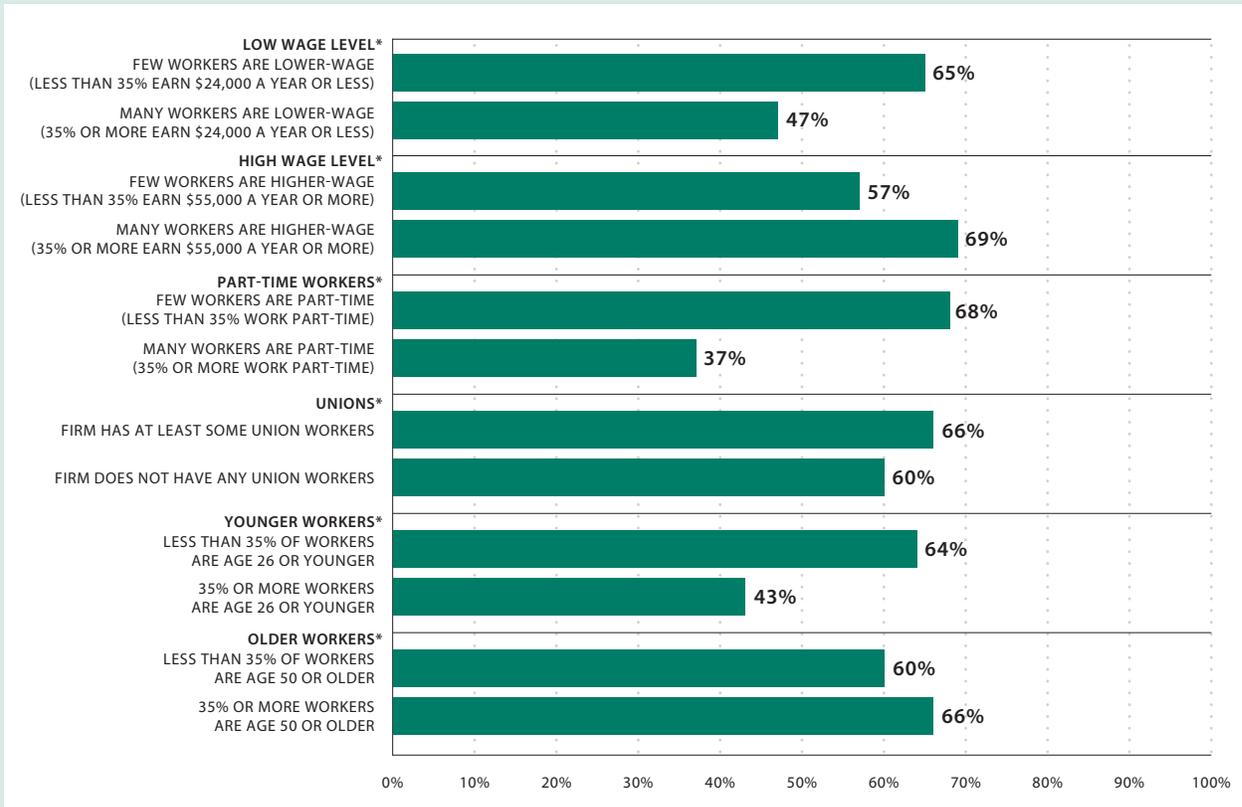
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 3.5

Among Workers in Firms Offering Health Benefits, Percentage of Workers Covered by Health Benefits Offered by Their Firm, by Firm Characteristics, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 3.6

Eligibility, Take-Up Rate, and Coverage for Workers in Firms Offering Health Benefits, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Percentage Eligible														
All Small Firms (3–199 Workers)	81%	82%	85%	82%*	84%	80%	81%	83%	80%	81%	81%	82%	83%	78%*
All Large Firms (200 or More Workers)	78	80	82	80	80	81	79	76	78	79	79	77	78	76
ALL FIRMS	79%	81%	83%	81%*	81%	80%	80%	78%	79%	80%	79%	79%	79%	77%
Percentage of Eligible that Take Up														
All Small Firms (3–199 Workers)	83%	83%	83%	82%	81%	80%	81%	81%	80%	80%	79%	77%	78%	78%
All Large Firms (200 or More Workers)	86	84	85	86	85	84	85	84	84	84	82	82	83	82
ALL FIRMS	85%	84%	84%	85%	84%	83%	83%	83%	82%	82%	81%	80%	81%	81%
Percentage Covered														
All Small Firms (3–199 Workers)	67%	68%	71%	67%*	68%	64%	65%	67%	64%	65%	64%	63%	65%	61%
All Large Firms (200 or More Workers)	66	67	69	69	68	68	67	63	65	66	65	63	65	62
ALL FIRMS	66%	68%	70%	68%	68%	67%	66%	65%	65%	65%	65%	63%	65%	62%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

Note: In 2009, Kaiser/HRET began weighting the percentage of workers that take up coverage by the number of workers eligible for coverage. The historical take up estimates have also been updated. See the Survey Design and Methods section for more information.

EXHIBIT 3.7

Percentage of Covered Workers in Firms with a Waiting Period for Coverage and Average Waiting Period in Months, by Firm Size, Region, and Industry, 2012

	Percentage of Covered Workers in Firms with a Waiting Period	Among Covered Workers with a Waiting Period, Average Waiting Period (Months)
FIRM SIZE		
All Small Firms (3–199 Workers)	81%*	2.7*
All Large Firms (200 or More Workers)	71*	2.1*
REGION		
Northeast	66%	2.2
Midwest	73	2.1*
South	73	2.3
West	84*	2.6*
INDUSTRY		
Agriculture/Mining/Construction	74%	3.0
Manufacturing	65	2.5
Transportation/Communications/Utilities	67	2.0*
Wholesale	90*	2.4
Retail	94*	3.3*
Finance	76	1.9*
Service	72	2.3
State/Local Government	66	1.7*
Health Care	78	2.1*
ALL FIRMS	74%	2.3

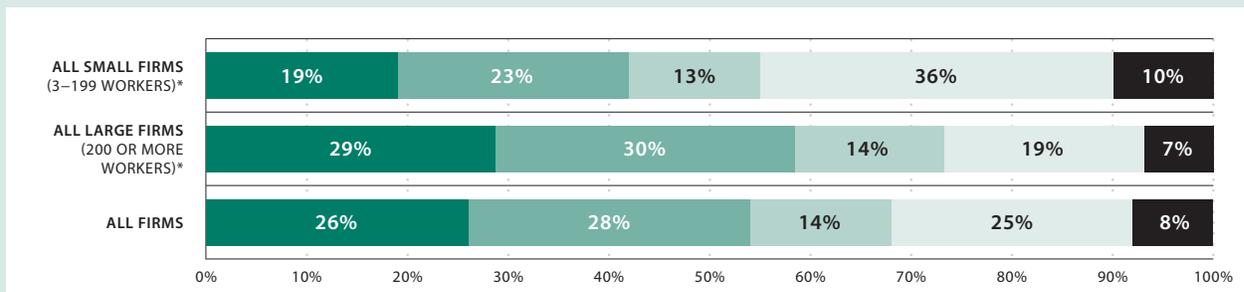
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 3.8

Distribution of Covered Workers with the Following Waiting Periods for Coverage, 2012



SOURCE:

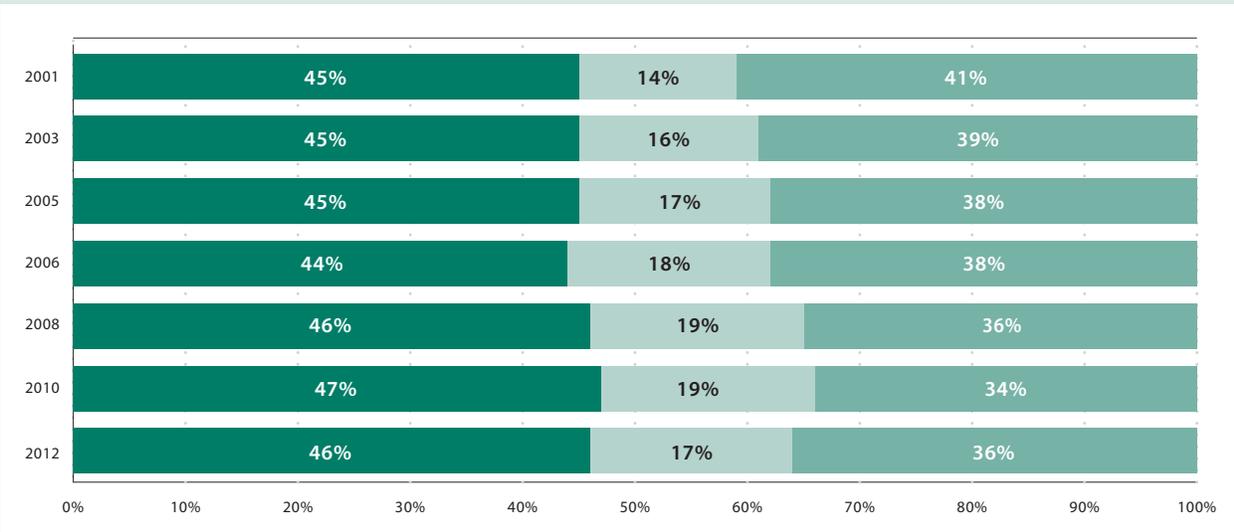
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

■ NO WAITING PERIOD
■ 1 MONTH
■ 2 MONTHS
■ 3 MONTHS
■ 4 OR MORE MONTHS

EXHIBIT 3.9

Distribution of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, 2001–2012



SOURCE:

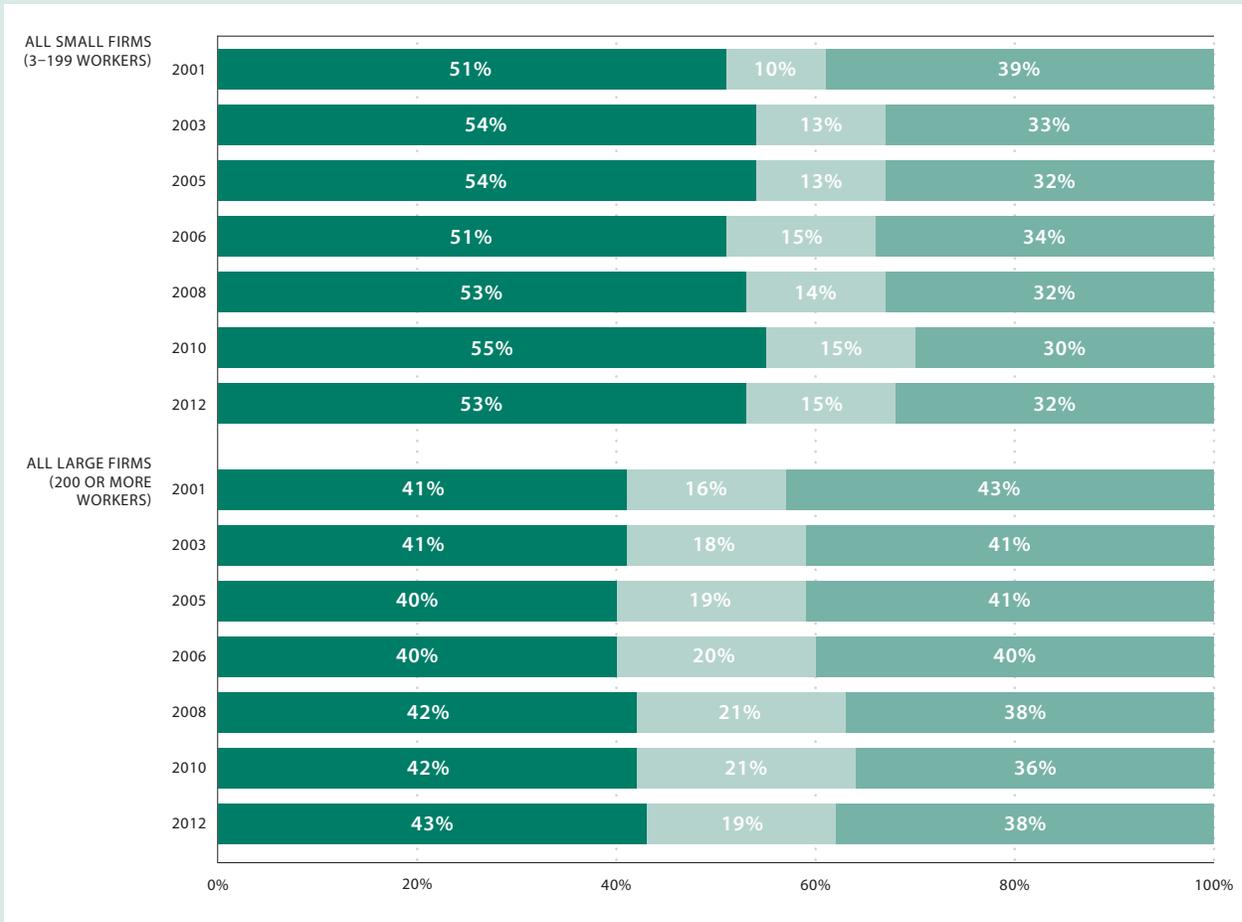
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2012.

Note: Single Plus One coverage includes either an employee plus a spouse or an employee plus a child.

- SINGLE COVERAGE
- SINGLE PLUS ONE COVERAGE
- FAMILY COVERAGE

EXHIBIT 3.10

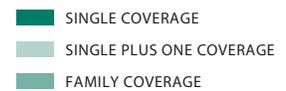
Distribution of Covered Workers Electing Single Coverage, Single Plus One Coverage, or Family Coverage, by Firm Size, 2001–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001–2012.

Note: Single Plus One coverage includes either an employee plus a spouse or an employee plus a child.



EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Types of
Plans
Offered

SECTION

4

TYPES OF PLANS OFFERED

MOST FIRMS THAT OFFER HEALTH BENEFITS OFFER ONLY ONE TYPE OF HEALTH PLAN (82%) (SEE TEXT BOX). LARGER FIRMS ARE MORE LIKELY TO OFFER MORE THAN ONE TYPE OF HEALTH PLAN. EMPLOYERS ARE MOST LIKELY TO OFFER THEIR WORKERS A PPO, HMO, OR HDHP/SO PLAN AND ARE LEAST LIKELY TO OFFER A CONVENTIONAL PLAN.

- ▶ Eighty-two percent of firms offering health benefits in 2012 offer only one type of health plan. Large firms (200 or more workers) are more likely to offer more than one plan type than small firms (3–199 workers): 45% vs. 17% (Exhibit 4.1).
- ▶ Over half (52%) of covered workers are employed in a firm that offers more than one health plan type. Sixty-five percent of covered workers in large firms (200 or more workers) are employed by a firm that offers more than one plan type, compared to 26% in small firms (3–199 workers) (Exhibit 4.2).
- ▶ Three quarters (75%) of covered workers in firms offering health benefits work in a firm that offers one or more PPOs; 39% work in firms that offer one or more HDHP/SOs; 37% work in firms that offer one or more HMOs; 14% work in firms that offer one or more POS plans; and 4% work in firms that offer one or more conventional plans (Exhibit 4.4).¹

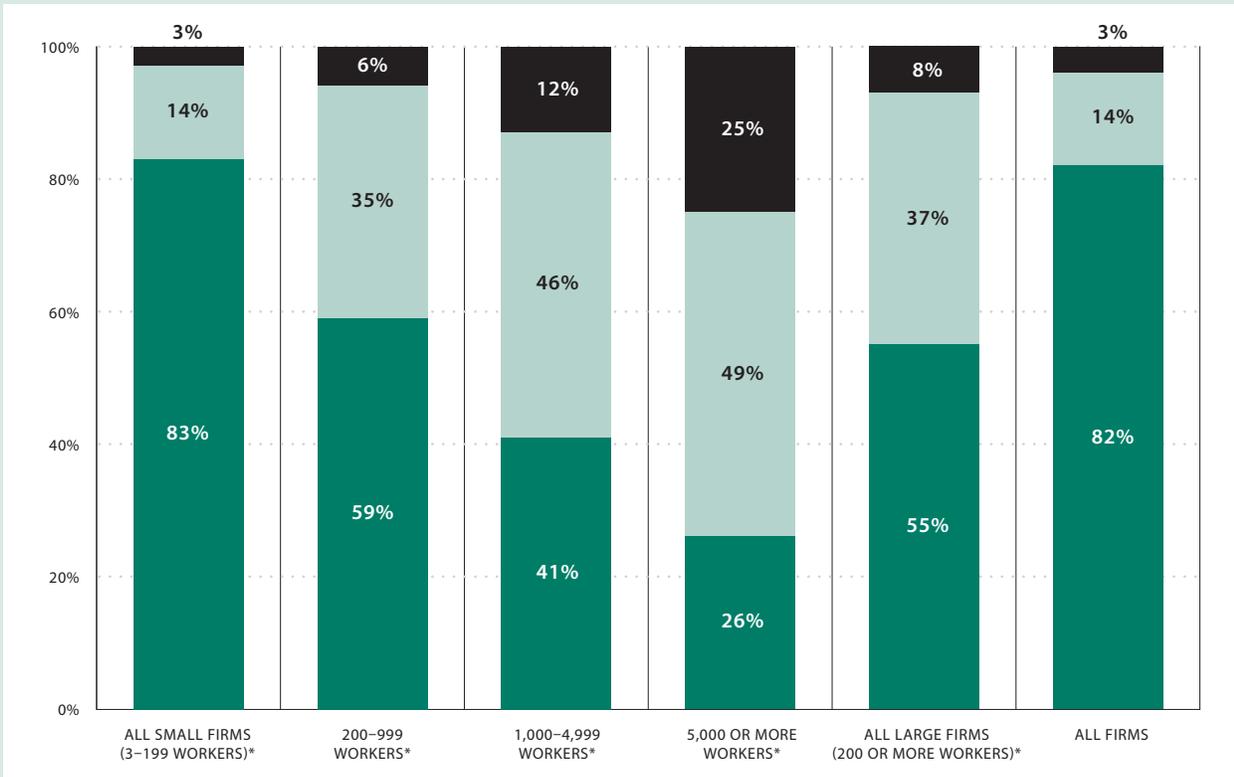
The survey collects information on a firm's plan with the largest enrollment in each of the plan types. While we know the number of plan types a firm has, we do not know the total number of plans a firm offers. In addition, firms may offer different types of plans to different workers. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

NOTE:

¹ Starting in 2010 we included firms that said they offer a plan type even if there are no covered workers in that plan type.

EXHIBIT 4.1

Among Firms Offering Health Benefits, Percentage of Firms That Offer One, Two, or Three or More Plan Types, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

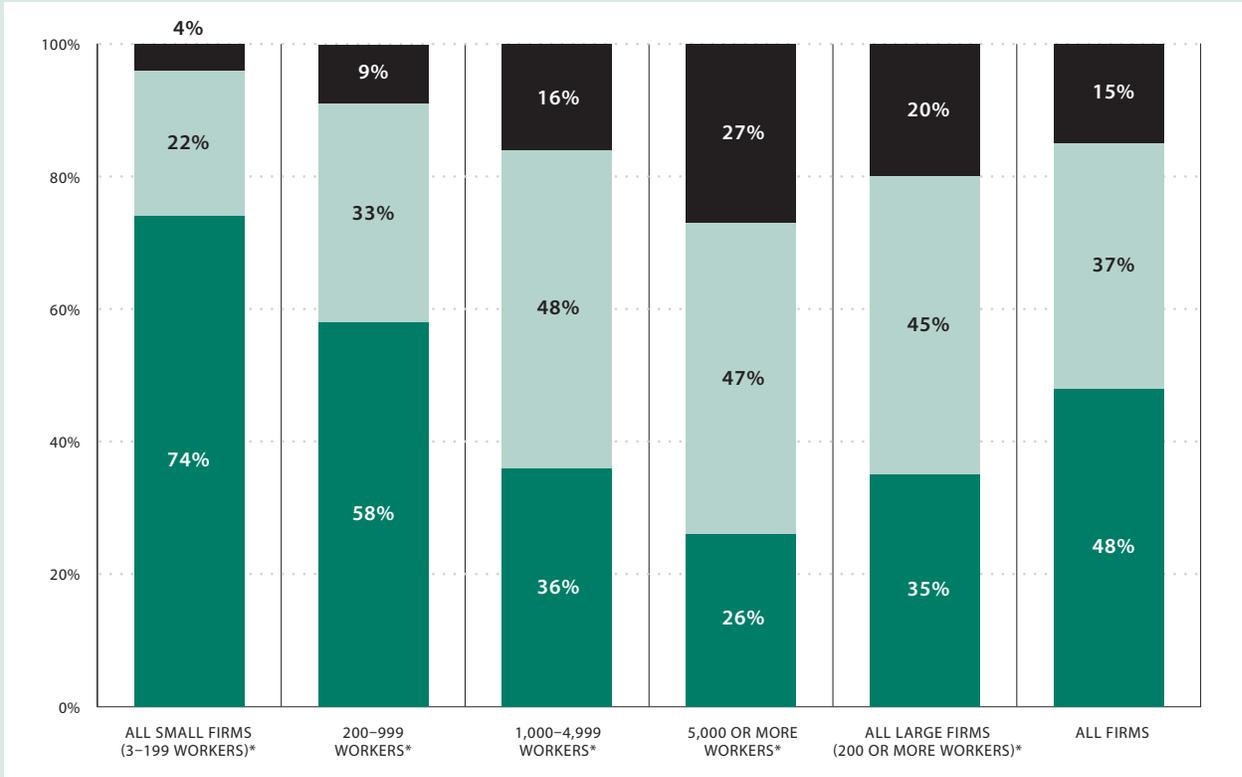
- THREE OR MORE PLAN TYPES
- TWO PLAN TYPES
- ONE PLAN TYPE

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

Note: The survey collects information on a firm's plan with the largest enrollment in each of the plan types. While we know the number of plan types a firm has, we do not know the total number of plans a firm offers. In addition, firms may offer different types of plans to different workers. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan. Although firms may offer more than one of each plan type, the survey asks how many are offered among the following types: conventional, HMO, PPO, POS, and HDHP/SO.

EXHIBIT 4.2

Percentage of Covered Workers in Firms Offering One, Two, or Three or More Plan Types, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

Note: The survey collects information on a firm's plan with the largest enrollment in each of the plan types. While we know the number of plan types a firm has, we do not know the total number of plans a firm offers. In addition, firms may offer different types of plans to different workers. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan. Although firms may offer more than one of each plan type, the survey asks how many are offered among the following types: conventional, HMO, PPO, POS, and HDHP/SO.

EXHIBIT 4.3

Among Firms Offering Health Benefits, Percentage of Firms That Offer the Following Plan Types, by Firm Size, 2012

	Conventional	HMO	PPO	POS	HDHP/SO
FIRM SIZES					
200–999 Workers	1%	26%	73%*	15%*	33%
1,000–4,999 Workers	4	33*	86*	8*	38
5,000 or More Workers	6*	51*	85*	11*	48*
All Small Firms (3–199 Workers)	2%	20%	42%*	25%*	31%
All Large Firms (200 or More Workers)	1%	28%	76%*	14%*	34%
ALL FIRMS	2%	21%	42%	25%	31%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The survey collects information on a firm's plan with the largest enrollment in each of the plan types. While we know the number of plan types a firm has, we do not know the total number of plans a firm offers. In addition, firms may offer different types of plans to different workers. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

EXHIBIT 4.4

Among Firms Offering Health Benefits, Percentage of Covered Workers in Firms That Offer the Following Plan Types, by Firm Size, 2012

	Conventional	HMO	PPO	POS	HDHP/SO
FIRM SIZES					
200–999 Workers	1%*	25%*	77%	14%	34%
1,000–4,999 Workers	4	36	92*	5*	41
5,000 or More Workers	7*	56*	87*	10	46*
All Small Firms (3–199 Workers)	1%*	20%*	54%*	23%*	31%*
All Large Firms (200 or More Workers)	5%*	45%*	86%*	10%*	42%*
ALL FIRMS	4%	37%	75%	14%	39%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The survey collects information on a firm's plan with the largest enrollment in each of the plan types. While we know the number of plan types a firm has, we do not know the total number of plans a firm offers. In addition, firms may offer different types of plans to different workers. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

EXHIBIT 4.5

Among Firms Offering Only One Type of Health Plan, Percentage of Covered Workers in Firms That Offer the Following Plan Type, by Firm Size, 2012

	Conventional	HMO	PPO	POS	HDHP/SO
FIRM SIZES					
All Small Firms (3–199 Workers)	1%	11%*	45%*	19%*	24%
All Large Firms (200 or More Workers)	<1%	2%*	77%*	5%*	17%
ALL FIRMS	1%	6%	61%	12%	20%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The survey collects information on a firm's plan with the largest enrollment in each of the plan types. While we know the number of plan types a firm has, we do not know the total number of plans a firm offers. In addition, firms may offer different types of plans to different workers. For example, some workers might be offered one type of plan at one location, while workers at another location are offered a different type of plan.

EMPLOYER HEALTH BENEFITS
2012 ANNUAL SURVEY

Market
Shares of
Health Plans

SECTION

5

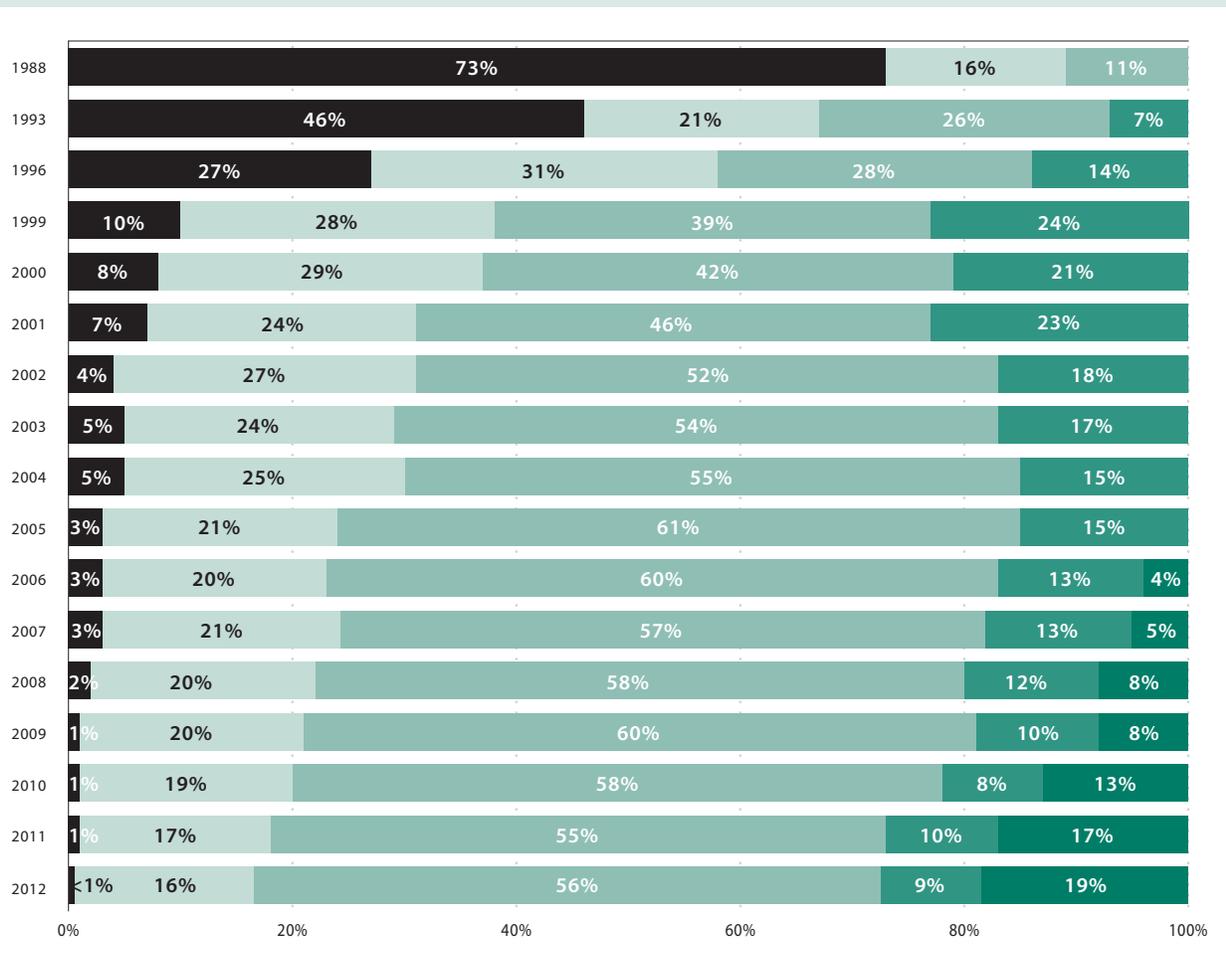
MARKET SHARES OF HEALTH PLANS

ENROLLMENT REMAINS HIGHEST IN PPOs, WITH MORE THAN HALF OF COVERED WORKERS, FOLLOWED BY HDHP/SOs, HMOs, POS PLANS, AND CONVENTIONAL PLANS. PPOs REMAIN MORE POPULAR FOR COVERED WORKERS IN LARGE FIRMS AND HDHP/SO AND POS PLANS ARE RELATIVELY MORE POPULAR IN SMALLER FIRMS.

- ▶ Fifty-six percent of covered workers are enrolled in PPOs, followed by HDHP/SOs (19%), HMOs (16%), POS plans (9%), and conventional plans (<1%) (Exhibit 5.1).
- ▶ After two years of significant increases in the percentage of covered workers enrolled in HDHP/SO plans (8% in 2009, 13% in 2010, and 17% in 2011), there was a similar level of enrollment in 2012 (19%) compared to last year (Exhibit 5.1).
- ▶ Plan enrollment patterns vary by firm size. Workers in large firms (200 or more workers) are more likely than workers in small firms (3-199 workers) to enroll in PPOs (63% vs. 43%). Workers in small firms are more likely than workers in large firms to enroll in POS plans (18% vs. 4%) and HDHP/SO plans (24% vs. 17%) (Exhibit 5.3).
- ▶ Plan enrollment patterns also differ across regions.
 - HMO enrollment is significantly higher in the West (27%) and significantly lower in the South (12%) and Midwest (8%) (Exhibit 5.3).
 - Workers in the South (62%) are more likely to be enrolled in PPO plans than workers in other regions; workers in the West (48%) are less likely to be enrolled in a PPO (Exhibit 5.3).
 - Enrollment in HDHP/SOs is higher among workers in the Midwest (29%) than in other regions (Exhibit 5.3).

EXHIBIT 5.1

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

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

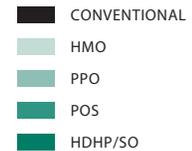
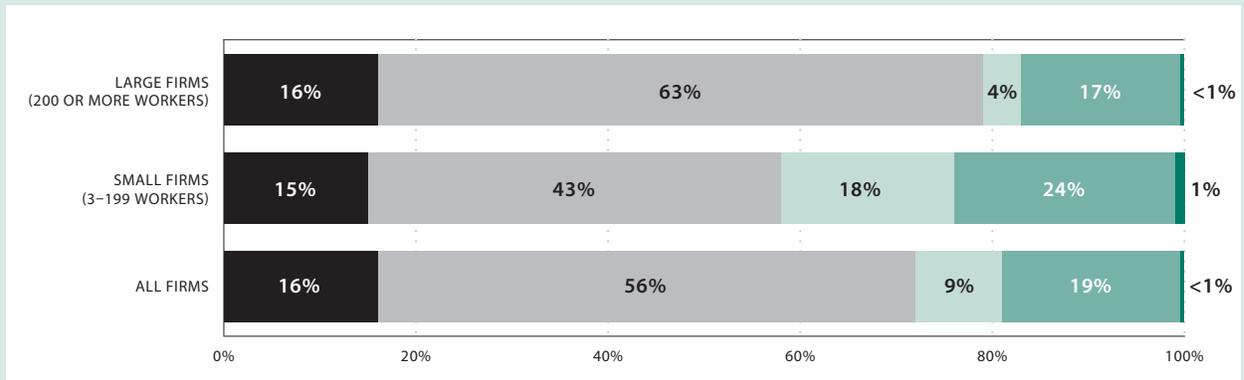


EXHIBIT 5.2

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type and Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

*Enrollment in plan type is statistically different between Large and Small Employers (p<.05).

Note: HMO is health maintenance organization. PPO is preferred provider organization. POS is point-of-service plan. HDHP/SO is high-deductible health plan with a savings option. Less than 1% of covered workers in Large Firms and All Firms are enrolled in a conventional plan.

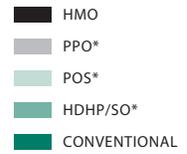


EXHIBIT 5.3

Distribution of Health Plan Enrollment for Covered Workers, by Firm Size, Region, and Industry, 2012

	Conventional	HMO	PPO	POS	HDHP/SO
FIRM SIZE					
3–24 Workers	2%	15%	34%*	24%*	25%
25–49 Workers	0	12	40*	19*	28
50–199 Workers	<1	17	51	12	21
200–999 Workers	<1	13	59	8	19
1,000–4,999 Workers	<1	15	68*	3*	14*
5,000 or More Workers	<1	17	62*	4*	17
All Small Firms (3–199 Workers)	1%	15%	43%*	18%*	24%*
All Large Firms (200 or More Workers)	<1%	16%	63%*	4%*	17%*
REGION					
Northeast	<1%	18%	57%	6%*	19%
Midwest	<1	8*	54	9	29*
South	1	12*	62*	9	17
West	<1	27*	48*	11	13*
INDUSTRY					
Agriculture/Mining/Construction	<1%	8%*	54%	21%*	17%
Manufacturing	<1	7*	56	6	32*
Transportation/Communications/Utilities	<1	20	58	10	12*
Wholesale	<1	6*	53	15	26
Retail	3	17	58	6	16
Finance	<1	15	57	5	23
Service	<1	21*	50*	9	20
State/Local Government	<1	15	70*	7	7*
Health Care	<1	16	61	8	15
ALL FIRMS	<1%	16%	56%	9%	19%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EMPLOYER HEALTH BENEFITS
2012 ANNUAL SURVEY

Worker and
Employer
Contributions
for Premiums

SECTION

6

WORKER AND EMPLOYER CONTRIBUTIONS FOR PREMIUMS

PREMIUM CONTRIBUTIONS BY COVERED WORKERS AVERAGE 18% FOR SINGLE COVERAGE AND 28% FOR FAMILY COVERAGE.¹ THE AVERAGE MONTHLY WORKER CONTRIBUTIONS ARE \$79 FOR SINGLE COVERAGE (\$951 ANNUALLY) AND \$360 FOR FAMILY COVERAGE (\$4,316 ANNUALLY). THESE PERCENTAGE AND DOLLAR VALUES ARE SIMILAR TO THE VALUES REPORTED IN 2011.

- ▶ In 2012, covered workers on average contribute 18% of the premium for single coverage and 28% of the premium for family coverage, the same contribution percentages reported for 2011 (Exhibit 6.1).
- ▶ On average, workers with single coverage contribute \$79 per month (\$951 annually), and workers with family coverage contribute \$360 per month (\$4,316 annually), towards their health insurance premiums, similar to the amounts reported in 2011 (Exhibit 6.2, Exhibit 6.3, and Exhibit 6.4).
 - Worker contributions in HDHP/SOs are lower than the overall average worker contributions for both single and family coverage (\$765 and \$3,720) (Exhibit 6.5).
 - Worker contributions in POS plans are lower for single coverage (\$743) compared to the overall average worker contribution for single coverage. Worker contributions in HMO plans are higher for single coverage (\$1,114) than the overall average worker contribution amounts (Exhibit 6.5).
- ▶ Workers in small firms (3–199 workers) contribute a lower amount annually for single coverage than workers in large firms (200 or more workers), \$848 vs. \$1,001. In contrast, workers in small firms with family coverage contribute significantly more annually than workers with family coverage in large firms, (\$5,134 vs. \$3,926) (Exhibit 6.8).
- ▶ There is a great deal of variation in worker contributions to premiums.
 - Twenty-eight percent of covered workers contribute \$1,332 or more annually (140% or more of the average worker contribution) for single coverage, while 18% of covered workers have an annual worker contribution of less than \$571 (less than 60% of the average worker contribution) (Exhibit 6.14).
 - For family coverage, 22% of covered workers contribute \$6,043 or more annually (140% or more of the average worker contribution), while 23% of covered workers have an annual worker contribution of less than \$2,590 (less than 60% of the average worker contribution) (Exhibit 6.14).
- ▶ The majority of covered workers are employed by a firm that contributes at least half of the premium.
 - Sixteen percent of covered workers with single coverage and 6% of covered workers with family coverage work for a firm that pays 100% of the premium (Exhibit 6.15).
 - Covered workers in small firms (3–199 workers) are more likely to work for a firm that pays 100% of the premium than workers in large firms (200 or more workers). Thirty-six percent of covered workers in small firms have an employer that pays the full premium for single coverage, compared to 6% of covered workers in large firms (Exhibit 6.16). For family coverage, 16% percent of covered workers in small firms have an employer that pays the full premium, compared to 2% of covered workers in large firms (Exhibit 6.17).

NOTE:

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

² For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

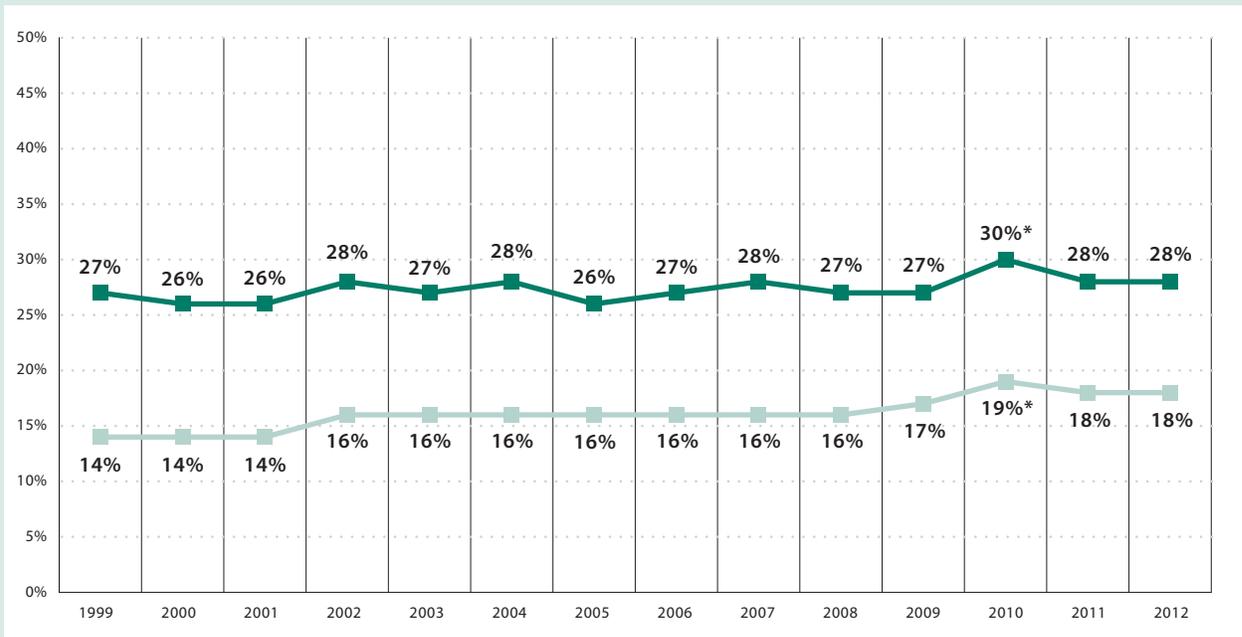
- Five percent of covered workers in small firms (3–199 workers) contribute more than 50% of the premium for single coverage, compared to 1% of covered workers in large firms (200 or more workers) (Exhibit 6.16). For family coverage, 30% of covered workers in small firms work in a firm where they must contribute more than 50% of the premium, compared to 6% of covered workers in large firms (Exhibit 6.17).
- ▶ The percentage of the premium paid by covered workers varies by several firm characteristics.
 - For family coverage, workers in firms with many lower-wage workers (35% or more earn \$24,000 or less annually) contribute a greater percentage of the premium than those in firms with fewer lower-wage workers (less than 35% earn \$24,000 or less annually) (34% vs. 28%) (Exhibit 6.20).
 - Workers with family coverage in firms that have at least some union workers contribute a significantly lower percentage of the premium than those in firms without any union workers (22% vs. 32%) (Exhibit 6.20).
- For workers with family coverage in large firms (200 or more workers), the average percentage contribution for workers in firms that are partially or completely self-funded is lower than the average percentage contributions for workers in firms that are fully insured (24% vs. 29%)² (Exhibit 6.20).
- ▶ Among firms offering health benefits with fewer than 20 employees nearly half (47%) contribute different dollar amounts toward premiums for different employees (Exhibit 6.25).
- ▶ Among firms offering health benefits with fewer than 20 employees, 72% have at least one plan that provides a bill itemizing per employee premium costs. Of these firms, 51% report being charged a different premium amount for different employees (Exhibit 6.25).
- Among firms offering health benefits, 4% vary worker premium contributions by wage level. Large firms (200 or more workers) are more likely to vary contributions by wage level than small firms (10% vs. 4%) (Exhibit 6.26).

NOTE:

² For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 6.1

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1999–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

— FAMILY COVERAGE
— SINGLE COVERAGE

EXHIBIT 6.2

Average Monthly Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, 1999–2012



SOURCE:

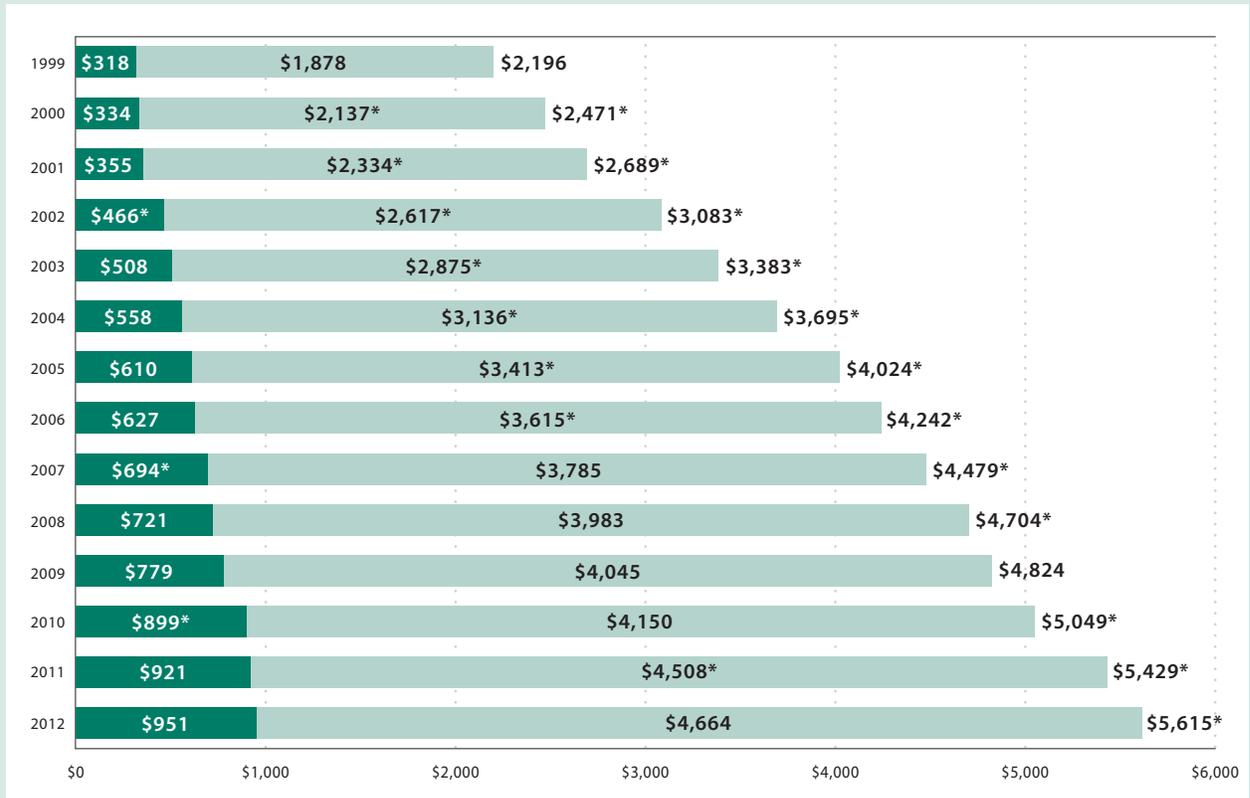
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

— FAMILY COVERAGE
— SINGLE COVERAGE

EXHIBIT 6.3

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Single Coverage, 1999–2012



SOURCE:

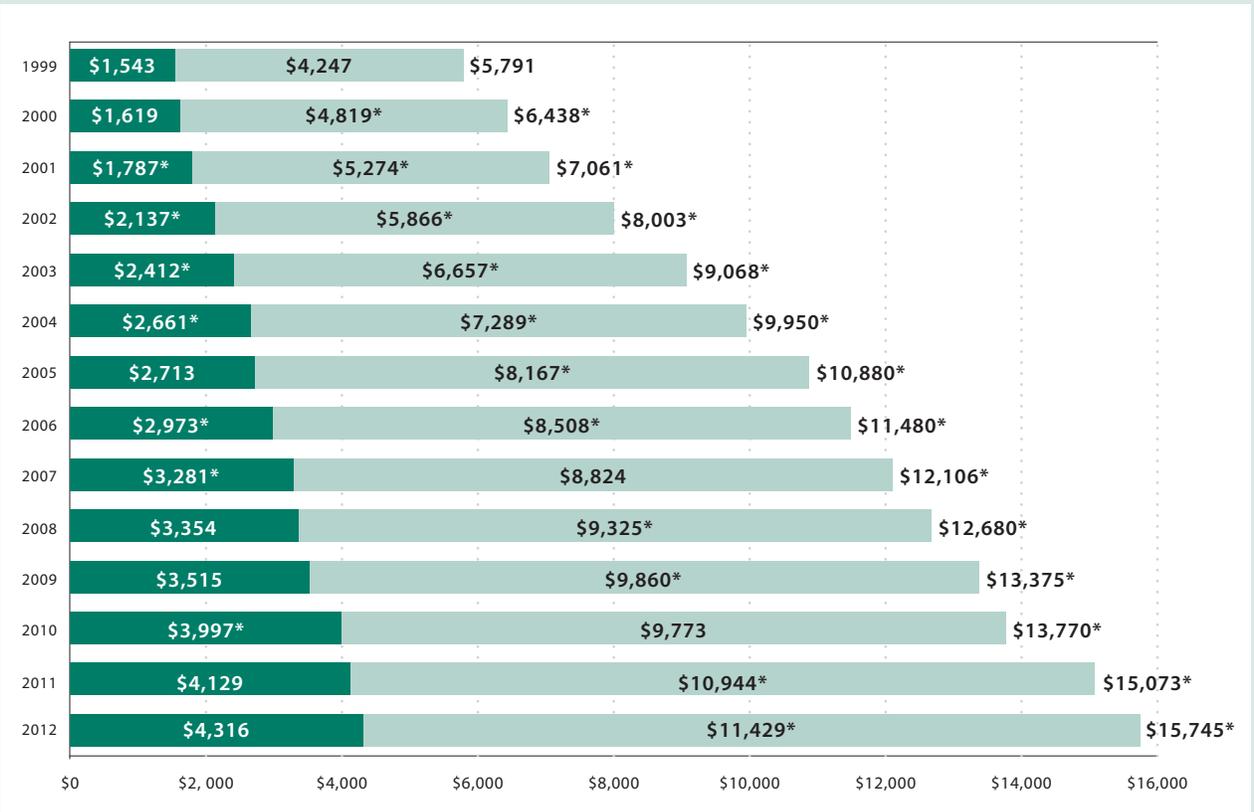
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

■ WORKER CONTRIBUTION
■ EMPLOYER CONTRIBUTION

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

EXHIBIT 6.4

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999–2012



SOURCE:

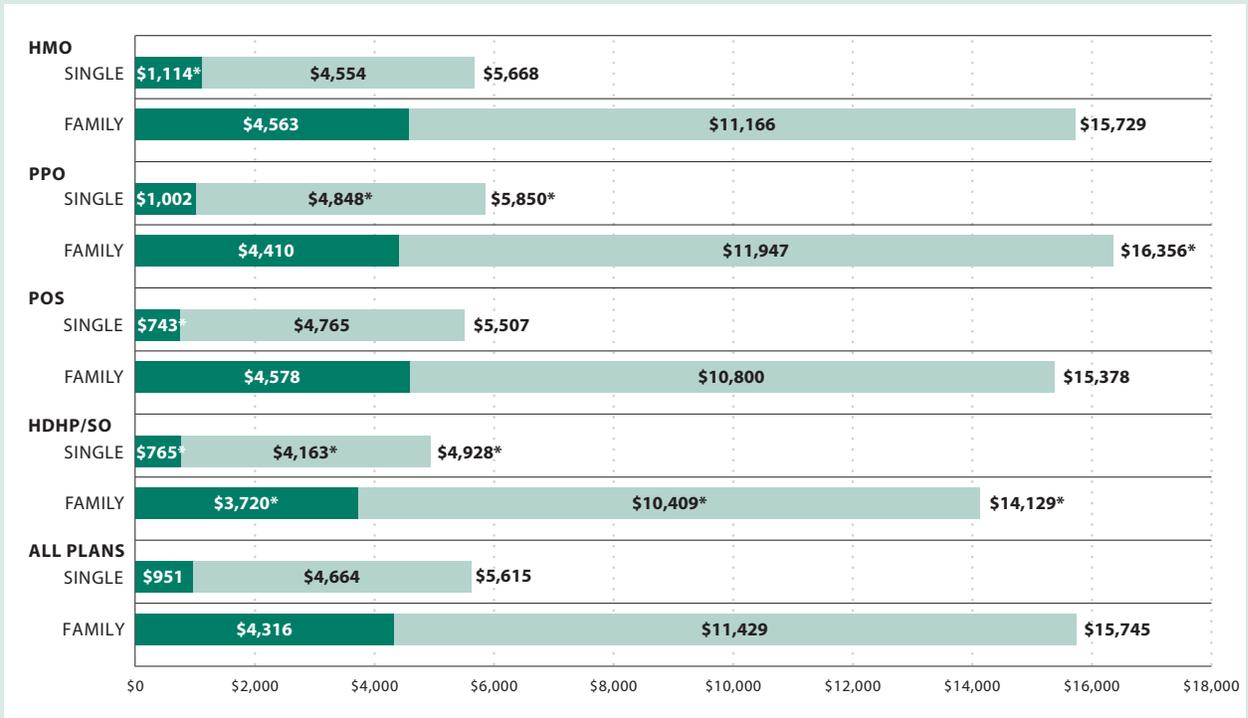
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

■ WORKER CONTRIBUTION
■ EMPLOYER CONTRIBUTION

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

EXHIBIT 6.5

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

■ WORKER CONTRIBUTION
■ EMPLOYER CONTRIBUTION

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

EXHIBIT 6.6

Average Annual Worker Contributions for Covered Workers with Single Coverage, by Firm Size, 1999–2012



SOURCE:

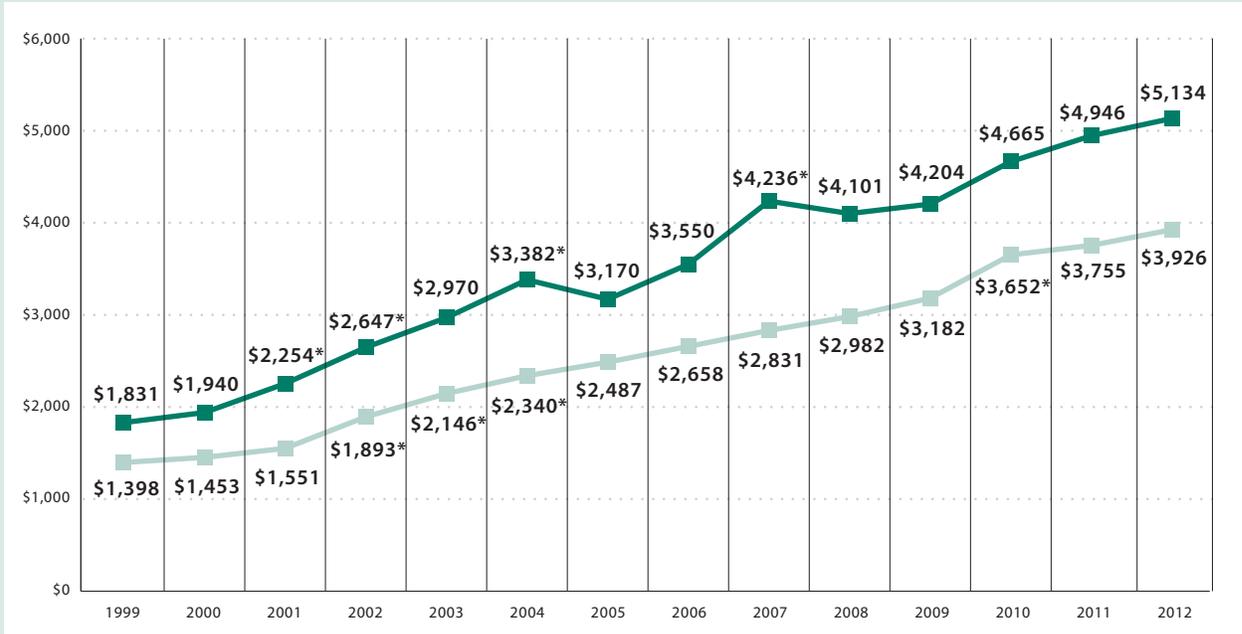
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 6.7

Average Annual Worker Contributions for Covered Workers with Family Coverage, by Firm Size, 1999–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 6.8

Average Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Firm Size, 1999–2012

	Single Coverage		Family Coverage	
	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)
1999	\$286	\$334	\$1,831*	\$1,398*
2000	\$280*	\$363*	\$1,940*	\$1,453*
2001	\$306*	\$380*	\$2,254*	\$1,551*
2002	\$406*	\$495*	\$2,647*	\$1,893*
2003	\$450	\$536	\$2,970*	\$2,146*
2004	\$513	\$578	\$3,382*	\$2,340*
2005	\$556	\$638	\$3,170*	\$2,487*
2006	\$515*	\$689*	\$3,550*	\$2,658*
2007	\$561*	\$759*	\$4,236*	\$2,831*
2008	\$624*	\$769*	\$4,101*	\$2,982*
2009	\$625*	\$854*	\$4,204*	\$3,182*
2010	\$865	\$917	\$4,665*	\$3,652*
2011	\$762*	\$996*	\$4,946*	\$3,755*
2012	\$848*	\$1,001*	\$5,134*	\$3,926*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

EXHIBIT 6.9

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single Coverage, by Plan Type and Firm Size, 2012

	Worker Contribution	Employer Contribution	Total Premium
HMO			
All Small Firms (3–199 Workers)	\$1,351*	\$4,254	\$5,605
All Large Firms (200 or More Workers)	\$1,003*	\$4,694	\$5,697
PPO			
All Small Firms (3–199 Workers)	\$832*	\$5,165*	\$5,997
All Large Firms (200 or More Workers)	\$1,058*	\$4,744*	\$5,802
POS			
All Small Firms (3–199 Workers)	\$657	\$4,703	\$5,360
All Large Firms (200 or More Workers)	\$907	\$4,883	\$5,790
HDHP/SO			
All Small Firms (3–199 Workers)	\$695	\$4,318	\$5,013
All Large Firms (200 or More Workers)	\$813	\$4,058	\$4,871
ALL PLANS			
All Small Firms (3–199 Workers)	\$848*	\$4,740	\$5,588
All Large Firms (200 or More Workers)	\$1,001*	\$4,627	\$5,628

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.10

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Family Coverage, by Plan Type and Firm Size, 2012

	Worker Contribution	Employer Contribution	Total Premium
HMO			
All Small Firms (3–199 Workers)	\$6,437*	\$8,607*	\$15,044
All Large Firms (200 or More Workers)	\$3,691*	\$12,356*	\$16,047
PPO			
All Small Firms (3–199 Workers)	\$5,088*	\$11,223	\$16,311
All Large Firms (200 or More Workers)	\$4,189*	\$12,182	\$16,371
POS			
All Small Firms (3–199 Workers)	\$4,725	\$10,378	\$15,102
All Large Firms (200 or More Workers)	\$4,298	\$11,603	\$15,901
HDHP/SO			
All Small Firms (3–199 Workers)	\$4,683*	\$8,936*	\$13,619
All Large Firms (200 or More Workers)	\$3,064*	\$11,413*	\$14,477
ALL PLANS			
All Small Firms (3–199 Workers)	\$5,134*	\$10,119*	\$15,253*
All Large Firms (200 or More Workers)	\$3,926*	\$12,054*	\$15,980*

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.11

Average Monthly and Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2012

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
All Small Firms (3–199 Workers)	\$113*	\$536*	\$1,351*	\$6,437*
All Large Firms (200 or More Workers)	84*	308*	1,003*	3,691*
ALL FIRM SIZES	\$93	\$380	\$1,114	\$4,563
PPO				
All Small Firms (3–199 Workers)	\$69*	\$424*	\$832*	\$5,088*
All Large Firms (200 or More Workers)	88*	349*	1,058*	\$4,189*
ALL FIRM SIZES	\$84	\$367	\$1,002	\$4,410
POS				
All Small Firms (3–199 Workers)	\$55	\$394	\$657	\$4,725
All Large Firms (200 or More Workers)	76	358	907	4,298
ALL FIRM SIZES	\$62	\$381	\$743	\$4,578
HDHP/SO				
All Small Firms (3–199 Workers)	\$58	\$390*	\$695	\$4,683*
All Large Firms (200 or More Workers)	68	255*	813	3,064*
ALL FIRM SIZES	\$64	\$310	\$765	\$3,720
ALL PLANS				
All Small Firms (3–199 Workers)	\$71*	\$428*	\$848*	\$5,134*
All Large Firms (200 or More Workers)	83*	327*	\$1,001*	3,926*
ALL FIRM SIZES	\$79	\$360	\$951	\$4,316

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.12

Average Monthly and Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type and Region, 2012

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Northeast	\$95	\$368	\$1,145	\$4,417
Midwest	79	257*	946	3,086*
South	102	428	1,224	5,138
West	89	391	1,067	4,687
ALL REGIONS	\$93	\$380	\$1,114	\$4,563
PPO				
Northeast	\$98*	\$351	\$1,171*	\$4,211
Midwest	83	356	995	4,276
South	81	378	973	4,540
West	75	374	901	4,489
ALL REGIONS	\$84	\$367	\$1,002	\$4,410
POS				
Northeast	\$94*	\$387	\$1,124*	\$4,649
Midwest	64	349	763	4,185
South	65	412	776	4,948
West	43	366	515	4,395
ALL REGIONS	\$62	\$381	\$743	\$4,578
HDHP/SO				
Northeast	\$62	\$254*	\$747	\$3,053*
Midwest	70	300	835	3,596
South	60	306	726	3,673
West	59	408*	712	4,899*
ALL REGIONS	\$64	\$310	\$765	\$3,720
ALL PLANS				
Northeast	\$90*	\$338	\$1,084*	\$4,059
Midwest	77	331*	924	3,973*
South	79	375	945	4,502
West	73	382	877	4,587
ALL REGIONS	\$79	\$360	\$951	\$4,316

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.13

Average Monthly Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, by Plan Type, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Single Coverage														
HMO	\$28	\$26	\$32	\$38	\$42	\$46	\$47	\$49	\$59	\$59	\$68	\$86*	\$78	93*
PPO	27	29	29	39*	44	48	50	53	60*	61	67*	75*	84*	84
POS	27	28	29	40*	41	45	61*	53	52	72	62	81	65	62
HDHP/SO	^	^	^	^	^	^	^	47	43	39	45	53	60	64
ALL PLANS	\$27	\$28	\$30	\$39*	\$42	\$47	\$51	\$52	\$58*	\$60	\$65	\$75*	\$77	\$79
Family Coverage														
HMO	\$124	\$131	\$150	\$164	\$179	\$223*	\$217	\$257*	\$276	\$282	\$307	\$363*	\$346	\$380
PPO	128	141	153	188*	210*	224	220	243*	270*	279	289	319*	339	367
POS	141	136	143	180*	206	218	271*	269	305	311	346	433*	444	381
HDHP/SO	^	^	^	^	^	^	^	187	238	234	223	294*	303	310
ALL PLANS	\$129	\$135	\$149*	\$178*	\$201*	\$222*	\$226	\$248*	\$273*	\$280	\$293	\$333*	\$344	\$360

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 6.14

Distribution of Worker Premium Contributions for Single and Family Coverage Relative to the Average Annual Worker Premium Contribution, 2012

Premium Contribution Range, Relative to Average Premium Contribution	Single Coverage		Family Coverage	
	Premium Contribution Range, Dollar Amount	Percentage of Covered Workers in Range	Premium Contribution Range, Dollar Amount	Percentage of Covered Workers in Range
Less than 60%	Less than \$571	18%	Less than \$2,590	23%
60% to Less than 80%	\$571 to <\$761	11%	\$2,590 to <\$3,453	18%
80% to Less than Average	\$761 to <\$951	14%	\$3,453 to <\$4,316	17%
Average to Less than 120%	\$951 to <\$1,142	16%	\$4,316 to <\$5,180	13%
120% to Less than 140%	\$1,142 to <\$1,332	13%	\$5,180 to <\$6,043	8%
140% or More	\$1,332 or More	28%	\$6,043 or More	22%

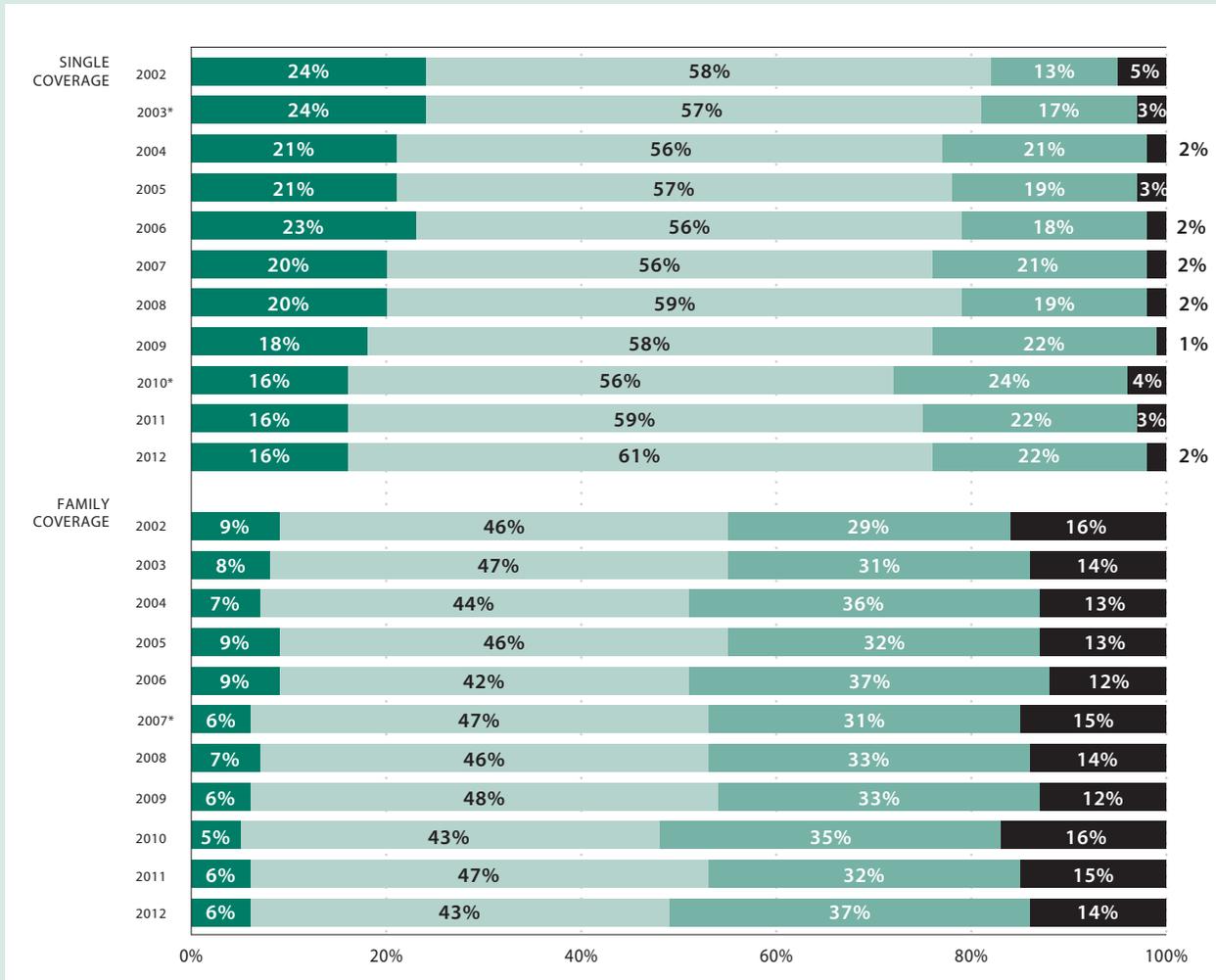
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The average annual worker contribution is \$951 for single coverage and \$4,316 for family coverage. The worker contribution distribution is relative to the average single or family worker contribution. For example, \$761 is 80% of the average single worker contribution and \$1,142 is 120% of the average single worker contribution. The same break points relative to the average are used for the distribution for family coverage.

EXHIBIT 6.15

Distribution of Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 2002–2012



SOURCE:

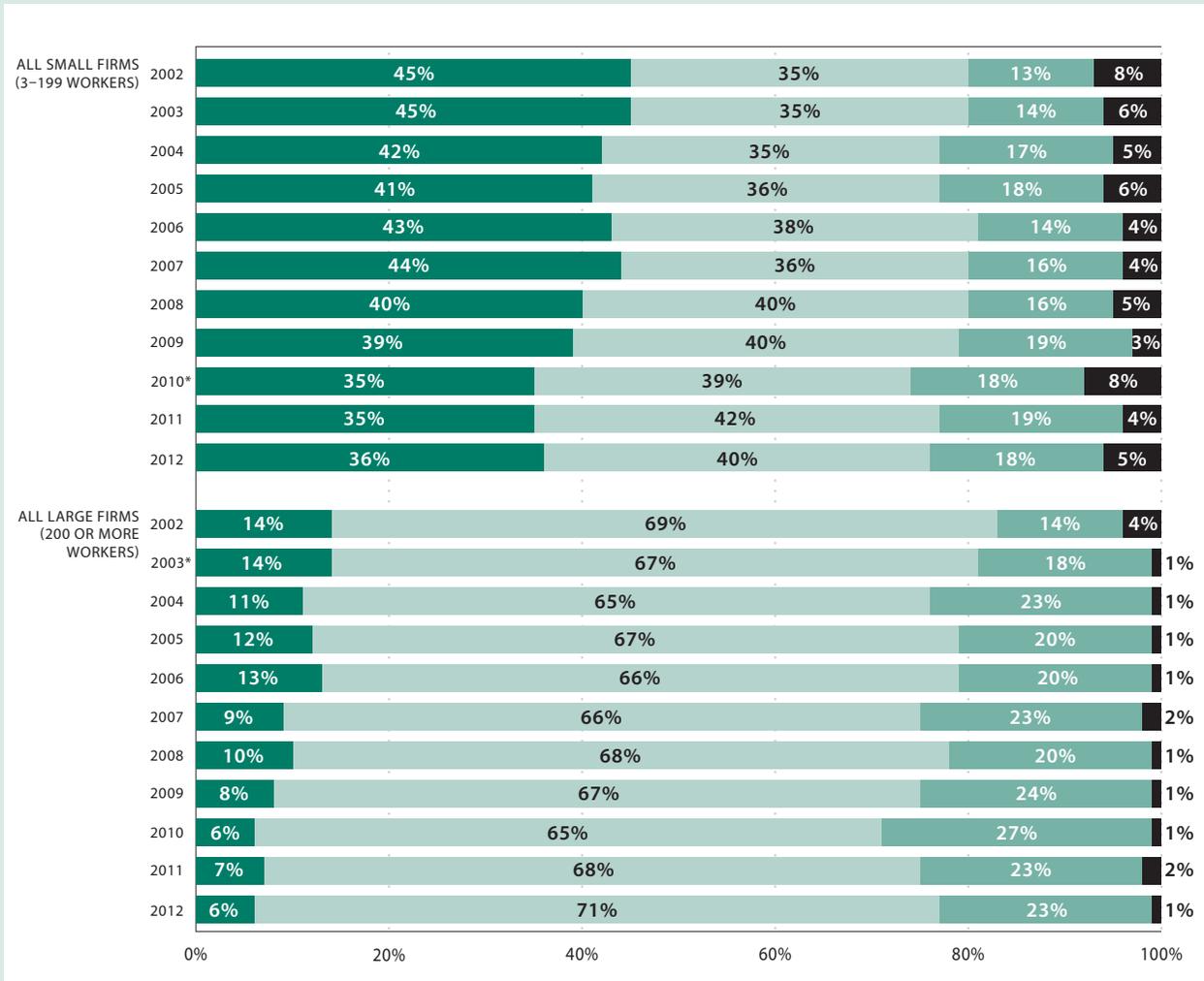
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2002–2012.

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

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

EXHIBIT 6.16

Distribution of Percentage of Premium Paid by Covered Workers for Single Coverage, by Firm Size, 2002–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2002–2012.

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

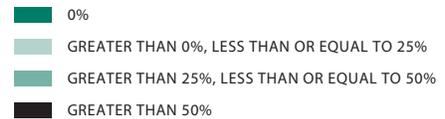
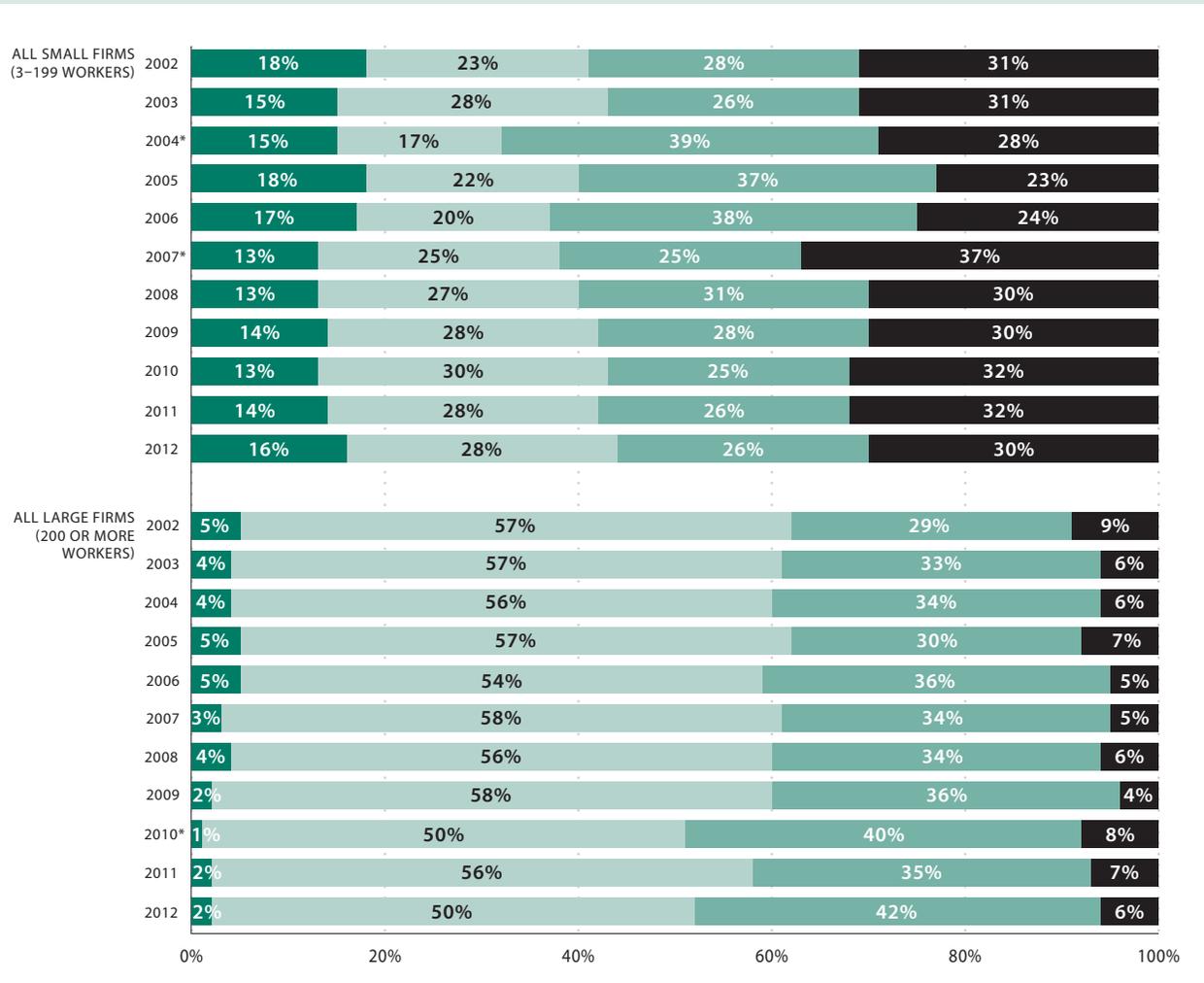


EXHIBIT 6.17

Distribution of Percentage of Premium Paid by Covered Workers for Family Coverage, by Firm Size, 2002–2012



SOURCE:

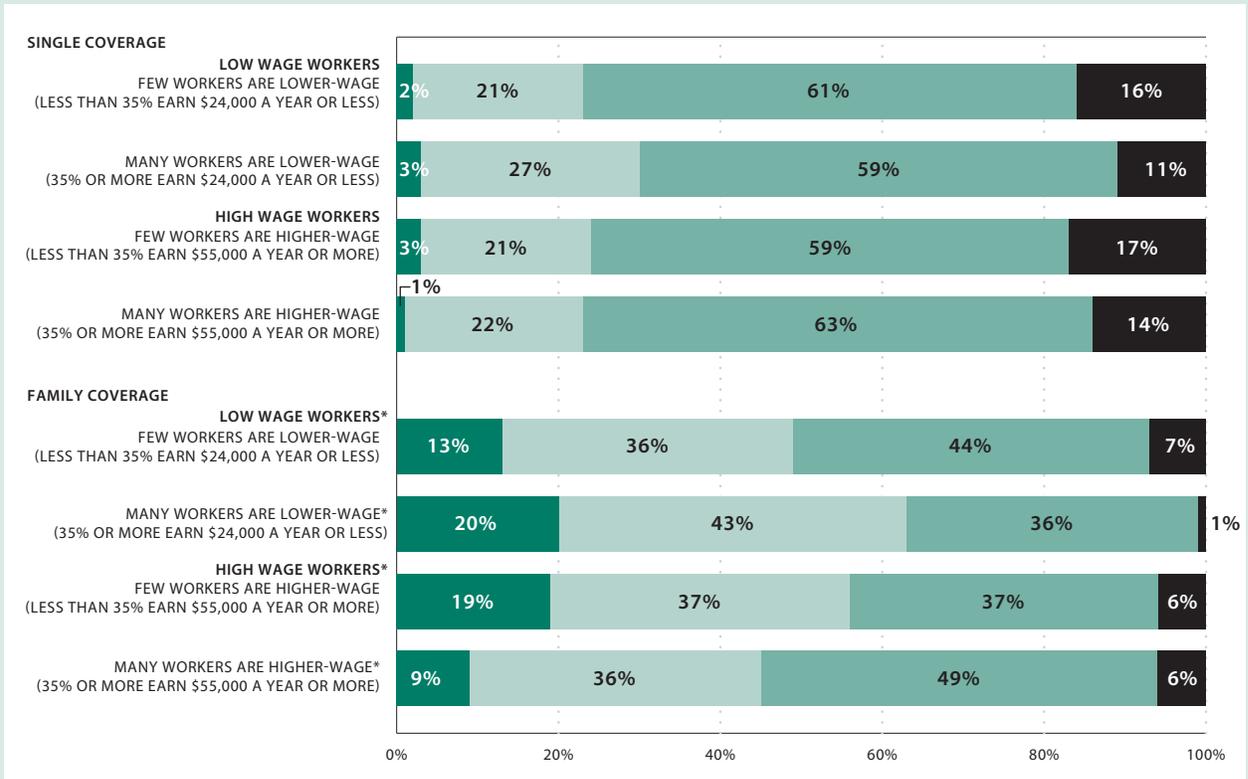
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2002–2012.

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

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

EXHIBIT 6.18

Distribution of the Percentage of Total Premium Paid by Covered Workers for Single and Family Coverage, by Wage Level, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Distributions are statistically different within wage categories and coverage type (p<.05).

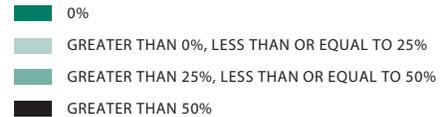


EXHIBIT 6.19

Average Percentage of Premium Paid by Covered Workers for Single Coverage, by Firm Characteristics and Size, 2012

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)	All Firms
Low Wage Level			
Few Workers are Lower-Wage (Less Than 35% Earn \$24,000 a Year or Less)	15%*	18%	17%*
Many Workers are Lower-Wage (35% or More Earn \$24,000 a Year or Less)	22%*	21%	21%*
High Wage Level			
Few Workers are Higher-Wage (Less Than 35% Earn \$55,000 a Year or More)	17%*	19%	18%
Many Workers are Higher-Wage (35% or More Earn \$55,000 a Year or More)	13%*	18%	17%
Unions			
Firm Has At Least Some Union Workers	11%*	17%*	17%
Firm Does Not Have Any Union Workers	16%*	19%*	18%
Younger Workers			
Less Than 35% of Workers Are Age 26 or Younger	16%	18%	17%
35% or More Workers Are Age 26 or Younger	22%	20%	20%
Older Workers			
Less Than 35% of Workers Are Age 50 or Older	17%	19%	18%
35% or More Workers Are Age 50 or Older	15%	17%	17%
Funding Arrangement			
Fully Insured	16%	18%	17%
Self-Funded	15%	18%	18%
All Firms	16%	18%	18%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.20

Average Percentage of Premium Paid by Covered Workers for Family Coverage, by Firm Characteristics and Size, 2012

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)	All Firms
Low Wage Level			
Few Workers are Lower-Wage (Less Than 35% Earn \$24,000 a Year or Less)	34%	25%*	28%*
Many Workers are Lower-Wage (35% or More Earn \$24,000 a Year or Less)	42%	30%*	34%*
High Wage Level			
Few Workers are Higher-Wage (Less Than 35% Earn \$55,000 a Year or More)	39%*	27%*	32%*
Many Workers are Higher-Wage (35% or More Earn \$55,000 a Year or More)	27%*	24%*	25%*
Unions			
Firm Has At Least Some Union Workers	19%*	22%*	22%*
Firm Does Not Have Any Union Workers	36%*	28%*	32%*
Younger Workers			
Less Than 35% of Workers Are Age 26 or Younger	35%	25%	28%
35% or More Workers Are Age 26 or Younger	37%	29%	30%
Older Workers			
Less Than 35% of Workers Are Age 50 or Older	34%	26%	29%
35% or More Workers Are Age 50 or Older	35%	24%	27%
Funding Arrangement			
Fully Insured	36%*	29%*	34%*
Self-Funded	25%*	24%*	24%*
All Firms	35%	25%	28%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.21

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type and Firm Size, 2012

	Single Coverage	Family Coverage
HMO		
All Small Firms (3–199 Workers)	27%*	45%*
All Large Firms (200 or More Workers)	18%*	23%*
ALL FIRM SIZES	21%	30%
PPO		
All Small Firms (3–199 Workers)	14%*	32%*
All Large Firms (200 or More Workers)	19%*	26%*
ALL FIRM SIZES	18%	28%
POS		
All Small Firms (3–199 Workers)	13%	30%
All Large Firms (200 or More Workers)	16%	28%
ALL FIRM SIZES	14%	29%
HDHP/SO		
All Small Firms (3–199 Workers)	14%	35%*
All Large Firms (200 or More Workers)	17%	22%*
ALL FIRM SIZES	16%	27%
ALL PLANS		
All Small Firms (3–199 Workers)	16%*	35%*
All Large Firms (200 or More Workers)	18%*	25%*
ALL FIRM SIZES	18%	28%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.22

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Single Coverage														
HMO	16%	14%	18%	16%	17%	16%	16%	15%	17%	16%	18%	21%*	18%	21%
PPO	13	14	13	16*	16	16	15	15	17	16	17	19	19	18
POS	15	14	13	16*	16	16	19	16	14	18	16	19	14	14
HDHP/SO	^	^	^	^	^	^	^	17	15	11	14	14	15	16
ALL PLANS	14%	14%	14%	16%	17%	19%*	18%	18%						
Family Coverage														
HMO	28%	26%	29%	27%	26%	29%	26%	28%	28%	26%	28%	31%	28%	30%
PPO	26	27	26	29*	28	27	25	26	27	27	26	28	28	28
POS	28	26	25	28	28	28	31	30	32	31	32	39	36	29
HDHP/SO	^	^	^	^	^	^	^	25	27	29	25	28	27	27
ALL PLANS	27%	26%	26%	28%	27%	28%	26%	27%	28%	27%	27%	30%*	28%	28%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 6.23

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Plan Type and Region, 2012

	Single Coverage	Family Coverage
HMO		
Northeast	19%	26%
Midwest	18	21*
South	24	36
West	21	32
ALL REGIONS	21%	30%
PPO		
Northeast	20%	24%
Midwest	18	27
South	18	31*
West	16	27
ALL REGIONS	18%	28%
POS		
Northeast	19%	29%
Midwest	14	29
South	15	32
West	11	26
ALL REGIONS	14%	29%
HDHP/SO		
Northeast	15%	22%*
Midwest	18	27
South	15	28
West	14	32
ALL REGIONS	16%	27%
ALL PLANS		
Northeast	19%	25%*
Midwest	17	26
South	18	31*
West	16	29
ALL REGIONS	18%	28%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 6.24

Average Percentage of Premium Paid by Covered Workers, by Plan Type and Industry, 2012

	Single Coverage	Family Coverage
HMO		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	30%*	32%
Transportation/Communications/Utilities	12*	18*
Wholesale	NSD	NSD
Retail	32*	37
Finance	19	32
Service	21	34
State/Local Government	10*	12*
Health Care	18	28
ALL INDUSTRIES	21%	30%
PPO		
Agriculture/Mining/Construction	21%	29%
Manufacturing	22*	29
Transportation/Communications/Utilities	17	24
Wholesale	22*	29
Retail	23	30
Finance	16	26
Service	17	30
State/Local Government	13*	27
Health Care	16	25
ALL INDUSTRIES	18%	28%
POS		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	NSD	NSD
Transportation/Communications/Utilities	NSD	NSD
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	NSD	NSD
Service	12%	33%
State/Local Government	NSD	NSD
Health Care	18	32
ALL INDUSTRIES	14%	29%

Continued on next page

EXHIBIT 6.24 *Continued from previous page*

Average Percentage of Premium Paid by Covered Workers, by Plan Type and Industry, 2012

	Single Coverage	Family Coverage
HDHP/SO		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	20%*	21%*
Transportation/Communications/Utilities	20	26
Wholesale	9*	21
Retail	21*	33*
Finance	13	30
Service	14	29
State/Local Government	6*	21
Health Care	18	32
ALL INDUSTRIES	16%	27%
ALL PLANS		
Agriculture/Mining/Construction	20%	30%
Manufacturing	21*	26
Transportation/Communications/Utilities	15	24
Wholesale	19	26
Retail	25*	33
Finance	16	29
Service	17	31*
State/Local Government	12*	24
Health Care	17	27
ALL INDUSTRIES	18%	28%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

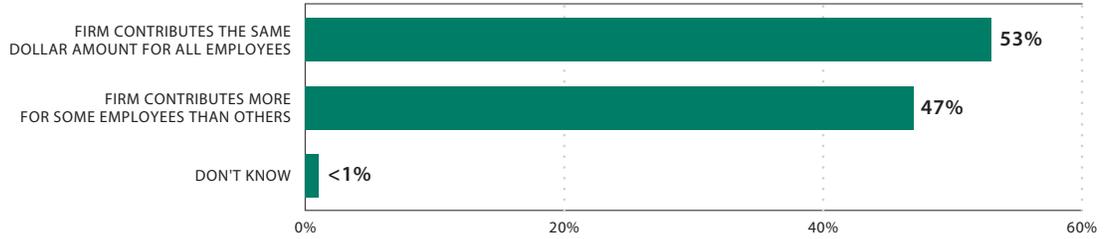
* Estimate is statistically different within plan type from estimate for all other firms not in the indicated industry ($p < .05$).

NSD: Not Sufficient Data.

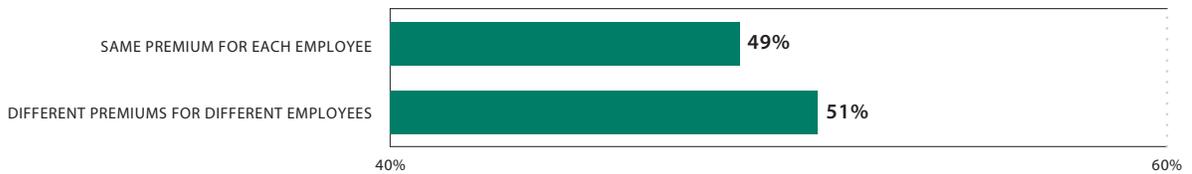
EXHIBIT 6.25

Among Firms Offering Health Benefits with Fewer Than 20 Employees, Variations in Premiums and Firm Premium Contributions for Single Coverage, 2012

FIRM CONTRIBUTES THE SAME OR DIFFERENT DOLLAR AMOUNTS FOR SINGLE COVERAGE PREMIUM:



FIRM IS CHARGED THE SAME OR DIFFERENT PREMIUMS FOR SINGLE COVERAGE:*



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

*Among firms that receive a bill itemizing the per employee cost. Seventy-two percent of firms with fewer than 20 employees have at least one plan that provides a bill itemizing per employee premium costs.

EXHIBIT 6.26

Among Firms Offering Health Benefits, Percentage That Vary Worker Premium Contributions by Wage Level, by Firm Size and Region, 2012

	Percentage of Firms That Vary Worker Premium Contributions by Wage Level
FIRM SIZE	
3–24 Workers	4%
25–199 Workers	4
200–999 Workers	8
1,000–4,999 Workers	17
5,000 or More Workers	21*
All Small Firms (3–199 Workers)	4%*
All Large Firms (200 or More Workers)	10%*
REGION	
Northeast	9%
Midwest	6
South	2
West	2
ALL FIRMS	4%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Employee
Cost Sharing

SECTION

7

EMPLOYEE COST SHARING

IN ADDITION TO ANY REQUIRED PREMIUM CONTRIBUTIONS, COVERED WORKERS MAY FACE COST SHARING FOR THE MEDICAL SERVICES THEY USE. COST SHARING FOR MEDICAL SERVICES CAN TAKE A VARIETY OF FORMS, INCLUDING DEDUCTIBLES (AN AMOUNT THAT MUST BE PAID BEFORE SOME OR ALL SERVICES ARE COVERED), COPAYMENTS (FIXED DOLLAR AMOUNTS), AND/OR COINSURANCE (A PERCENTAGE OF THE CHARGE FOR SERVICES). THE TYPE AND LEVEL OF COST SHARING OFTEN VARY BY THE TYPE OF PLAN IN WHICH THE WORKER IS ENROLLED. COST SHARING MAY ALSO VARY BY THE TYPE OF SERVICE, SUCH AS OFFICE VISITS, HOSPITALIZATIONS, OR PRESCRIPTION DRUGS.

THE COST-SHARING AMOUNTS REPORTED HERE ARE FOR COVERED WORKERS USING SERVICES PROVIDED IN-NETWORK BY PARTICIPATING PROVIDERS. PLAN ENROLLEES RECEIVING SERVICES FROM PROVIDERS THAT DO NOT PARTICIPATE IN PLAN NETWORKS OFTEN FACE HIGHER COST SHARING AND MAY BE RESPONSIBLE FOR CHARGES THAT EXCEED PLAN ALLOWABLE AMOUNTS. THE FRAMEWORK OF THIS SURVEY DOES NOT ALLOW US TO CAPTURE ALL OF THE COMPLEX COST-SHARING REQUIREMENTS IN MODERN PLANS, PARTICULARLY FOR ANCILLARY SERVICES (SUCH AS DURABLE MEDICAL EQUIPMENT OR PHYSICAL THERAPY) OR COST-SHARING ARRANGEMENTS THAT VARY ACROSS DIFFERENT SETTINGS (SUCH AS TIERED NETWORKS). THEREFORE, WE DO NOT COLLECT INFORMATION ON ALL PLAN PROVISIONS AND LIMITS THAT AFFECT ENROLLEE OUT-OF-POCKET LIABILITY.

GENERAL ANNUAL DEDUCTIBLES

- ▶ A general annual deductible is an amount that must be paid by the enrollee before all or most services are covered by their health plan. The likelihood of having a deductible varies by plan type.
 - Workers in HMOs are less likely to have a general annual deductible for single coverage compared to workers in other plan types. Seventy percent of workers in HMOs do not have a general annual deductible, compared to 40% of workers in POS plans and 23% of workers in PPOs (Exhibit 7.1).
 - Workers without a general annual plan deductible often have other forms of cost sharing for medical services. For workers without a general annual deductible for single coverage, 76% in HMOs, 78% in PPOs, and 66% in POS plans are in plans that require cost sharing for hospital admissions. The percentages are similar for family coverage (Exhibit 7.2).
- ▶ General annual deductibles vary greatly by plan type and firm size.
 - The average annual deductibles among those workers with a deductible for single coverage are \$691 for HMOs, \$733 for PPOs, \$1,014 for POS plans, and \$2,086 for HDHP/SOs (Exhibit 7.3). There is no statistically significant change in deductible amounts from 2011 to 2012 for any plan type (Exhibit 7.5).
 - Deductibles are generally higher for covered workers in plans sponsored by small firms (3–199 workers) than for covered workers in large firms (200 or more workers) (Exhibit 7.3). For covered workers in PPOs, deductibles in small firms are more than twice as large as in large firms (\$1,260 vs. \$563).
- ▶ For family coverage, the majority of workers with general annual deductibles have an aggregate deductible, meaning all family members' out-of-pocket expenses count toward meeting the deductible amount. Among those with a general annual deductible for family coverage, the percentage of covered workers with an average aggregate general annual deductible is 60% for workers in HMOs, 59% for workers in PPOs, 63% for workers in POS plans and 83% for workers in HDHP/SOs (Exhibit 7.11).
 - The average amounts for workers with an aggregate deductible for family coverage are \$1,329 for HMOs, \$1,770 for PPOs, \$2,163 for POS plans, and \$3,924 for HDHP/SOs (Exhibit 7.12).

- ▶ The other type of family deductible, a separate per-person deductible, requires each family member to meet a separate per-person deductible amount before the plan covers expenses for that member. Most plans with separate per-person family deductibles consider the deductible met for all family members if a prescribed number of family members each reach their separate deductible amounts.
 - For covered workers in health plans that have separate per-person general annual deductible amounts for family coverage, the average plan deductible amounts are \$754 for HMOs, \$632 for PPOs, \$1,092 for POS plans, and \$2,821 for HDHP/SOs (Exhibit 7.12).
 - Most covered workers in plans with a separate per-person general annual deductible for family coverage have a limit to the number of family members required to meet the separate deductible amounts (Exhibit 7.16).¹ Among those workers in plans with a limit on the number of family members, the most frequent number of family members required to meet the separate deductible amounts is three for HMO and POS plans, and two for PPOs and HDHP/SOs.
- ▶ Thirty-four percent of covered workers are in plans with a deductible of \$1000 or more for single coverage, similar to the percentage (31%) in 2011 (Exhibit 7.7).
 - Over the last five years, the percentage of covered workers with a deductible of \$1,000 or more for single coverage has increased from 12% to 34% (Exhibit 7.7). Workers in small firms (3–199 workers) are more likely to have a general annual deductible of \$1,000 or more for single coverage than workers in large firms (200 or more workers) (49% vs. 26%) (Exhibit 7.6).
- ▶ The majority of covered workers with a deductible are in plans where the deductible does not have to be met before certain services, such as physician office visits or prescription drugs, are covered.
 - Large majorities of covered workers (87% in HMOs, 78% in PPOs, and 79% in POS plans) with general plan deductibles are enrolled in plans where the deductible does not have to be met before physician office visits for primary care are covered (Exhibit 7.18).
 - Similarly, among workers with a general annual deductible, large shares of covered workers in HMOs (88%), PPOs (94%), and POS plans (91%) are enrolled in plans where the general annual deductible does not have to be met before prescription drugs are covered (Exhibit 7.18).

HOSPITAL AND OUTPATIENT SURGERY COST SHARING

- ▶ In order to better capture the prevalence of combinations of cost sharing for inpatient hospital stays and outpatient surgery, the survey was changed to ask a series of yes or no questions beginning in 2009. The new format allowed respondents to indicate more than one type of cost sharing for these services, if applicable. Previously, the questions asked respondents to select just one response from a list of types of cost sharing, such as separate deductibles, copayments, coinsurance, and per diem payments (for hospitalization only). Due to the change in question format, the distribution of workers with types of cost sharing does not equal 100% as workers may face a combination of types of cost sharing. In addition, the average copayment and coinsurance rates for hospital admissions include workers who may have a combination of types of cost sharing.
- ▶ Whether or not a worker has a general annual deductible, most workers face additional types of cost sharing when admitted to a hospital or having outpatient surgery (such as a copayment, coinsurance, or a per diem charge).
 - For hospital admissions, 58% of covered workers have coinsurance and 17% have copayments. Lower percentages of workers have per day (per diem) payments (4%), a separate hospital deductible (3%), or both copayments and

NOTE:

¹ Some workers with separate per-person deductibles or out-of-pocket maximums for family coverage do not have a specific number of family members that are required to meet the deductible amount and instead have another type of limit, such as a per person amount with a total dollar amount limit. These responses are included in the averages and distributions for separate family deductibles and out-of-pocket maximums.

coinsurance (9%), while 19% have no additional cost sharing for hospital admissions after any general annual deductible has been met (Exhibit 7.19). The average coinsurance rate is 18%; the average copayment is \$263 per hospital admission; the average per diem charge is \$221; and the average separate annual hospital deductible is \$548 (Exhibit 7.21).

- The cost-sharing provisions for outpatient surgery are similar to those for hospital admissions, as most workers have coinsurance or copayments. Fifty-nine percent of covered workers have coinsurance and 19% have copayments for an outpatient surgery episode. In addition, 3% have a separate annual deductible for outpatient surgery, and 6% have both copayments and coinsurance, while 20% have no additional cost sharing after any general annual deductible has been met (Exhibit 7.20). For covered workers with cost sharing, the average coinsurance is 18%, the average copayment is \$127, and the average separate annual outpatient surgery deductible is \$544 (Exhibit 7.21).

COST SHARING FOR PHYSICIAN OFFICE VISITS

- ▶ The majority of covered workers are enrolled in health plans that require cost sharing for an in-network physician office visit, in addition to any general annual deductible.²
 - The most common form of physician office visit cost sharing for in-network services is copayments. Seventy-three percent of covered workers have a copayment for a primary care physician office visit and 17% have coinsurance. For office visits with a specialty physician, 73% of covered workers have copayments and 19% have coinsurance. Workers in HMOs, PPOs, and POS plans are much more likely to have copayments than workers in HDHP/SOs for both primary care and specialty care physician office visits. For example, the majority of workers in HDHP/SOs

have coinsurance (53%) or no cost sharing after the general annual plan deductible is met (30%) for primary care physician office visits (Exhibit 7.22).

- Among covered workers with a copayment for in-network physician office visits, the average copayment is \$23 for primary care and \$33 for specialty physicians (Exhibit 7.24), similar to \$22 and \$32 reported in 2011.
- Among workers with coinsurance for in-network physician office visits, the average coinsurance rates are 18% for a visit with a primary care physician and 19% for a visit with a specialist (Exhibit 7.24).

EMERGENCY ROOM VISIT COST SHARING

- ▶ The large majority of covered workers have cost sharing when they visit an emergency room.
 - Ninety-one percent of covered workers have cost sharing for emergency room visits (Exhibit 7.23). Fifty-eight percent of workers pay a copayment while 22% pay coinsurance (Exhibit 7.22). The average copayment is \$118 while the average coinsurance is 18% (Exhibit 7.24).³
 - Covered workers may find their emergency room cost sharing is waived if they are admitted to the hospital. Among workers with cost sharing for emergency room visits, 75% have the cost sharing waived if they are admitted to the hospital (Exhibit 7.23).

OUT-OF-POCKET MAXIMUM AMOUNTS

- ▶ Most covered workers are in a plan that partially or totally limits the cost sharing that a plan enrollee must pay in a year. These limits are generally referred to as out-of-pocket maximum amounts. Enrollee cost sharing, such as deductibles, office visit cost sharing, or spending on prescription drugs, may or may not apply to the out-of-pocket maximum. Therefore, the survey asks what types of out-of-

NOTE:

² Starting in 2010, the survey asked about the prevalence and cost of physician office visits separately for primary care and specialty care. Prior to the 2010 survey if the respondent indicated the plan had a copayment for office visits, we assumed the plan had a copayment for both primary and specialty care visits. The survey did not allow for a respondent to report that a plan had a copayment for primary care visits and coinsurance for visits with a specialist physician. The changes made in 2010 allow for variations in the type of cost sharing for primary care and specialty care. This year the survey includes cost sharing for in-network services only. See the 2007 survey for information on out-of-network office visit cost sharing.

³ The average copayments and the average coinsurance for emergency room visits include workers who may have more than one type of cost sharing.

pocket expenses plans count when determining whether a covered worker has met the plan out-of-pocket maximum. When a plan does not count certain types of spending, it effectively increases the amount a worker may pay out-of-pocket.

- ▶ Thirteen percent of covered workers are in a plan that does not limit the amount of cost sharing enrollees have to pay for either single or family coverage (Exhibit 7.29). Covered workers in small firms (3 to 199 workers) are more likely to be in a plan without a limit on cost sharing than workers in larger firms (22% vs. 9%) (Exhibit 7.32).
 - Covered workers with single or family coverage in HMOs (30%) are more likely to be enrolled in a plan that does not limit the amount of cost sharing than workers in PPOs (10%) (Exhibit 7.29).
 - Covered workers without an out-of-pocket maximum, however, may not have large cost-sharing responsibilities. For example, 76% of covered workers in HMOs with no out-of-pocket maximum for single coverage have no general annual deductible, only 4% have coinsurance for a hospital admission and less than 1% have coinsurance for outpatient surgery episodes.
 - HSA-qualified HDHPs are required by law to have an out-of-pocket maximum of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012. HDHP/HRAs have no such requirement, and among workers enrolled in these plans, 10% have no out-of-pocket maximum for single or family coverage.
- ▶ For covered workers with out-of-pocket maximums, there is wide variation in spending limits.
 - Thirty-two percent of workers with an out-of-pocket maximum for single coverage have an out-of-pocket maximum of less than \$2,000, while 41% have an out-of-pocket maximum of \$3,000 or more (Exhibit 7.31). Covered workers with an out-of-pocket maximum in small firms (3 to 199 workers) are more likely than such workers in larger firms to be covered by a plan with an out-of-pocket maximum of \$3,000 or more (54% vs. 36%).
 - Like deductibles, some plans have an aggregate out-of-pocket maximum amount for family coverage that applies to cost sharing for all family members, while others have a per-person out-of-pocket maximum that limits the amount of cost sharing that the family must pay on behalf of each family member. For covered workers with an aggregate out-of-pocket maximum for family coverage, 29% have an out-of-pocket maximum of less than \$4,000 and 16% have an out-of-pocket maximum of \$8,500 or more (Exhibit 7.33). Among workers with separate per-person out-of-pocket limits for family coverage, 86% have out-of-pocket maximums of less than \$4,000 (Exhibit 7.34).
- ▶ As noted above, covered workers with an out-of-pocket maximum may be enrolled in a plan where not all spending counts toward the out-of-pocket maximum, potentially exposing workers to higher out-of-pocket spending.
 - Among workers enrolled in PPO plans with an out-of-pocket maximum for single or family coverage, 36% are in plans that do not count spending for the general annual plan deductible toward the out-of-pocket limit (Exhibit 7.30).
 - It is more common for covered workers to be in plans that do not count prescription drug cost sharing toward the out-of-pocket limit. Eighty percent of workers enrolled in PPO plans and 69% enrolled in HMO plans with an out-of-pocket maximum for single or family coverage are in plans that do not count prescription drug spending towards the out-of-pocket maximum (Exhibit 7.30).

EXHIBIT 7.1

Percentage of Covered Workers with No General Annual Health Plan Deductible for Single and Family Coverage, by Plan Type and Firm Size, 2012

	Single Coverage	Family Coverage
HMO		
200–999 Workers	75%	75%
1,000–4,999 Workers	76	76
5,000 or More Workers	68	68
All Small Firms (3–199 Workers)	67%	67%
All Large Firms (200 or More Workers)	71%	71%
ALL FIRM SIZES	70%	70%
PPO		
200–999 Workers	23%	23%
1,000–4,999 Workers	21	21
5,000 or More Workers	24	24
All Small Firms (3–199 Workers)	24%	24%
All Large Firms (200 or More Workers)	23%	23%
ALL FIRM SIZES	23%	23%
POS		
200–999 Workers	45%	45%
1,000–4,999 Workers	36	35
5,000 or More Workers	29	29
All Small Firms (3–199 Workers)	42%	42%
All Large Firms (200 or More Workers)	37%	37%
ALL FIRM SIZES	40%	40%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: HDHP/SOs are not shown because all covered workers in these plans face a minimum deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA-qualified HDHPs, the legal minimum deductible for 2012 is \$1,200 for single coverage and \$2,400 for family coverage. Average general annual health plan deductibles for PPOs and POS plans are for in-network services. Tests found no statistical differences within plan and coverage type from estimate for all other firms not in the indicated size category ($p < .05$).

EXHIBIT 7.2

Among Covered Workers with No General Annual Health Plan Deductible for Single and Family Coverage, Percentage Who Have the Following Types of Cost Sharing, by Plan Type, 2012

	Single Coverage	Family Coverage
Separate Cost Sharing for a Hospital Admission[‡]		
HMO	76%	76%
PPO	78%	78%
POS	66%	66%
Separate Cost Sharing for an Outpatient Surgery Episode		
HMO	73%	73%
PPO	79%	79%
POS	78%	78%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

[‡] Separate cost sharing for each hospital admission includes the following types: separate annual deductible, copayment, coinsurance, and/or a charge per day (per diem). Cost sharing for each outpatient surgery episode includes the following types: separate annual deductible, copayment, and/or coinsurance.

Note: HDHP/SOs are not shown because all covered workers in these plans face a deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA-qualified HDHPs, the legal minimum deductible for 2012 is \$1,200 for single coverage and \$2,400 for family coverage. Average general annual health plan deductibles for PPOs and POS plans are for in-network services.

EXHIBIT 7.3

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type and Firm Size, 2012

	Single Coverage
HMO	
All Small Firms (3–199 Workers)	\$1,114*
All Large Firms (200 or More Workers)	\$467*
ALL FIRM SIZES	\$691
PPO	
All Small Firms (3–199 Workers)	\$1,260*
All Large Firms (200 or More Workers)	\$563*
ALL FIRM SIZES	\$733
POS	
All Small Firms (3–199 Workers)	\$1,213*
All Large Firms (200 or More Workers)	\$664*
ALL FIRM SIZES	\$1,014
HDHP/SO	
All Small Firms (3–199 Workers)	\$2,386*
All Large Firms (200 or More Workers)	\$1,881*
ALL FIRM SIZES	\$2,086

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

EXHIBIT 7.4

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type and Region, 2012

	Single Coverage
HMO	
Northeast	\$604
Midwest	\$667
South	\$854
West	NSD
ALL REGIONS	\$691
PPO	
Northeast	\$682
Midwest	\$656
South	\$726
West	\$891
ALL REGIONS	\$733
POS	
Northeast	NSD
Midwest	\$844
South	\$1,056
West	\$1,123
ALL REGIONS	\$1,014
HDHP/SO	
Northeast	\$1,697*
Midwest	\$2,269
South	\$2,014
West	\$2,289
ALL REGIONS	\$2,086

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

NSD: Not Sufficient Data.

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

EXHIBIT 7.5

Among Covered Workers with a General Annual Health Plan Deductible for Single Coverage, Average Deductible, by Plan Type, 2006–2012

	2006	2007	2008	2009	2010	2011	2012
HMO	\$352	\$401	\$503	\$699*	\$601	\$911	\$691
PPO	\$473	\$461	\$560*	\$634*	\$675	\$675	\$733
POS	\$553	\$621	\$752	\$1,061	\$1,048	\$928	\$1,014
HDHP/SO	\$1,715	\$1,729	\$1,812	\$1,838	\$1,903	\$1,908	\$2,086

SOURCE:

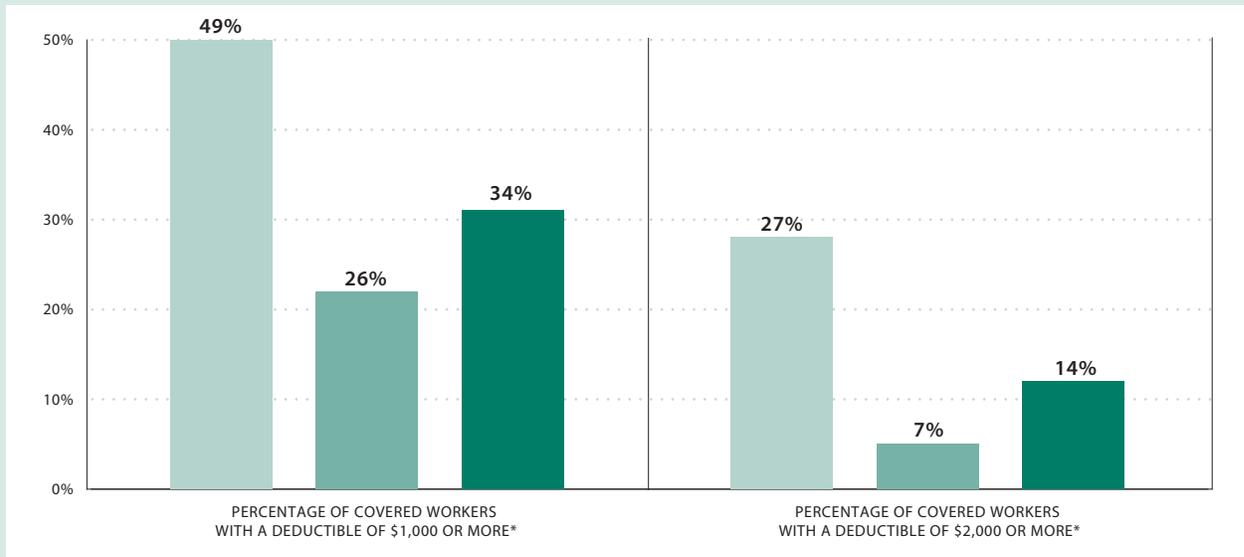
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

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

EXHIBIT 7.6

Percentage of Covered Workers Enrolled in a Plan with a High General Annual Deductible for Single Coverage, By Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

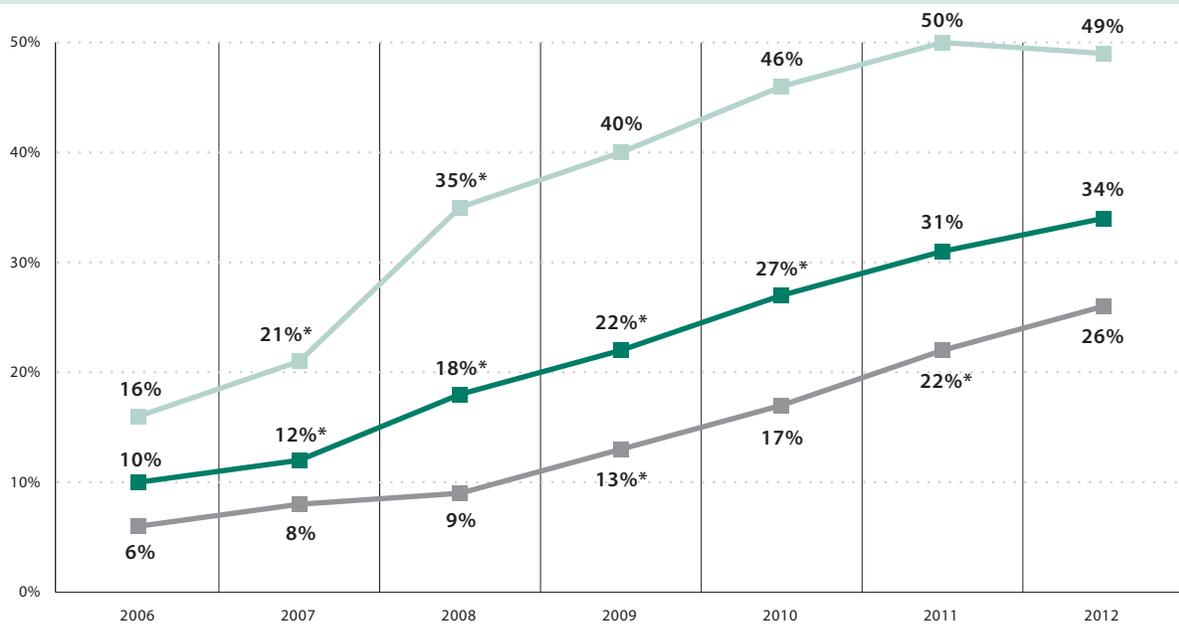
* Estimate is statistically different between All Small Firms and All Large Firms within category (p<.05).

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.

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

EXHIBIT 7.7

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$1,000 or More for Single Coverage, By Firm Size, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

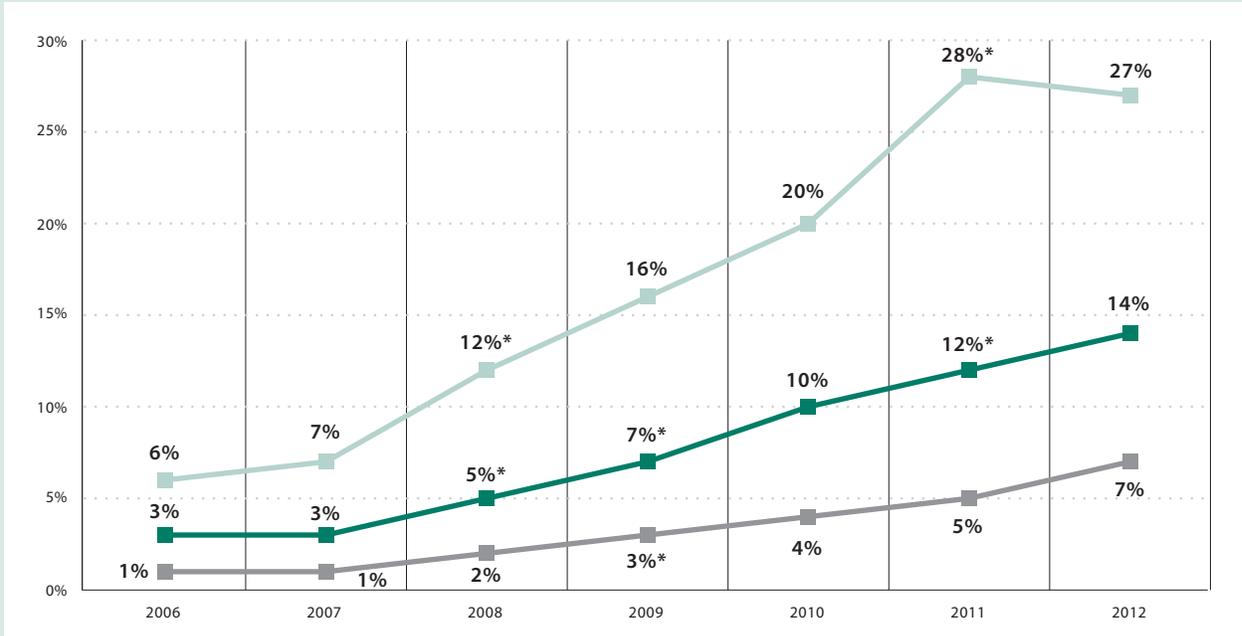
* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

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.

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

EXHIBIT 7.8

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$2,000 or More for Single Coverage, By Firm Size, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

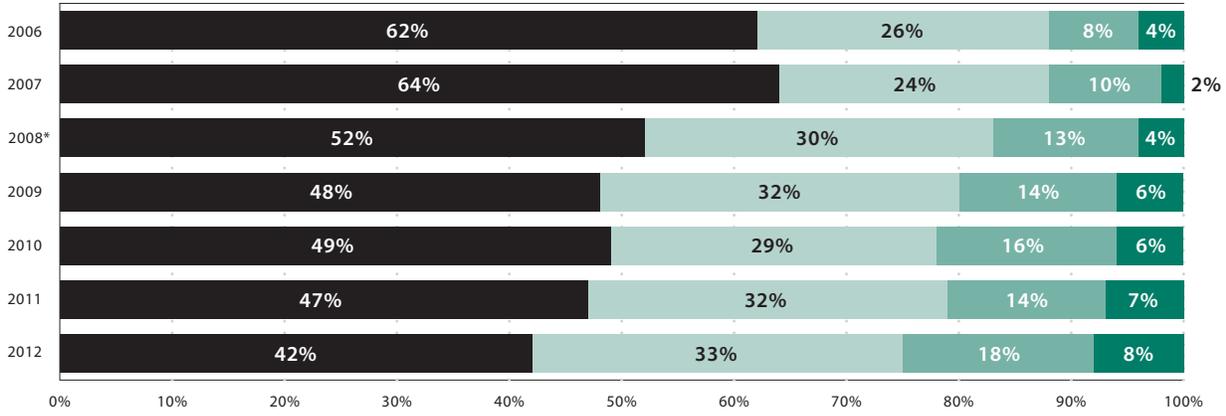
- ALL SMALL FIRMS (3-199 WORKERS)
- ALL LARGE FIRMS (200 OR MORE WORKERS)
- ALL FIRMS

* 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 \$2,000 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.

EXHIBIT 7.9

Among Covered Workers with a General Annual Health Plan Deductible for Single PPO Coverage, Distribution of Deductibles, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

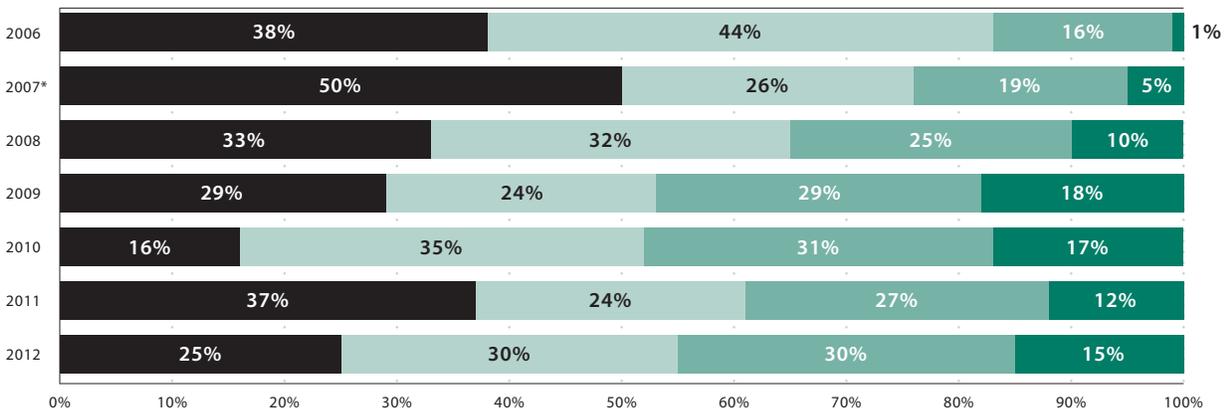
* Distribution is statistically different from distribution for the previous year shown ($p < .05$).

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



EXHIBIT 7.10

Among Covered Workers With a General Annual Health Plan Deductible for Single POS Coverage, Distribution of Deductibles, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

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



EXHIBIT 7.11

Distribution of Type of General Annual Deductible for Covered Workers with Family Coverage, by Plan Type and Firm Size, 2012

	No Deductible	Aggregate Amount	Separate Amount per Person
HMO			
All Small Firms (3–199 Workers)	67%	24%	9%
All Large Firms (200 or More Workers)	71	15	14
ALL FIRM SIZES	70%	18%	12%
PPO			
All Small Firms (3–199 Workers)	24%	47%	29%
All Large Firms (200 or More Workers)	23	45	32
ALL FIRM SIZES	23%	45%	32%
POS			
All Small Firms (3–199 Workers)	42%	33%	25%
All Large Firms (200 or More Workers)	37	47	17
ALL FIRM SIZES	40%	38%	22%
HDHP/SO			
All Small Firms (3–199 Workers)	NA	77%	23%
All Large Firms (200 or More Workers)	NA	87	13
ALL FIRM SIZES	NA	83%	17%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

NA: Not Applicable. All covered workers in HDHP/SOs face a general annual deductible. In HDHP/HRA plans, as defined by the survey, the minimum deductible is \$1,000 for single coverage and \$2,000 for family coverage. In HSA-qualified HDHPs, the legal minimum deductible for 2012 is \$1,200 for single coverage and \$2,400 for family coverage.

Note: Tests found no statistical difference for estimates within plan type between All Small Firms and All Large Firms ($p < .05$). The survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount. Among workers with a general annual deductible, 60% of workers in HMOs, 59% in PPOs, and 63% in POS plans have an aggregate deductible. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

EXHIBIT 7.12

Among Covered Workers with a General Annual Health Plan Deductible, Average Deductibles for Family Coverage, by Deductible Type, Plan Type, and Firm Size, 2012

	Aggregate Amount	Separate Amount per Person
HMO		
All Small Firms (3–199 Workers)	NSD	NSD
All Large Firms (200 or More Workers)	\$914	\$516
ALL FIRM SIZES	\$1,329	\$754
PPO		
All Small Firms (3–199 Workers)	\$2,956*	\$1,014*
All Large Firms (200 or More Workers)	\$1,364*	\$523*
ALL FIRM SIZES	\$1,770	\$632
POS		
All Small Firms (3–199 Workers)	\$2,643*	NSD
All Large Firms (200 or More Workers)	\$1,516*	NSD
ALL FIRM SIZES	\$2,163	\$1,092
HDHP/SO		
All Small Firms (3–199 Workers)	\$4,456*	NSD
All Large Firms (200 or More Workers)	\$3,603*	\$2,490
ALL FIRM SIZES	\$3,924	\$2,821

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

NSD: Not Sufficient Data.

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

EXHIBIT 7.13

Among Covered Workers with an Aggregate General Annual Health Plan Deductible for Family Coverage, Average Deductibles, by Plan Type, 2006–2012

	2006	2007	2008	2009	2010	2011	2012
HMO	\$751	\$759	\$1,053	\$1,524*	\$1,321	\$1,487	\$1,329
PPO	\$1,034	\$1,040	\$1,344*	\$1,488	\$1,518	\$1,521	\$1,770
POS	\$1,227	\$1,359	\$1,860	\$2,191	\$2,253	\$1,769	\$2,163
HDHP/SO	\$3,511	\$3,596	\$3,559	\$3,626	\$3,780	\$3,666	\$3,924

SOURCE:

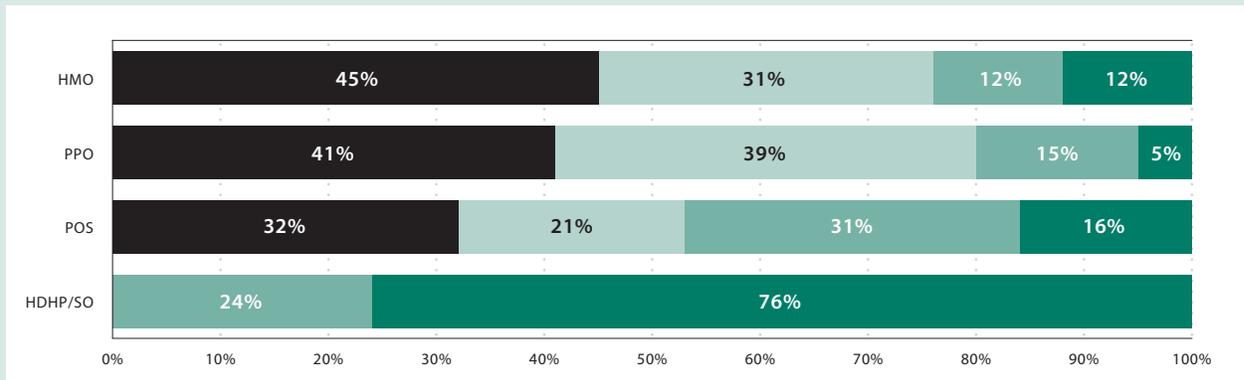
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

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

EXHIBIT 7.14

Among Covered Workers with a Separate Per Person General Annual Health Plan Deductible for Family Coverage, Distribution of Deductibles, by Plan Type, 2012



SOURCE:

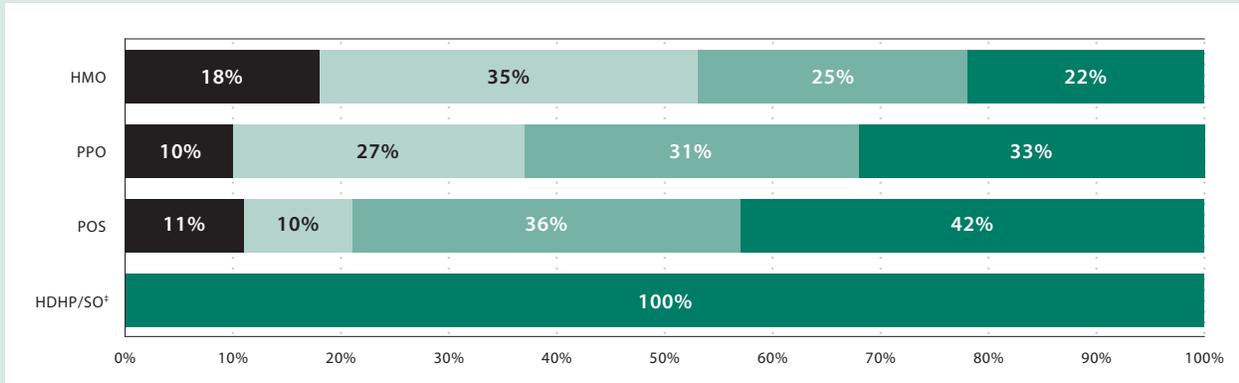
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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



EXHIBIT 7.15

Among Covered Workers with an Aggregate General Annual Health Plan Deductible for Family Coverage, Distribution of Deductibles, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

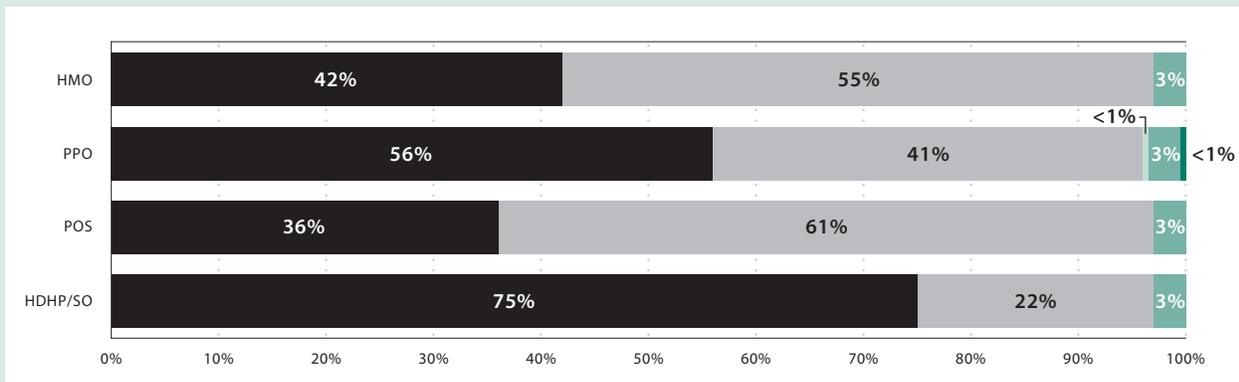
† By definition, 100% of covered workers in HDHP/SOs with an aggregate deductible have a family deductible of \$2,000 or more.

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



EXHIBIT 7.16

Among Covered Workers With a Separate per Person General Annual Health Plan Deductible for Family Coverage, Distribution of Maximum Number of Family Members Required to Meet the Deductible, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services. The survey distinguishes between plans that have an aggregate family deductible that applies to spending by any covered person in the family or a separate family deductible that applies to spending by each family member or a limited number of family members. In 2012, the survey's skip logic was edited so that firms who selected a separate family deductible were asked if they had a combined limit or if the limit was considered met when a specified number of family members reached their separate per-person limit. The "other" category refers to workers that have another type of limit on per-person deductibles, such as a per-person amount with a total dollar cap.



EXHIBIT 7.17

Among Covered Workers With an Aggregate General Annual Health Plan Deductible for Family Coverage, Distribution of Aggregate Deductibles, by Plan Type, 2006–2012

	\$1–\$499	\$500–\$999	\$1,000–\$1,999	\$2,000 or More
HMO				
2006	27%	42%	23%	7%
2007	22	48	23	8
2008	31	26	20	23
2009	7	22	33	38
2010	28	9	36	27
2011	35	14	28	23
2012	18	35	25	22
PPO				
2006	20%	42%	27%	12%
2007	14	49	25	12
2008*	11	38	32	19
2009	12	30	35	23
2010	7	33	35	24
2011	12	28	36	24
2012	10	27	31	33
POS				
2006	12%	26%	45%	18%
2007	32	13	29	25
2008	23	14	24	39
2009	3	18	30	49
2010	7	9	21	63
2011	6	26	36	33
2012	11	10	36	42

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

Note: By definition, 100% of covered workers in HDHP/SOs with an aggregate deductible have a family deductible of \$2,000 or more. Average general annual health plan deductibles for PPOs and POS plans are for in-network services. The survey distinguished between plans that have an aggregate deductible amount in which all family members' out-of-pocket expenses count toward the deductible and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount.

EXHIBIT 7.18

Among Covered Workers with a General Annual Health Plan Deductible, Percentage with Coverage for the Following Services Without Having to First Meet the Deductible, by Plan Type, 2012

	HMO	PPO	POS	HDHP/HRA [§]
Physician Office Visits For Primary Care	87%	78%	79%	46%
Prescription Drugs	88%	94%	91%	79%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

[§] By definition, HSA-qualified HDHPs are required by law to apply the plan deductible to nearly all services.

Note: These questions are asked of firms with a deductible for single or family coverage. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

EXHIBIT 7.19

Distribution of Covered Workers With Separate Cost Sharing for a Hospital Admission in Addition to Any General Annual Deductible, by Plan Type, 2012

Separate Cost Sharing for a Hospital Admission	HMO	PPO	POS	HDHP/SO [§]	ALL PLANS
Separate Annual Deductible for Hospitalizations	3%	4%	2%	0%*	3%
Copayment and/or Coinsurance					
Copayment	47*	12*	28*	6*	17
Coinsurance	20*	71*	31*	60	58
Both Copayment and Coinsurance [‡]	8	11	11	1*	9
Charge Per Day	9*	2*	12*	1*	4
None	23	13*	27	33*	19

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

[§] Information on separate deductibles for hospital admissions was collected only for HDHP/HRAs because federal regulations for HSA-qualified HDHPs make it unlikely these plans would have a separate deductible for specific services.

Note: As in past years, we collected information on the cost-sharing provisions for hospital admissions that are in addition to any general annual plan deductible. However, beginning with the 2009 survey, in order to better capture the prevalence of combinations of cost sharing, the survey was changed to ask a series of yes or no questions. Previously, the question asked respondents to select one response from a list of types of cost sharing, such as separate deductibles, copayments, coinsurance, and per diem payments (for hospitalization only). Due to the change in question format, the distribution of workers with types of cost sharing does not equal 100% as workers may face a combination of types of cost sharing. Zero percent of covered workers have an "other" type of cost sharing for a hospital admission.

EXHIBIT 7.20

Distribution of Covered Workers with Separate Cost Sharing for an Outpatient Surgery Episode in Addition to Any General Annual Deductible, by Plan Type, 2012

Separate Cost Sharing for an Outpatient Surgery Episode	HMO	PPO	POS	HDHP/SO [§]	ALL PLANS
Separate Annual Deductible for Outpatient Surgery	2%	4%	1%	40%*	3%
Copayment and/or Coinsurance					
Copayment	48*	12*	40*	7*	19
Coinsurance	25*	70*	36*	58	59
Both Copayment and Coinsurance [‡]	3	8	7	1*	6
None	25	15*	22	34*	20

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Estimate is statistically different from All Plans estimate ($p < .05$).[‡] This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.[§] Information on separate deductibles for outpatient surgery was collected only for HDHP/HRAs because federal regulations for HSA-qualified HDHPs make it unlikely these plans would have a separate deductible for specific services.

Note: As in past years, we collected information on the cost-sharing provisions for outpatient surgery that are in addition to any general annual plan deductible. However, beginning with the 2009 survey, in order to better capture the prevalence of combinations of cost sharing, the survey was changed to ask a series of yes or no questions. Previously, the question asked respondents to select one response from a list of types of cost sharing, such as separate deductibles, copayments, coinsurance, and per diem payments (for hospitalization only). Due to the change in question format, the distribution of workers with types of cost sharing does not equal 100% as workers may face a combination of types of cost sharing. Less than 1% of covered workers have an "other" type of cost sharing for an outpatient surgery.

EXHIBIT 7.21

Among Covered Workers with Separate Cost Sharing for a Hospital Admission or Outpatient Surgery Episode in Addition to Any General Annual Deductible, Average Cost Sharing, by Plan Type, 2012

	Average Copayment	Average Coinsurance	Charge Per Day
Separate Cost Sharing for a Hospital Admission			
HMO	\$293	16%	\$219
PPO	258	17	133*
POS	227	22*	305
HDHP/SO	NSD	19	NSD
ALL PLANS	\$263	18%	\$221
Separate Cost Sharing for an Outpatient Surgery Episode			
HMO	\$124	15%*	NA
PPO	117	17	NA
POS	167	21*	NA
HDHP/SO	109	19	NA
ALL PLANS	\$127	18%	NA
Separate Cost Sharing for Emergency Room Visits			
HMO	\$107	17%	NA
PPO	121	17	NA
POS	119	NSD	NA
HDHP/SO	123	18	NA
ALL PLANS	\$118	18%	NA

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

NSD: Not Sufficient Data.

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

Note: The average separate annual deductible for hospital admission is \$548 and the average separate annual deductible for outpatient surgery is \$544. In most cases there were too few observations to present the average estimates by plan type. The average amounts include workers who may have a combination of types of cost sharing. All Plans estimates are weighted by workers in firms that reported cost sharing. See the Survey Design and Methods section for more information on weighting.

EXHIBIT 7.22

In Addition to Any General Annual Plan Deductible, Percentage of Covered Workers with the Following Types of Cost Sharing for Physician Office Visits and Emergency Room Visits, by Plan Type, 2012

	Copay Only	Coinsurance Only	No Cost Sharing	Other Type of Cost Sharing
Primary Care				
HMO	96%*	1%*	2%*	1%
PPO	80*	14	4*	2
POS	92*	3*	5	<1*
HDHP/SO	17*	53*	30*	<1*
ALL PLANS	73%	17%	8%	2%
Specialty Care				
HMO	93%*	3%*	3%	1%
PPO	80*	16	2*	2
POS	88*	4*	8	<1*
HDHP/SO	19*	53*	28*	<1*
ALL PLANS	73%	19%	7%	1%
Emergency Room Visits				
HMO	88%*	4%*	5%	3%*
PPO	59	23	3*	16
POS	69	7*	16	8
HDHP/SO	20*	43*	28*	9
ALL PLANS	58%	22%	9%	12%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: In 2012, the survey includes questions on cost sharing for in-network services only. See the 2007 survey for information on out-of-network office visit cost sharing. Starting in 2010, the survey asked about the prevalence and cost of physician office visits separately for primary care and specialty care. Prior to the 2010 survey, if the respondent indicated the plan had a copayment for office visits, we assumed the plan had a copayment for both primary and specialty care visits. The survey did not allow for a respondent to report that a plan had a copayment for primary care visits and coinsurance for visits with a specialist physician. The changes made in 2010 allow for variations in the type of cost sharing for primary care and specialty care.

EXHIBIT 7.23

In Addition to Any General Annual Plan Deductible, Percentage of Covered Workers with Emergency Room Cost Sharing, by Plan Type, 2012

	Percentage of Covered Workers with Emergency Room Cost Sharing	Among Workers with Emergency Room Cost Sharing, Percentage of Covered Workers with Cost Sharing Waived if Individual is Admitted to the Hospital
HMO	95%	92%*
PPO	97*	75
POS	84	77
HDHP/SO	72*	48*
ALL PLANS	91%	75%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 7.24

Among Covered Workers with Copayments and/or Coinsurance for In-Network Physician Office and Emergency Room Visits, Average Copayments and Coinsurance, by Plan Type, 2012

In-Network Office Visits	HMO	PPO	POS	HDHP/SO	ALL PLANS
Primary Care Office Visit					
Average Copay	\$21*	\$23	\$25*	\$23	\$23
Average Coinsurance †	NSD	18%	NSD	18%	18%
Specialty Care Office Visit					
Average Copay	\$31*	\$33	\$36	\$35	\$33
Average Coinsurance †	NSD	19%	NSD	19%	19%
Emergency Room Visits					
Average Copay	\$107	\$121	\$119	\$123	\$118
Average Coinsurance †	17%	17%	NSD	18%	18%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

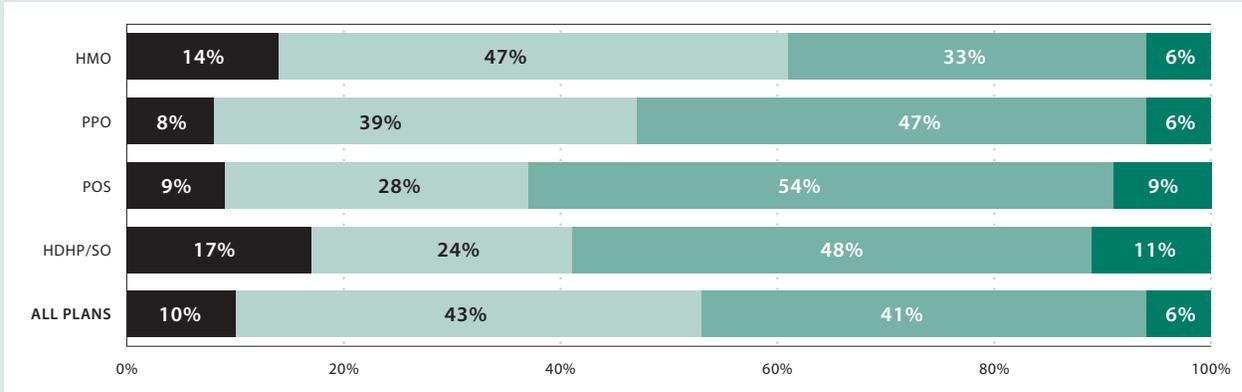
NSD: Not Sufficient Data.

† In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum or neither. See the Survey Design and Methods Section for more information.

Note: The survey asks respondents if the plan has cost sharing for in-network office visits. In 2010, the survey asked about the prevalence and cost of physician office visits separately for primary care and specialty care. Prior to the 2010 survey if the respondent indicated the plan had a copayment for office visits, we assumed the plan had a copayment for both primary and specialty care visits. The survey did not allow for a respondent to report that a plan had a copayment for primary care visits and coinsurance for visits with a specialist physician. The changes made in 2010 allow for variations in the type of cost sharing for primary care and specialty care.

EXHIBIT 7.25

Among Covered Workers with Copayments for a Physician Office Visit with a Primary Care Physician, Distribution of Copayments, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Copayments for PPO, POS, and HDHP/SO plans are for in-network providers.

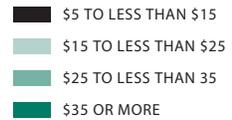
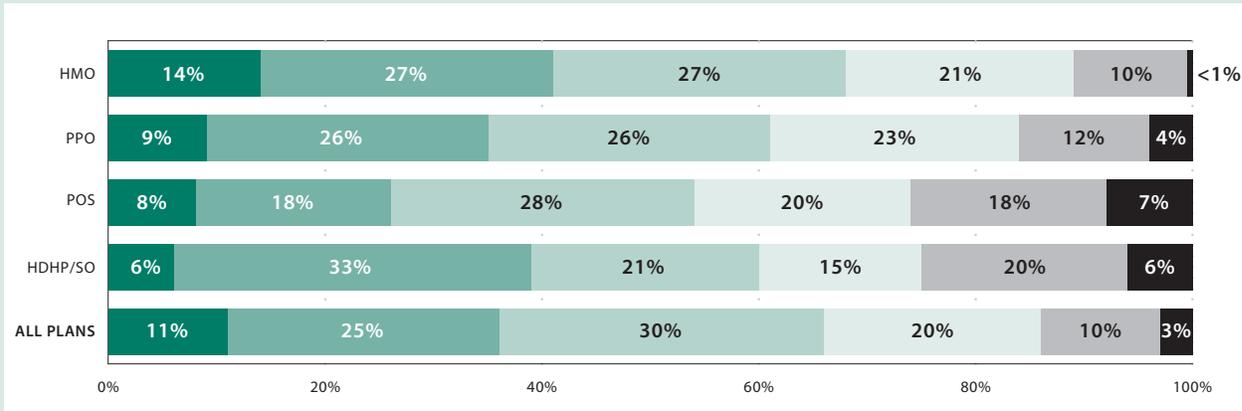


EXHIBIT 7.26

Among Covered Workers with Copayments for a Physician Office Visit with a Specialty Care Physician, Distribution of Copayments, by Plan Type, 2012



SOURCE:

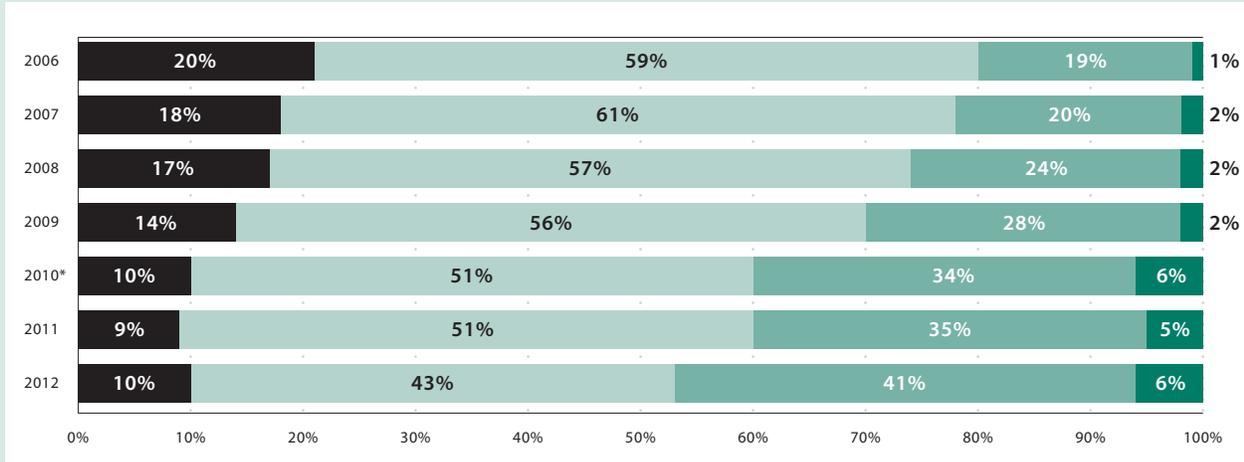
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Copayments for PPO, POS, and HDHP/SO plans are for in-network providers.



EXHIBIT 7.27

Among Covered Workers with Copayments for a Physician Office Visit with a Primary Care Physician, Distribution of Copayments, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

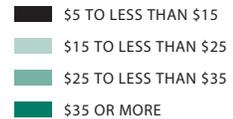
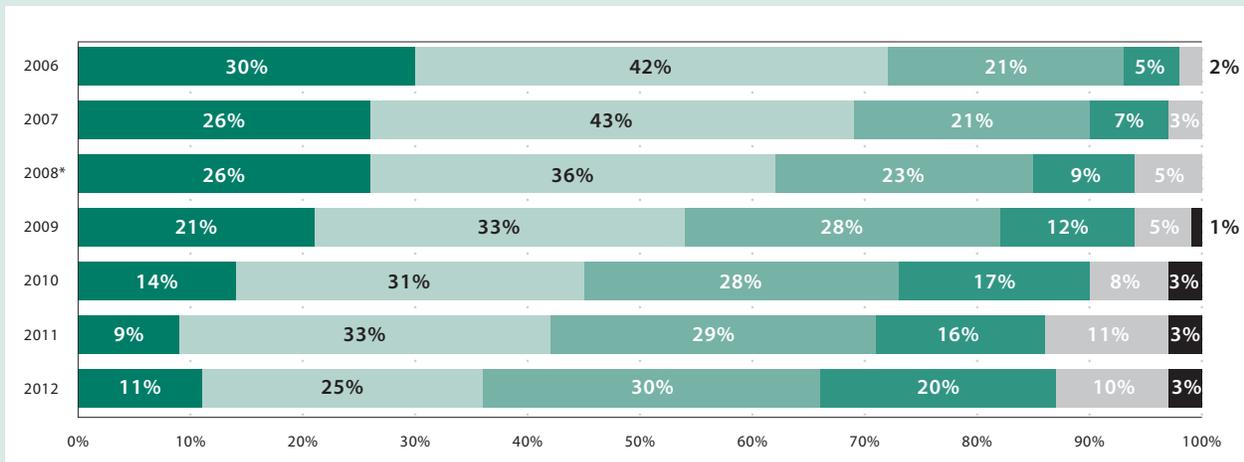


EXHIBIT 7.28

Among Covered Workers with Copayments for a Physician Office Visit with a Specialty Care Physician, Distribution of Copayments, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

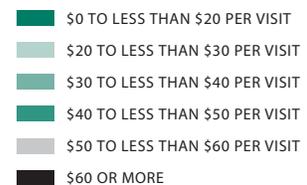


EXHIBIT 7.29

Percentage of Covered Workers without an Annual Out-of-Pocket Maximum for Single and Family Coverage, by Plan Type, 2012

	Single Coverage	Family Coverage
HMO	30%*	30%*
PPO	10	10
POS	24*	24*
ALL PLANS	13%	13%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: HSA-qualified HDHPs are required to have an annual maximum out-of-pocket liability of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012. HDHP/HRAs have no such requirement, and the percentages of covered workers in HDHP/HRAs with "No Limit" for annual out-of-pocket maximum for single and family coverage are 10% and 10%, respectively.

EXHIBIT 7.30

Among Covered Workers with an Annual Out-of-Pocket Maximum, Percentage Whose Spending on Various Services Does Not Count Towards the Out-of-Pocket Maximum, by Plan Type, 2012

	HMO	PPO	POS	HDHP/SO [‡]
General Annual Plan Deductible	16%	36%	13%	15%
Any Additional Plan Deductibles	NSD	57	NSD	NSD
Physician Office Visit Copayments	43	71	45	69
Physician Office Visit Coinsurance	NSD	6	NSD	7
Prescription Drug Cost Sharing	69	80	59	65

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

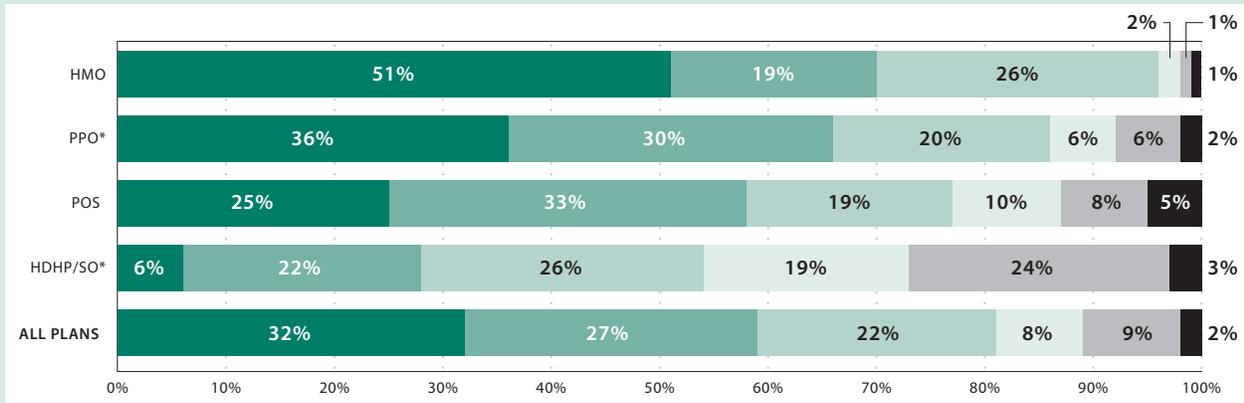
[‡] Among HDHP/SO plans, questions other than "overall plan deductible" were asked only of HDHP/HRAs and not of HSA-qualified HDHPs. HSA-qualified HDHPs are required to apply most cost sharing to the out-of-pocket maximum. When HDHP/HRAs are considered exclusively, among covered workers with an annual out-of-pocket maximum, the percentage whose out-of-pocket maximum does not include certain services is as follows: Any Additional Plan Deductibles is NSD, Office Visit Copayments is 69%, Office Visit Coinsurance is 7%, and Prescription Drug Cost Sharing is 65%.

NSD: Not Sufficient Data.

Note: This series of questions is asked if the plan has an out-of-pocket maximum for single or family coverage.

EXHIBIT 7.31

Among Covered Workers with an Out-of-Pocket Maximum for Single Coverage, Distribution of Out-of-Pocket Maximums, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts. HSA-qualified HDHPs are required by law to have an out-of-pocket maximum of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012.



EXHIBIT 7.32

Distribution of Type of Out-of-Pocket Maximum for Covered Workers with Family Coverage, by Plan Type and Firm Size, 2012

	No Limit	Aggregate Amount	Separate Amount per Person
HMO			
All Small Firms (3–199 Workers)*	47%	43%	10%
All Large Firms (200 or More Workers)*	23	55	23
ALL FIRM SIZES	30%	51%	19%
PPO			
All Small Firms (3–199 Workers)	18%	60%	22%
All Large Firms (200 or More Workers)	8	62	30
ALL FIRM SIZES	10%	62%	28%
POS			
All Small Firms (3–199 Workers)	26%	62%	12%
All Large Firms (200 or More Workers)	20	67	13
ALL FIRM SIZES	24%	64%	13%
HDHP/SO‡			
All Small Firms (3–199 Workers)	8%	78%	14%
All Large Firms (200 or More Workers)	<1	91	9
ALL FIRM SIZES	4%	85%	11%
ALL FIRMS			
All Small Firms (3–199 Workers)*	22%	61%	17%
All Large Firms (200 or More Workers)*	9	65	26
ALL FIRM SIZES	13%	64%	23%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

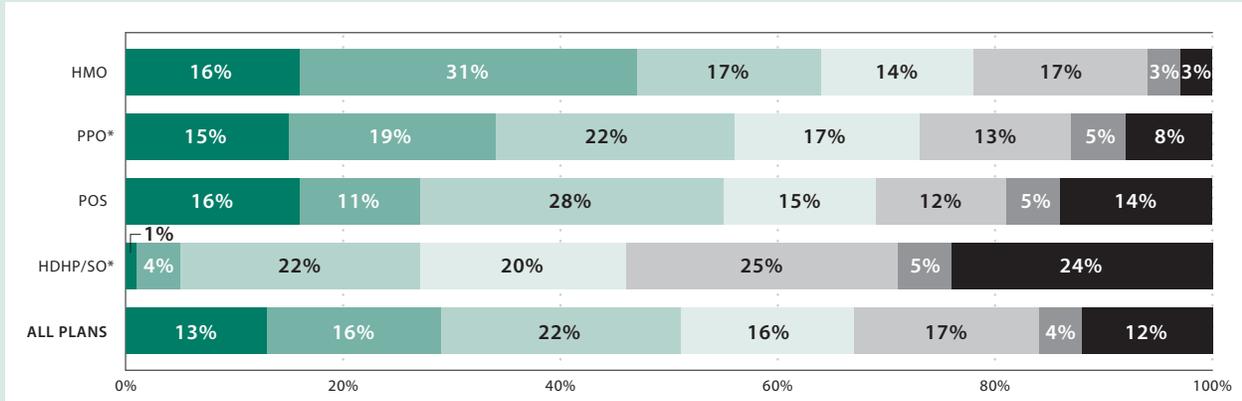
* Distributions are statistically different between All Small Firms and All Large Firms within plan type ($p < .05$).

‡ HSA-qualified HDHPs are required by law to have an annual maximum out-of-pocket liability of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012. When they are excluded from the calculation, the distribution of type of out-of-pocket maximum for HDHP/HRAs only is as follows: All Small Firms – 28% No Limit, 62% Aggregate Amount, and 10% Separate Amount per Person; All Large Firms – 1% No Limit, 86% Aggregate Amount, and 13% Separate Amount per Person; All Firm Sizes – 10% No Limit, 79% Aggregate Amount, and 12% Separate Amount per Person.

Note: The survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members. Among workers with an out-of-pocket maximum, 73% of workers in HMOs, 69% in PPOs, 83% in POS plans, and 74% in All Plans have an aggregate out-of-pocket maximum.

EXHIBIT 7.33

Among Covered Workers with an Aggregate Out-of-Pocket Maximum for Family Coverage, Distribution of Out-of-Pocket Maximums, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

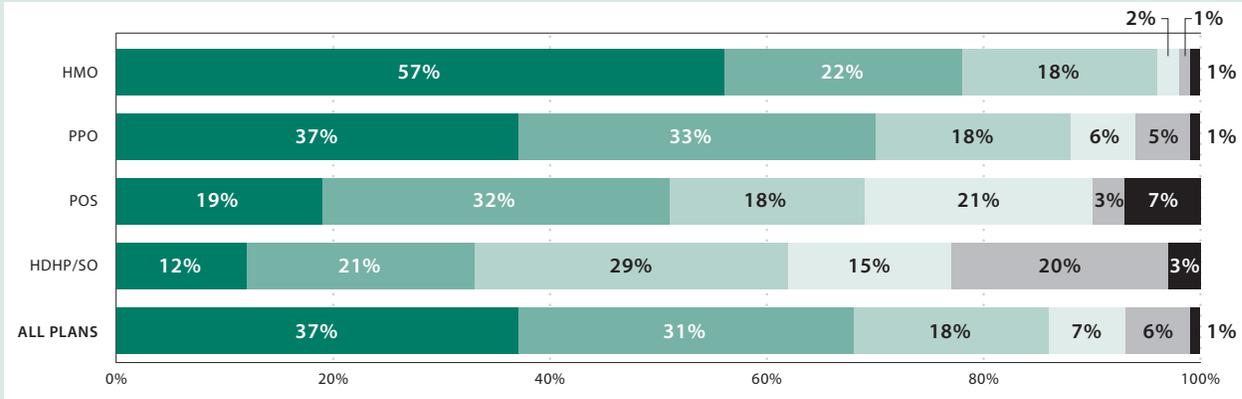
* Distribution is statistically different from All Plans distribution (p<.05).

Note: Distributions are among covered workers facing a specified limit for out of pocket maximum amounts. HSA-qualified HDHPs are required by law to have an out-of-pocket maximum of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012. The survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members.



EXHIBIT 7.34

Among Covered Workers with a Separate per Person Out-of-Pocket Maximum for Family Coverage, Distribution of Out-of-Pocket Maximums, by Plan Type, 2012



SOURCE:

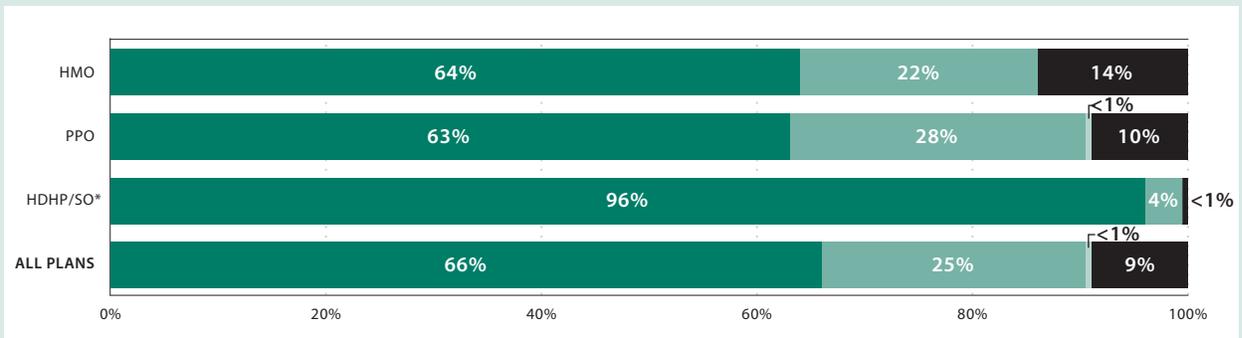
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Distributions were not statistically different from the All Plans distribution. Distributions are among covered workers facing a specified limit for out-of-pocket maximum amounts. The survey distinguished between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate per person out-of-pocket maximum that applies to spending by each family member or a limited number of family members.



EXHIBIT 7.35

Among Covered Workers with a Separate per Person Out-of-Pocket Maximum for Family Coverage, Distribution of Number of Family Members Required to Meet the Maximum, by Plan Type, 2012

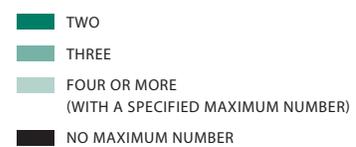


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: Sufficient data was not available for POS plans. The survey distinguishes between plans that have a family aggregate out-of-pocket maximum that applies to spending by any covered person in the family or a separate out-of-pocket maximum that applies to spending by each family member or a limited number of family members. In 2012, the survey's skip logic was edited so that firms who selected a separate out-of-pocket maximum were asked if they had a combined limit or if the limit was considered met when a specified number of family members reached their separate per-person limit.



EMPLOYER HEALTH BENEFITS
2012 ANNUAL SURVEY

High-Deductible
Health Plans
with Savings
Option

SECTION

8

HIGH-Deductible Health Plans with Savings Option

CHANGES IN LAW OVER THE PAST FEW YEARS HAVE PERMITTED THE ESTABLISHMENT OF NEW TYPES OF SAVINGS ARRANGEMENTS FOR HEALTH CARE. THE TWO MOST COMMON ARE HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs) AND HEALTH SAVINGS ACCOUNTS (HSAs). HRAs AND HSAs ARE BOTH FINANCIAL ACCOUNTS THAT WORKERS OR THEIR FAMILY MEMBERS CAN USE TO PAY FOR HEALTH CARE SERVICES. THESE SAVINGS ARRANGEMENTS ARE OFTEN (OR, IN THE CASE OF HSAs, ALWAYS) PAIRED WITH HEALTH PLANS WITH HIGH DEDUCTIBLES. THE SURVEY TREATS HIGH-Deductible PLANS THAT CAN BE PAIRED WITH A SAVINGS OPTION AS A DISTINCT PLAN TYPE – HIGH-Deductible Health Plan with Savings Option (HDHP/SO) – EVEN IF THE PLAN WOULD OTHERWISE BE CONSIDERED A PPO, HMO, POS PLAN, OR CONVENTIONAL HEALTH PLAN. SPECIFICALLY FOR THE SURVEY, HDHP/SOs ARE DEFINED AS (1) HEALTH PLANS WITH A DEDUCTIBLE OF AT LEAST \$1,000 FOR SINGLE COVERAGE AND \$2,000 FOR FAMILY COVERAGE¹ OFFERED WITH AN HRA (REFERRED TO AS HDHP/HRAs); OR (2) HIGH-Deductible HEALTH PLANS THAT MEET THE FEDERAL LEGAL REQUIREMENTS TO PERMIT AN ENROLLEE TO ESTABLISH AND CONTRIBUTE TO AN HSA (REFERRED TO AS HSA-QUALIFIED HDHPs).²

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

- ▶ Thirty-one percent of firms offering health benefits offer an HDHP/HRA or an HSA-qualified HDHP. Among firms offering health benefits, 5% offer an HDHP/HRA and 26% offer an HSA-qualified HDHP (Exhibit 8.1).
 - Firms with 5,000 or more workers are significantly more likely to offer an HDHP/SO than smaller firms. Forty-eight percent of firms with 5,000 or more workers offer an HDHP/SO, compared to 31% of firms with 3 to 199 workers, 33% of firms with 200–999 workers, or 38% of firms with 1,000 to 4,999 workers (Exhibit 8.2).
- ▶ Nineteen percent of covered workers are enrolled in an HDHP/SO in 2012, similar to the 17% enrolled last year (Exhibit 8.4). Enrollment in HDHP/SOs had increased significantly in previous years (13% in 2010; 8% in 2009).
 - Eight percent of covered workers are enrolled in HDHP/HRAs in 2012, and 11% percent of covered workers are enrolled in HSA-qualified HDHPs (Exhibit 8.4).
 - Twenty-four percent of covered workers in small firms (3–199 workers) are enrolled in HDHP/SOs, compared to 17% of workers in large firms (200 or more workers) (Exhibit 8.5).
 - The percentage of workers in small firms (3–199 workers) enrolled in HSA-qualified HDHP/SOs is higher than the percentage of workers in large firms enrolled in HSA-qualified HDHP/SOs (16% vs. 9%) (Exhibit 8.5).

PLAN DEDUCTIBLES

- ▶ As expected, workers enrolled in HDHP/SOs have higher deductibles than workers enrolled in HMOs, PPOs, or POS plans.

NOTE:

¹ There is no legal requirement for the minimum deductible in a plan offered with an HRA. The survey defines a high-deductible HRA plan as a plan with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage. Federal law requires a deductible of at least \$1,200 for single coverage and \$2,400 for family coverage for HSA-qualified HDHPs in 2012. See the Text Box for more information on HDHP/HRAs and HSA-qualified HDHPs.

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

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

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

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

she is covered by a “qualified health plan” which is a plan with a high deductible (i.e., a deductible of at least \$1,200 for single coverage and \$2,400 for family coverage in 2012) that also meets other requirements.¹ Employers can encourage their employees to create HSAs by offering an HDHP that meets the federal requirements. Employers in some cases also may assist their employees by identifying HSA options, facilitating applications, or negotiating favorable fees from HSA vendors.

Both employers and employees can contribute to an HSA, up to the statutory cap of \$3,100 for single coverage and \$6,250 for family coverage in 2012. Employee contributions to the HSA are made on a pre-income tax basis, and some employers arrange for their employees to fund their HSAs through payroll deductions. Employers are not required to contribute to HSAs established by their employees but, if they elect to do so, their contributions are not taxable to the employee. Interest and other earnings on amounts in an HSA are not taxable. Withdrawals from the HSA by the account owner to pay for qualified health care expenses are not taxed. The savings account is owned by the individual who creates the account, so employees retain their HSA balances if they leave their job.

¹ See U.S. Department of the Treasury, *Health Savings Accounts*, available at <http://www.treasury.gov/resource-center/faqs/Taxes/Pages/HSA-2012-indexed-amounts.aspx>

- The average general annual deductible for single coverage is \$1,923 for HDHP/HRAs and \$2,190 for HSA-qualified HDHPs (Exhibit 8.6). These averages are similar to the amounts reported in recent years. There is wide variation around these averages (Exhibit 8.8).
- ▶ Since 2006, the survey has collected information on two types of family deductibles. The survey asks employers whether the family deductible amount is (1) an aggregate amount (i.e., the out-of-pocket expenses of all family members are counted until the deductible is satisfied), or (2) a per-person amount that applies to each family member (typically with a limit on the number of

family members that would be required to meet the deductible amount).

- The average aggregate deductibles for workers with family coverage are \$3,666 for HDHP/HRAs and \$4,068 for HSA-qualified HDHPs (Exhibit 8.6). There is wide variation around these average amounts for family coverage (Exhibit 8.10).

OUT-OF-POCKET MAXIMUM AMOUNTS

- ▶ HSA-qualified HDHPs are legally required to have a maximum annual out-of-pocket liability of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012. HDHP/HRAs have no similar requirement.

- The average annual out-of-pocket maximum for single coverage is \$3,203 for HDHP/HRAs³ and \$3,725 for HSA-qualified HDHPs (Exhibit 8.6).
- As with deductibles, the survey asks employers whether the family out-of-pocket maximum liability is (1) an aggregate amount that applies to spending by any covered person in the family, or (2) a separate per person amount that applies to spending by each family member or a limited number of family members. The survey also asks whether spending by enrollees on various services counts towards meeting the plan out-of-pocket maximum.
- Among covered workers with family coverage whose out-of-pocket maximum is an aggregate amount that applies to spending by any covered person in the family, the average annual out-of-pocket maximums are \$6,131 for HDHP/HRAs and \$7,434 for HSA-qualified HDHPs (Exhibit 8.6).

PREMIUMS

- ▶ In 2012, the average annual premiums for HDHP/HRAs are \$5,271 for single coverage and \$15,169 for family coverage. For single coverage, the HDHP/HRA average premium for covered workers is significantly lower than the average premium for covered workers in plans that are not HDHP/SOs (Exhibit 8.7).
- ▶ The average annual premium for workers in HSA-qualified HDHPs is \$4,713 for single coverage and \$13,446 for family coverage. These amounts are lower than the average single and family premium for workers in plans that are not HDHP/SOs (Exhibit 8.7).

WORKER CONTRIBUTIONS TO PREMIUMS

- ▶ The average annual worker contributions to premiums for workers enrolled in HDHP/HRAs are \$949 for single coverage and \$4,184 for family coverage (Exhibit 8.6).

- ▶ The average annual worker contributions to premiums for workers in HSA-qualified HDHPs are \$647 for single coverage and \$3,437 for family coverage (Exhibit 8.6). The average contribution for single coverage for workers in HSA-qualified HDHPs is significantly less than the average premium contribution made by covered workers in plans that are not HDHP/SOs (Exhibit 8.7).

EMPLOYER CONTRIBUTIONS TO PREMIUMS AND SAVINGS OPTIONS

- ▶ Employers contribute to HDHP/SOs in two ways: through their contributions toward the premium for the health plan and through their contributions (if any, in the case of HSAs) to the savings account option (i.e., the HRAs or HSAs themselves).
 - Looking just at the annual employer contributions to premiums, covered workers in HDHP/HRAs on average receive employer contributions of \$4,323 for single coverage and \$10,985 for family coverage. The average employer contribution for single coverage in HDHP/HRAs is significantly less than the average employer premium contribution for plans that are not HDHP/SOs. (Exhibit 8.7).
 - The average annual employer contributions to premiums for workers in HSA-qualified HDHPs are \$4,066 for single coverage and \$10,009 for family coverage. These amounts are lower than the average contributions for single or family coverage for workers in plans that are not HDHP/SOs (Exhibit 8.7).
- ▶ When looking at employer contributions to the savings option, workers enrolled in HDHP/HRAs receive, on average, an annual employer contribution to their HRA of \$970 for single coverage and \$1,840 for family coverage (Exhibit 8.7).
 - HRAs are generally structured in such a way that employers may not actually spend the whole amount that they make available to their employees' HRAs.⁴ Amounts committed to an employee's HRA that are not used by the employee generally roll over and can

NOTE:

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

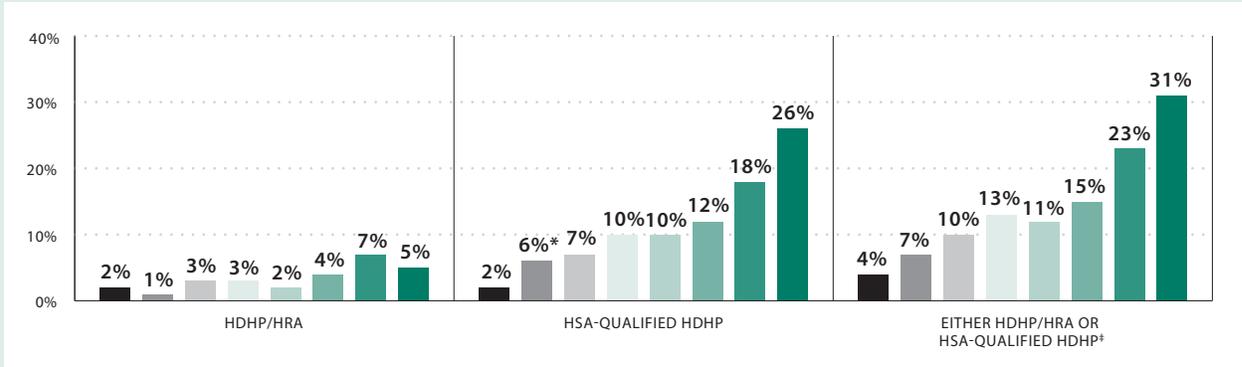
⁴ In the survey, we ask, "Up to what dollar amount does your firm promise to contribute each year to an employee's HRA or health reimbursement arrangement for single coverage?" We refer to the amount that the employer commits to make available to an HRA as a contribution for ease of discussion. As discussed,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

be used in future years, but any balance may revert back to the employer if the employee leaves his or her job. Thus, the employer contribution amounts to HRAs that we capture in the survey may exceed the amount that employers will actually spend.

- ▶ Workers enrolled in HSA-qualified HDHPs on average receive an annual employer contribution to their HSA of \$609 for single coverage and \$1,070 for family coverage (Exhibit 8.7).
 - In some cases, employers that sponsor HSA-qualified HDHP/SOs do not make contributions to HSAs established by their employees. Twenty-eight percent of employers offering single and family coverage through HSA-qualified HDHPs do not make contributions towards the HSAs that their workers establish (Exhibit 8.7). Thirty-four percent of workers with single or family coverage in an HSA-qualified HDHP do not receive an account contribution from their employer (Exhibit 8.13 and Exhibit 8.14).
 - The average HSA contributions reported above include the portion of covered workers whose employer contribution to the HSA is zero. When those firms that do not contribute to the HSA are excluded from the calculation, the average employer contribution for covered workers is \$919 for single coverage and \$1,611 for family coverage (Exhibit 8.7).
- ▶ Employer contributions to savings account options (i.e., the HRAs and HSAs themselves) for their employees can be added to their health plan premium contributions to calculate total employer contributions toward HDHP/SOs.
 - For HDHP/HRAs, the average annual total employer contribution for covered workers is \$5,293 for single coverage and \$12,826 for family coverage. The average total employer contribution amounts for single and family coverage in HDHP/HRAs are higher than the average amount that employers contribute towards single and family coverage in health plans that are not HDHP/SOs (Exhibit 8.7).
 - For HSA-qualified HDHPs, the average annual total employer contribution for covered workers is \$4,668 for single coverage and \$11,056 for workers with family coverage. The total amounts contributed for workers in HSA-qualified HDHPs for single and family coverage are similar to the amounts contributed for workers not in HDHP/SOs (Exhibit 8.7).

EXHIBIT 8.1

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA-Qualified HDHP, 2005–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2012.

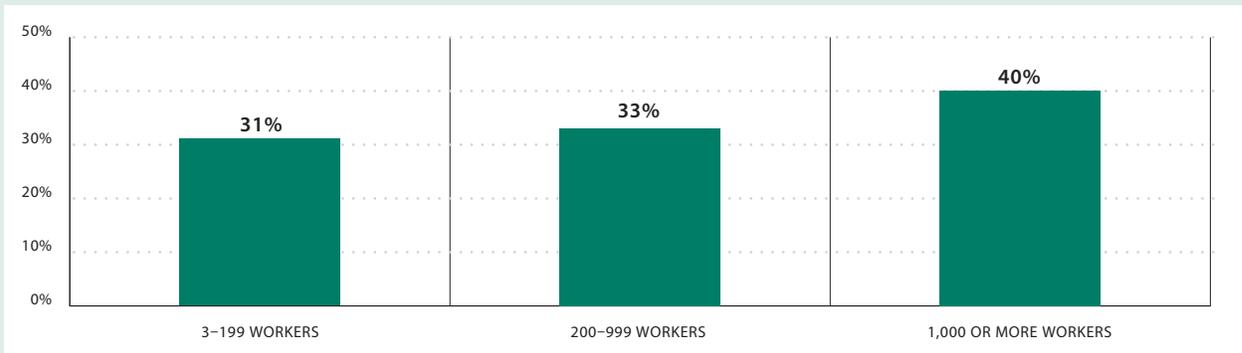
* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

† The 2012 estimate includes 0.6% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentages for previous years are: 2005 [0.3%], 2006 [0.4%], 2007 [0.2%], 2008 [0.3%], 2009 [$< 0.1\%$], 2010 [0.3%], and 2011 [1.8%].



EXHIBIT 8.2

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/SO, by Firm Size, 2012



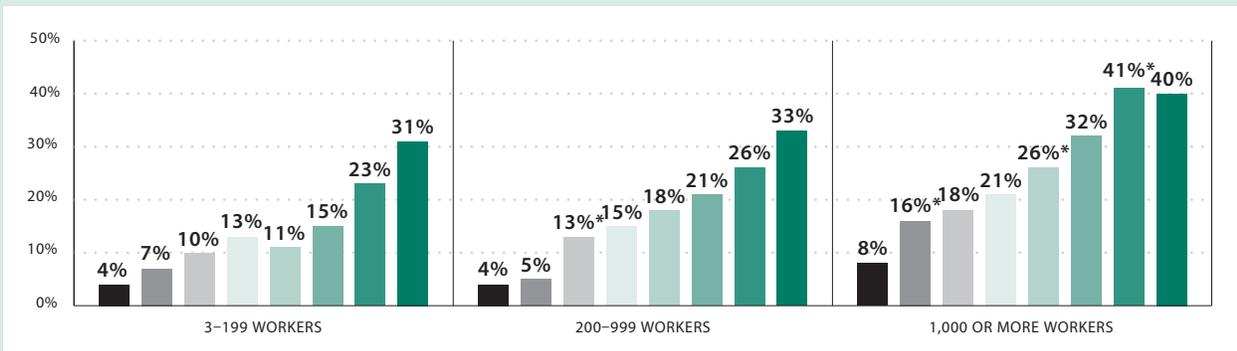
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Tests found no statistical difference from all other firms not in the indicated size category ($p < .05$). The 2012 estimate includes 1.8% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP.

EXHIBIT 8.3

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/SO, by Firm Size, 2005–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2012.

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

Note: The 2012 estimate includes 0.6% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentages for previous years are: 2005 [0.3%], 2006 [0.4%], 2007 [0.2%], 2008 [0.3%], 2009 [<0.1%], 2010 [0.3%], and 2011 [1.8%].

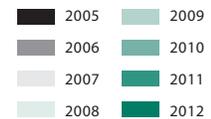
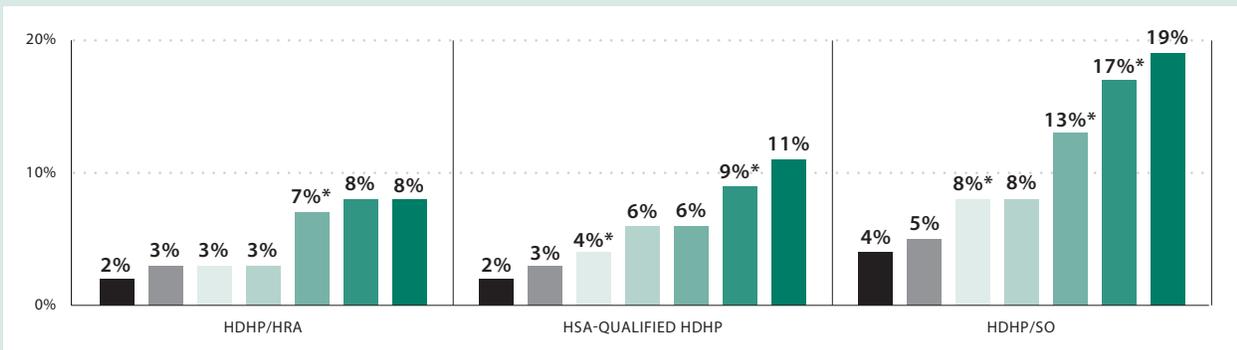


EXHIBIT 8.4

Percentage of Covered Workers Enrolled in an HDHP/HRA or HSA-Qualified HDHP, 2006–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

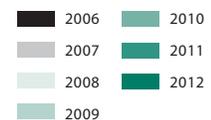
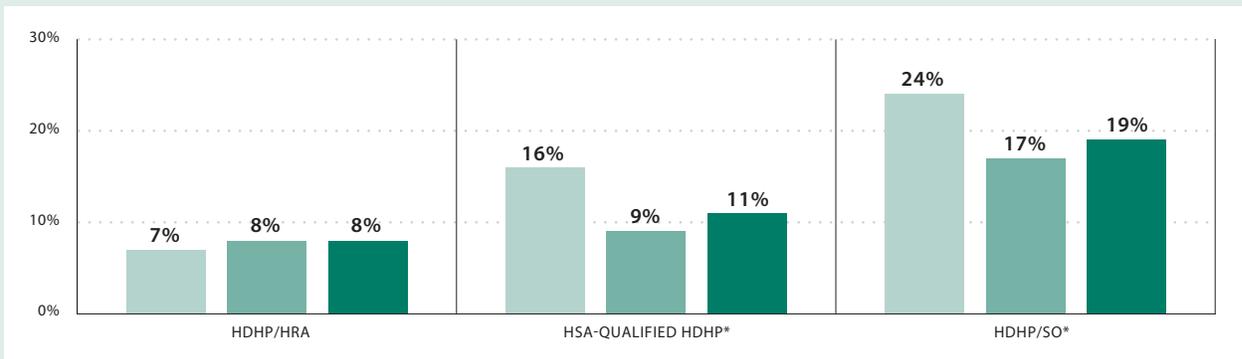


EXHIBIT 8.5

Percentage of Covered Workers Enrolled in an HDHP/HRA or HSA-Qualified HDHP, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

EXHIBIT 8.6

HDHP/HRA and HSA-Qualified HDHP Features for Covered Workers, 2012

Annual Plan Averages for:	HDHP/HRA		HSA-Qualified HDHP	
	Single	Family	Single	Family
Premium	\$5,271	\$15,169	\$4,713	\$13,446
Worker Contribution to Premium	\$949	\$4,184	\$647	\$3,437
General Annual Deductible [‡]	\$1,923	\$3,666	\$2,190	\$4,068
Out-of-Pocket Maximum Liability [‡]	\$3,203	\$6,131	\$3,725	\$7,434
Firm Contribution to the HRA or HSA [§]	\$970	\$1,840	\$609	\$1,070

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

[‡]Ten percent of workers enrolled in HDHP/HRAs have employers that reported no out-of-pocket maximum for single coverage and family coverage. These workers are excluded from the HDHP/HRA out-of-pocket maximum liability calculation. The deductible and out-of-pocket maximum averages shown for both HDHP/HRAs and HSA-qualified HDHPs for family coverage are for covered workers whose firms report that they face an aggregate amount. Among covered workers in HDHP/HRAs, 22% are in plans whose family deductible is a separate per person amount and 12% are in a plan where the family out-of-pocket maximum is a separate per person amount. Among covered workers in HSA-qualified HDHPs, the percentages are 13% for deductibles and 11% for out-of-pocket maximums.

[§]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 \$919 for single coverage and \$1,611 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.

EXHIBIT 8.7

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, 2012

	HDHP/HRA		HSA-Qualified HDHP		Non-HDHP/SO Plans [§]	
	Single	Family	Single	Family	Single	Family
Total Annual Premium	\$5,271*	\$15,169	\$4,713*	\$13,446*	\$5,777	\$16,128
Worker Contribution to Premium	\$949	\$4,184	647*	\$3,437*	\$995	\$4,458
Firm Contribution to Premium	\$4,323*	\$10,985	\$4,066*	\$10,009*	\$4,782	\$11,670
Annual Firm Contribution to the HRA or HSA[‡]	\$970	\$1,840	\$609	\$1,070	NA	NA
Total Annual Firm Contribution (Firm Share of Premium Plus Firm Contribution to HRA or HSA)	\$5,293*	\$12,826*	\$4,668	\$11,056	\$4,782	\$11,670
Total Annual Cost (Total Premium Plus Firm Contribution to HRA or HSA, if Applicable)	\$6,241*	\$17,010	\$5,309*	\$14,494*	\$5,777	\$16,128

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] 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 \$919 for single coverage and \$1,611 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.

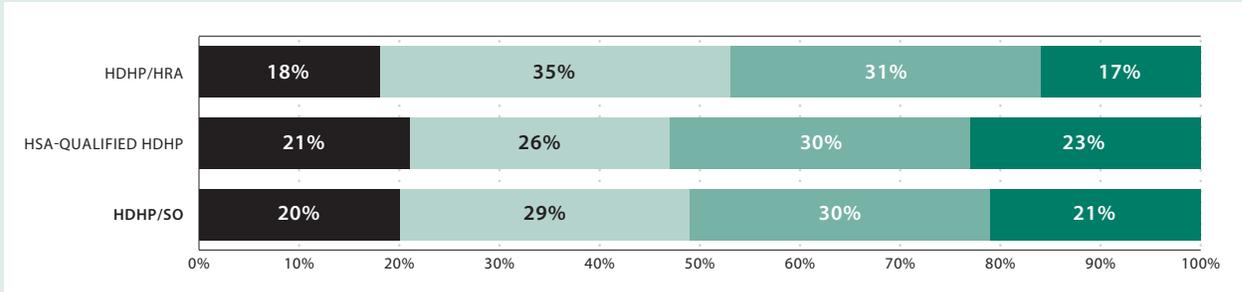
[§] In order to compare costs for HDHP/SOs to all other plans that are not HDHP/SOs, we created composite variables excluding HDHP/SO data.

NA: Not Applicable.

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 Cost.

EXHIBIT 8.8

Distribution of Covered Workers with the Following General Annual Deductible Amounts for Single Coverage, HSA-Qualified HDHPs and HDHP/HRAs, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The minimum annual single deductible for workers enrolled in HSA-qualified HDHPs is \$1,200 in 2012 according to federal regulation. Therefore, the distribution for HSA-qualified HDHPs starts at \$1,200.



EXHIBIT 8.9

Among Covered Workers, Distribution of Type of General Annual Deductible for Family Coverage, HDHP/HRAs and HSA-Qualified HDHPs, 2012

	Aggregate Amount	Separate Amount per Person
HDHP/HRA	78%	22%
HSA-Qualified HDHP	87	13
HDHP/SO	83%	17%

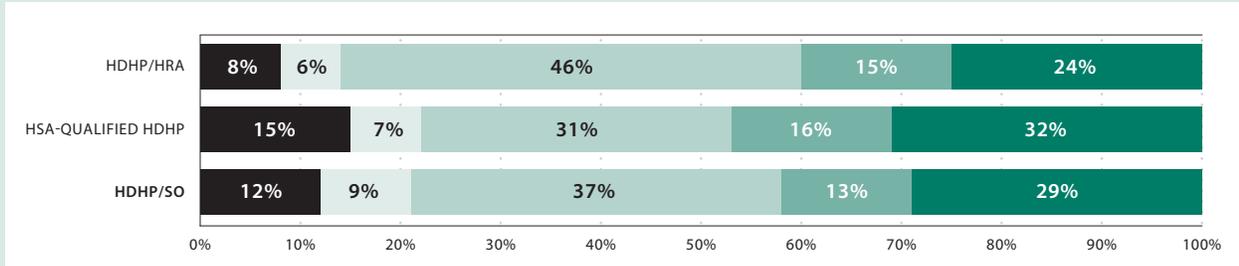
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 8.10

Distribution of Covered Workers with the Following Aggregate Family Deductible Amounts, HDHP/HRAs and HSA-Qualified HDHPs, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The survey distinguished between family deductibles that are an aggregate amount in which all family members' out-of-pocket expenses count toward the deductible, and plans that have a separate amount for each family member, typically with a limit on the number of family members required to reach that amount. The minimum annual family deductible for workers enrolled in HSA-qualified HDHPs is \$2,400 in 2012 according to federal regulation. Therefore, the distribution for HSA-qualified HDHPs starts at \$2,400.



EXHIBIT 8.11

Percentage of Covered Workers with Coverage for the Following Services Without Having to First Meet the Deductible, HDHP/HRAs, by Firm Size, 2012

	Physician Office Visits for Primary Care	Prescription Drugs
All Small Firms (3-199 Workers)	67%	79%
All Large Firms (200 or More Workers)	36%	79%
ALL FIRMS	46%	79%

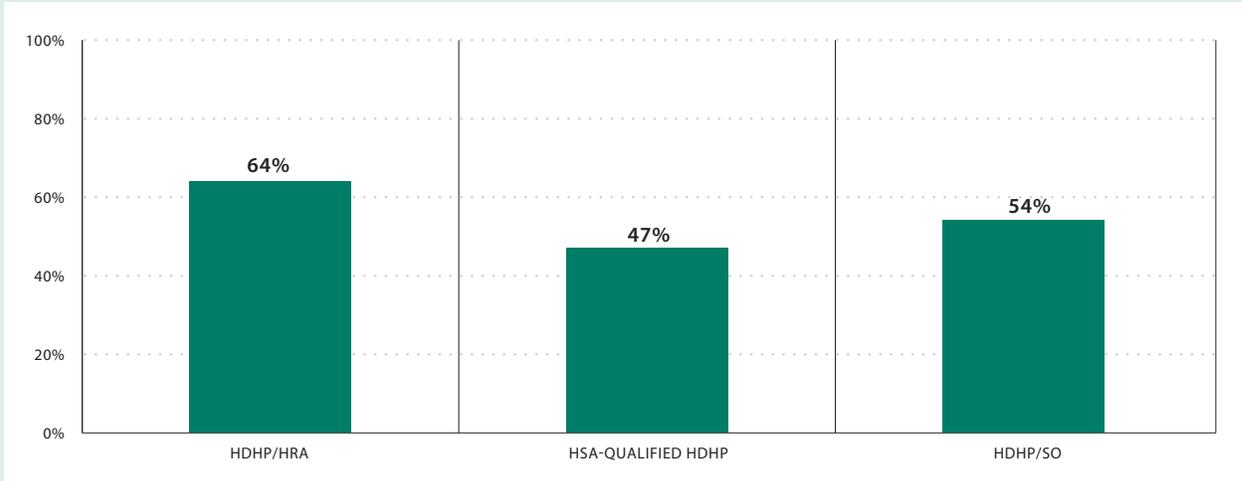
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: Only firms with HDHP/HRAs were asked about physician office visits for primary care or prescription drugs. HSA-qualified HDHPs are required by law to apply the plan deductible to nearly all services.

EXHIBIT 8.12

Percentage of Covered Workers in Partially or Fully Self-Funded HDHP/HRAs and HSA-Qualified HDHPs, 2012



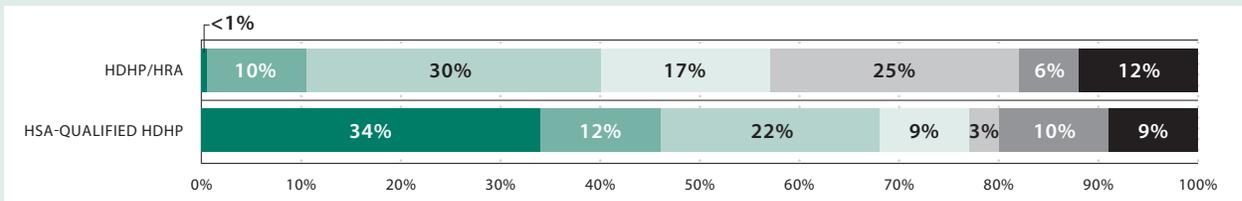
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 8.13

Distribution of Covered Workers with the Following Annual Employer Contributions to their HRA or HSA, for Single Coverage, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: For single coverage, 28% of employers offering HSA-qualified HDHPs (covering 34% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish.

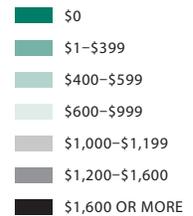
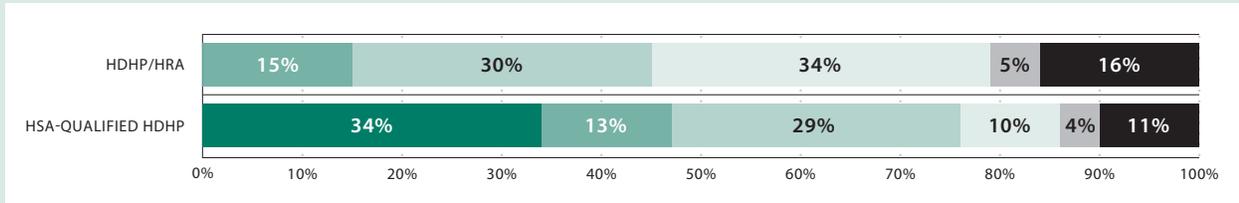


EXHIBIT 8.14

Distribution of Covered Workers with the Following Annual Employer Contributions to their HRA or HSA, for Family Coverage, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: For family coverage, 28% of employers offering HSA-qualified HDHPs (covering 34% of workers enrolled in these plans) do not make contributions towards the HSAs that their workers establish.

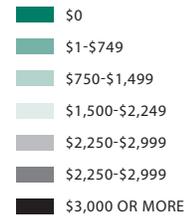


EXHIBIT 8.15

Distribution of Firm Contributions to the HRA for Single and Family Coverage Relative to the Average Annual Firm Contribution to the HRA, 2012

Contribution Range, Relative to Average HRA Contribution	Single Coverage		Family Coverage	
	Contribution Range, Dollar Amount	Percentage of Covered Workers in Range	Contribution Range, Dollar Amount	Percentage of Covered Workers in Range
Less than 80%	Less than \$776	51%	Less than \$1,472	45%
80% to Less Than Average	\$776 to <\$970	7%	\$1,472 to <\$1,840	16%
Average to Less Than 120%	\$970 to <\$1,164	25%	\$1,840 to <\$2,208	18%
120% or More	\$1,164 or more	18%	\$2,208 or More	21%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The average annual firm contribution to the HRA is \$970 for single coverage and \$1,840 for family coverage. The HRA account contribution distribution is relative to the average single or family account contribution. For example, \$776 is 80% of the average single HRA account contribution and \$1,164 is 120% of the average single HRA account contribution. The same break points relative to the average are used for the distribution for family coverage.

EXHIBIT 8.16

Distribution of Firm Contributions to the HSA for Single and Family Coverage Relative to the Average Annual Firm Contribution to the HSA, 2012

Contribution Range, Relative to Average HSA Contribution	Single Coverage		Family Coverage	
	Contribution Range, Dollar Amount	Percentage of Covered Workers in Range	Contribution Range, Dollar Amount	Percentage of Covered Workers in Range
Less than 80%	Less than \$487	49%	Less than \$856	49%
80% to Less Than Average	\$487 to <\$609	16%	\$856 to <\$1,070	14%
Average to Less Than 120%	\$609 to <\$731	5%	\$1,070 to <\$1,284	9%
120% or More	\$731 or More	30%	\$1,284 or More	28%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The average annual firm contribution to the HSA is \$609 for single coverage and \$1,070 for family coverage. The distribution includes workers in firms who do not make any contribution. The HSA account contribution distribution is relative to the average single or family account contribution. For example, \$487 is 80% of the average single HSA account contribution and \$731 is 120% of the average single HSA account contribution. The same break points relative to the average are used for the distribution for family coverage.

EXHIBIT 8.17

Distribution of Covered Workers in HDHP/HRAs and HSA-Qualified HDHPs with the Following Types of Cost Sharing in Addition to the General Annual Deductible, 2012

Separate Cost Sharing for a Hospital Admission	HDHP/HRA	HSA-Qualified HDHP	HDHP/SO [§]
Separate Annual Deductible	<1%	NA	<1%
Copayment and/or Coinsurance			
Copayment	3	7%	6
Coinsurance	66	56	60
Both Copay and Coinsurance [‡]	2	<1	1
Charge Per Day	2	1	1
None	29	36	33
Separate Cost Sharing for an Outpatient Surgery Episode			
Separate Annual Deductible	0%	NA	0%
Copayment and/or Coinsurance			
Copayment	4	9%	7
Coinsurance	65	53	58
Both Copay and Coinsurance [‡]	3	<1	1
None	30	37	34
Separate Cost Sharing for Primary Care Physician Office Visits			
Copayment	29%	9%	17%
Coinsurance	57	51	53
None	14	40	30
Other	0	1	<1
Separate Cost Sharing for Specialty Care Physician Office Visits			
Copayment	31%	11%	19%
Coinsurance	55	52	53
None	14	37	28
Other	<1	<1	<1
Separate Cost Sharing for Emergency Room Visits			
Copayment	29%	15%	20%
Coinsurance	35	48	43
None	16	36	28
Other	20	2	9

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[§] Information on separate deductibles for hospital admissions or outpatient surgery was collected for HDHP/HRAs only.

NA: Not Applicable. Information on separate annual deductibles for hospital admissions or outpatient surgery was not collected for HSA-qualified HDHPs because federal regulations make it unlikely the plan would have a separate deductible for specific services.

Note: The distribution of workers with types of cost sharing does not equal 100% as workers may face a combination of types of cost sharing. In 2012 the questions on primary care office visits, specialty office visits, and ER cost sharing were revised to ensure that firms that had a coinsurance with a minimum or maximum dollar amount were included in the coinsurance category.

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Prescription
Drug Benefits

SECTION

9

PRESCRIPTION DRUG BENEFITS

ALMOST ALL COVERED WORKERS HAVE COVERAGE FOR PRESCRIPTION DRUGS. MORE THAN THREE IN FOUR COVERED WORKERS ARE IN PLANS WITH THREE OR MORE COST-SHARING TIERS FOR PRESCRIPTION DRUGS. COPAYMENTS RATHER THAN COINSURANCE CONTINUE TO BE THE DOMINANT FORM OF COSTSHARING FOR PRESCRIPTION DRUGS.

- ▶ As in prior years, nearly all (99%) covered workers in employer-sponsored plans have a prescription drug benefit.
- ▶ A large majority of covered workers (87%) in 2012 have a tiered cost-sharing formula for prescription drugs (Exhibit 9.1). Cost-sharing tiers generally refer to a health plan placing a drug on a formulary or preferred drug list, which classifies drugs as generic, preferred, or non-preferred. Over the past years, an increasing number of plans have created a fourth tier of drug cost sharing, which may be used for lifestyle drugs or expensive biologics.
- ▶ Seventy-eight percent of covered workers are enrolled in plans with three, four, or more tiers of cost sharing for prescription drugs, a similar percentage as the last two years (Exhibit 9.1).
 - HDHP/SOs have different cost-sharing patterns for prescription drugs than other plan types. Only 55% of covered workers in HDHP/SOs are in a plan with three or more tiers of cost sharing for prescription drugs; 19% are in plans that pay 100% of prescription costs once the plan deductible is met (Exhibit 9.2).
- ▶ Among workers covered by plans with three or more tiers of cost sharing for prescription drugs, a large majority face copayments rather than coinsurance (Exhibit 9.3). The percentages differ slightly across drug types because some plans have copayments for some drug tiers and coinsurance for other drug tiers.
 - For covered workers in plans with three, four, or more tiers of cost sharing for prescription drugs, the average drug copayments for first-tier drugs (\$10), second-tier drugs (\$29), third-tier drugs (\$51), and fourth-tier (\$79) are comparable to the amounts reported in

Generic drugs: Drug products that are no longer covered by patent protection and thus may be produced and/or distributed by multiple drug companies.

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

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

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

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

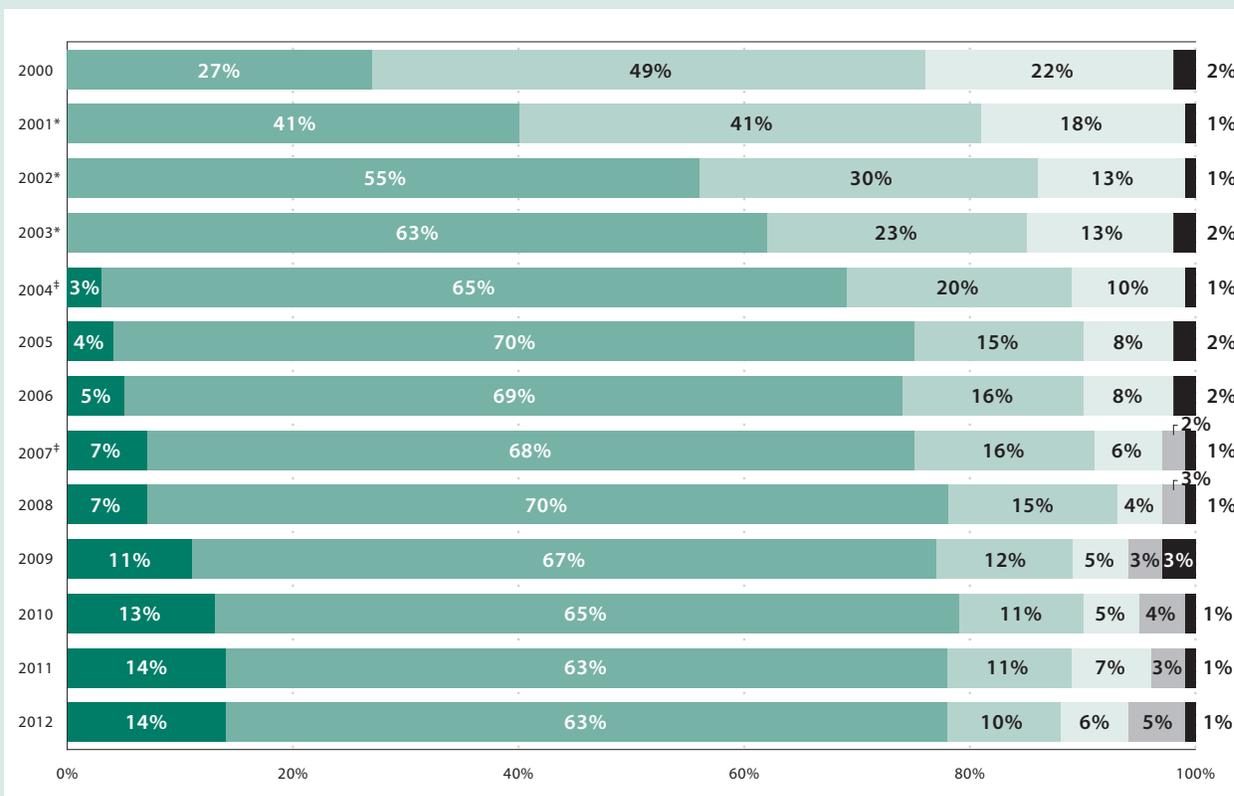
2011 (\$10, \$29, \$49, and \$91, respectively) (Exhibit 9.4).

- For covered workers in plans with three, four, or more tiers of cost sharing for prescription drugs who face coinsurance rather than copayments, coinsurance levels average 20% for first-tier drugs, 26% for second-tier drugs, and 39% for third-tier drugs. All of the estimates are similar to last year except for the average coinsurance for first-tier drugs (20%) which is statistically different from 2011 (18%) (Exhibit 9.4).

- ▶ Fourteen percent of covered workers are in a plan that has four or more tiers of cost sharing for prescription drugs (Exhibit 9.1). For covered workers in plans with three or more cost-sharing tiers, 55% face a copayment for fourth-tier drugs and 36% face coinsurance (Exhibit 9.3).
 - The average copayment for a fourth-tier drug is \$79 and the average coinsurance is 32%. These amounts are not statistically different from the amounts reported in 2011 (Exhibit 9.4).
- ▶ Ten percent of covered workers are in a plan that has two tiers for prescription drug cost sharing (Exhibit 9.1). Similar to workers in plans with more cost-sharing tiers, copayments are more common than coinsurance for workers in plans with two tiers (Exhibit 9.5). The average copayment for the first tier is \$11, and the average copayment for the second tier is \$29. The average coinsurance rate for the second tier is 27% (Exhibit 9.6).
- ▶ Six percent of covered workers are covered by plans in which cost sharing is the same regardless of the type of drug chosen (Exhibit 9.1). Among these covered workers, 14% have copayments and 85% have coinsurance (Exhibit 9.7).
 - For those workers with the same cost sharing regardless of the type of drug, the average copayment is \$13 and the average coinsurance is 22% (Exhibit 9.8).
- ▶ Coinsurance rates for prescription drugs often have maximum or minimum dollar amounts associated with the coinsurance rate. Twenty-four percent of workers with a coinsurance rate have a maximum dollar amount attached to the coinsurance rate, 9% have a minimum, and 22% have both for first-tier drugs (Exhibit 9.9).
- ▶ Small percentages of covered workers are enrolled in plans in which they have a separate prescription drug deductible or annual out-of-pocket limit that applies to prescription drugs only.
 - Thirteen percent of covered workers with prescription drug coverage are in plans with a separate prescription drug deductible that is in addition to any general annual deductible the plan might have, similar to the 12% in 2009 (Exhibit 9.10). Seventeen percent of covered workers in PPOs have a separate drug deductible (Exhibit 9.10).
 - Of firms with an annual deductible for prescription drugs, 69% of covered workers are in plans where the deductible applies to every tier.
 - For those with a separate drug deductible, the average annual deductible amount is \$145.
 - Similarly, 11% of covered workers with coverage for prescription drugs are in plans with a separate prescription drug annual out-of-pocket limit (Exhibit 9.11), statistically unchanged from 2009.
 - For those with a separate prescription drug annual out of pocket limit, the average annual out-of-pocket limit is \$1,722.

EXHIBIT 9.1

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

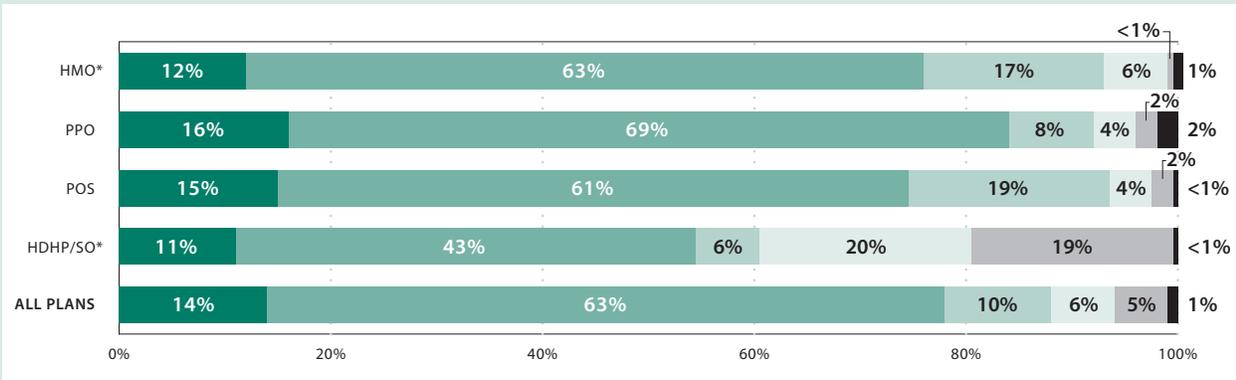
† No statistical tests are conducted between 2003 and 2004 or between 2006 and 2007 due to the addition of a new category.

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

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

EXHIBIT 9.2

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

EXHIBIT 9.3

Among Workers with Three, Four, or More Tiers of Cost Sharing, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2012

First-Tier Drugs, Often Called Generic Drugs	Copay	Coinsurance [‡]	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO	92%	6%	1%	1%
PPO	86	11	1	2
POS	95	3	2	1
HDHP/SO	75	18	5	2
ALL PLANS	86%	11%	2%	2%
Second-Tier Drugs, Often Called Preferred Drugs			Copay or Coinsurance Plus Any Difference [§]	
HMO	87%	12%	<1%	1%
PPO	75	23	<1	2
POS	88	9	0	3
HDHP/SO	72	27	<1	2
ALL PLANS	77%	21%	<1%	2%
Third-Tier Drugs, Often Called Nonpreferred Drugs				
HMO	78%	18%	2%	2%
PPO	71	24	1	4
POS	86	12	0	3
HDHP/SO	65	32	<1	3
ALL PLANS	72%	24%	1%	3%
Fourth-Tier Drugs				
HMO	56%	43%	1%	<1%
PPO	57	31	1	11
POS	49	47	0	4
HDHP/SO	45	41	<1	14
ALL PLANS	55%	36%	1%	9%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

[‡] In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most tiers, and most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum, both, or neither. See the Survey Design and Methods Section for more information.

[§] Category includes workers who pay a copayment or coinsurance plus the difference between the cost of the prescription and the cost of a comparable generic drug.

Note: Tests found no statistical difference from All Plans distribution within drug type ($p < .05$). These distributions do not include the 1% of covered workers whose employers report "none of the above" to the survey question about the type of prescription drug cost-sharing formula. For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the Text Box in the introduction to Section 9.

EXHIBIT 9.4

Among Covered Workers with Three, Four, or More Tiers of Prescription Cost Sharing, Average Copayments and Average Coinsurance by Drug Type, 2000–2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Copayments													
First-Tier Drugs, Often Called Generic	\$8	\$8	\$9	\$9*	\$10*	\$10	\$11*	\$11	\$10	\$10	\$11	\$10	\$10
Second-Tier Drugs, Often Called Preferred	\$15	\$16*	\$18*	\$20*	\$22*	\$23*	\$25*	\$25	\$26	\$27	\$28*	\$29	\$29
Third-Tier Drugs, Often Called Nonpreferred	\$29	\$28	\$32*	\$35*	\$38*	\$40*	\$43*	\$43	\$46*	\$46	\$49*	\$49	\$51
Fourth-Tier Drugs	^	^	^	^	\$59	\$74	\$59	\$71*	\$75	\$85	\$89	\$91	\$79
Average Coinsurance													
First-Tier Drugs, Often Called Generic	18%	18%	18%	18%	18%	19%	19%	21%	21%	20%	17%	18%	20%*
Second-Tier Drugs, Often Called Preferred	NSD	23%	24%	23%	25%	27%	26%	26%	25%	26%	25%	25%	26%
Third-Tier Drugs, Often Called Nonpreferred	28%	33%	40%	34%*	34%	38%	38%	40%	38%	37%	38%	39%	39%
Fourth-Tier Drugs	^	^	^	^	30%	43%*	42%	36%	28%	31%	36%	29%	32%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

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

NSD: Not Sufficient Data.

EXHIBIT 9.5

Among Workers with Two Tiers of Cost Sharing for Prescription Drugs, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2012

First-Tier Drugs, Often Called Generic Drugs	Copay	Coinsurance [‡]	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO	97%	3%	<1%	0%
PPO	60	23	12	5
POS	85	1	11	4
HDHP/SO	82	8	10	1
ALL PLANS	75%	15%	7%	3%
Second-Tier Drugs, Often Called Preferred Drugs	Copay	Coinsurance [‡]	Copay or Coinsurance Plus Difference [§]	Some Other Amount
HMO*	92%	7%	0%	1%
PPO	49	43	0	7
POS	97	3	0	<1
HDHP/SO	32	42	0	26
ALL PLANS	64%	29%	0%	7%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most tiers, and most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum, both or neither. See the Survey Design and Methods Section for more information.

[§] Category includes workers who pay a copayment or coinsurance plus the difference between the cost of the prescription and the cost of a comparable generic drug.

Note: These distributions do not include the 1% of covered workers whose employers report "none of the above" to the survey question about the type of prescription drug cost-sharing formula. For definitions of Generic and Preferred Drugs, see the Text Box in the introduction to Section 9.

EXHIBIT 9.6

Among Covered Workers with Two Tiers of Prescription Cost Sharing, Average Copayments and Average Coinsurance, by Drug Type, 2000–2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Copayments													
First-Tier Drugs, Often Called Generic	\$7	\$8*	\$9*	\$9	\$10	\$10	\$11	\$10	\$11	\$10	\$10	\$11	\$11
Second-Tier Drugs, Often Called Preferred	\$14	\$15*	\$18*	\$20*	\$22*	\$22	\$23	\$23	\$24	\$26	\$28	\$28	\$29
Average Coinsurance													
First-Tier Drugs, Often Called Generic	19%	17%	20%	21%	17%	16%	22%	21%	19%	NSD	NSD	NSD	NSD
Second-Tier Drugs, Often Called Preferred	28%	25%	25%	28%	25%	24%	27%	28%	32%	28%	27%	30%	27%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

NSD: Not Sufficient Data.

EXHIBIT 9.7

Among Workers with the Same Cost Sharing Regardless of Type of Drug, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Plan Type, 2012

	Copay	Coinsurance [‡]	Some Other Amount
HMO	NSD	NSD	NSD
PPO	22%	75%	4%
POS	NSD	NSD	NSD
HDHP/SO*	2	98%	<1
ALL PLANS	14%	85%	2%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most tiers, and most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum, both or neither. See the Survey Design and Methods Section for more information.

NSD: Not Sufficient Data.

Note: These distributions do not include the 2% of covered workers whose employers report “none of the above” to the survey question about the type of prescription drug cost-sharing formula.

EXHIBIT 9.8

Among Covered Workers with the Same Cost Sharing Regardless of Type of Drug, Average Copayments and Average Coinsurance, 2000–2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Copayments	\$8	\$10*	\$10	\$10	\$14*	\$10*	\$13*	\$13	\$15	\$15	\$13	\$14	\$13
Average Coinsurance	22%	20%	23%	22%	25%	23%	23%	22%	24%	22%	24%	23%	22%

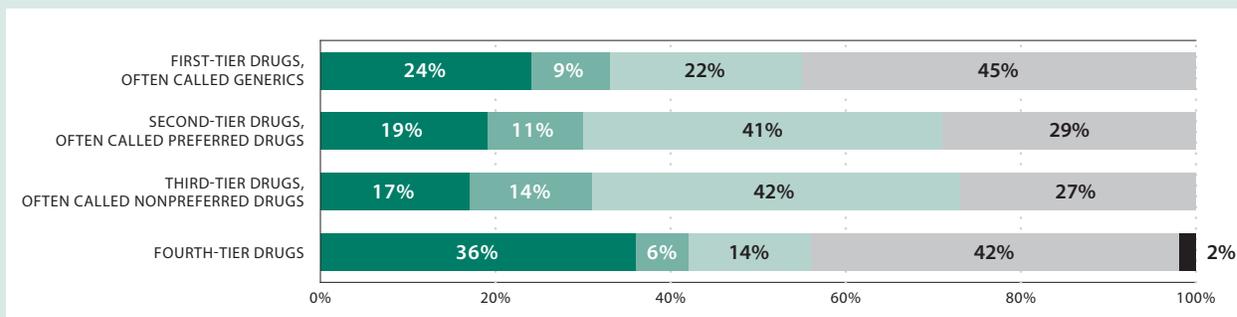
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

EXHIBIT 9.9

Distribution of Coinsurance Structures for Covered Workers Facing a Coinsurance for Prescription Drugs, 2012



SOURCE:

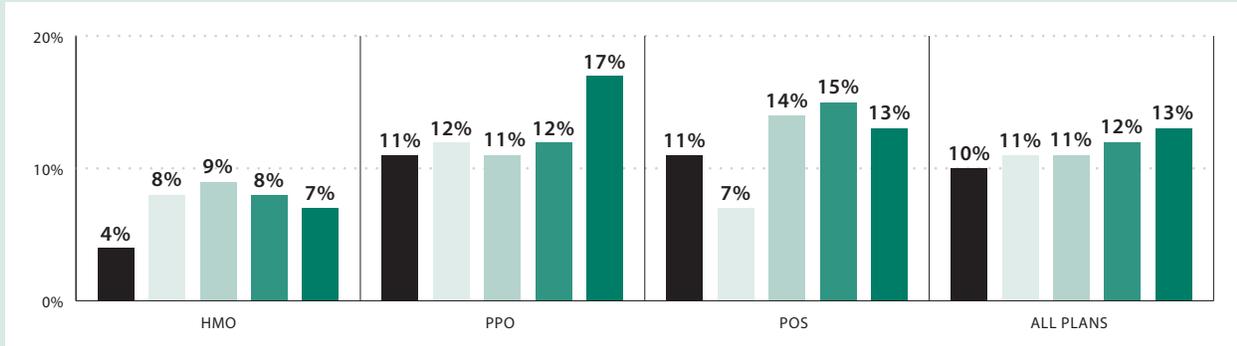
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: In 2012 we asked firms that indicated they had a coinsurance for prescription drugs if the coinsurance included any minimum or maximum.

- A MAXIMUM DOLLAR AMOUNT
- A MINIMUM DOLLAR AMOUNT
- BOTH A MAXIMUM AND MINIMUM DOLLAR AMOUNT
- NEITHER
- OTHER

EXHIBIT 9.10

Percentage of Covered Workers with Drug Coverage Who Face a Separate Prescription Drug Deductible, by Plan Type, 2005–2012



SOURCE:

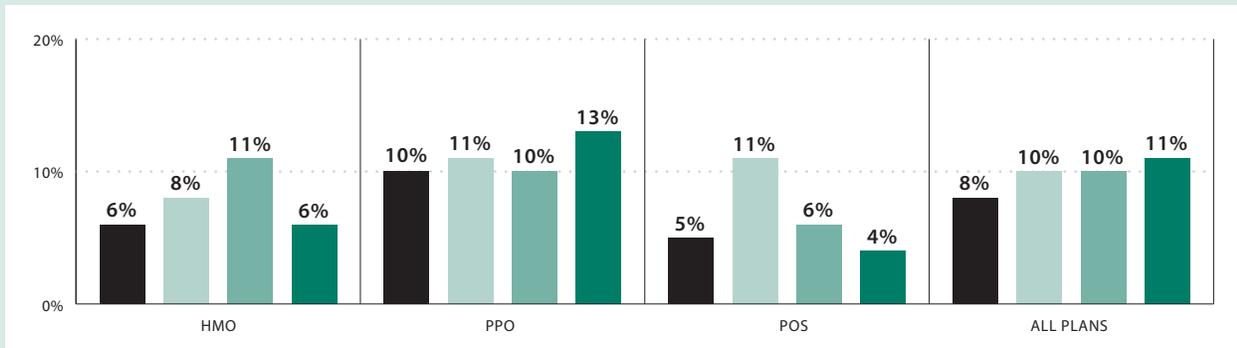
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2012.



Note: Tests found no statistical difference from estimate for the previous year shown ($p < .05$). Information on HDHP/SOs was not collected prior to 2008. In 2012, information on separate prescription drug deductibles was collected for HDHP/SOs, and 7% of covered workers in HDHP/HRAs have a separate drug deductible. In 2007, information on whether a plan has a separate drug deductible was not imputed for one PPO and one POS plan that covered prescription drugs. If these responses were imputed, the prevalence of separate drug deductibles would remain the same for PPOs and would increase or decrease no more than 1% for POS plans.

EXHIBIT 9.11

Percentage of Covered Workers with Drug Coverage with a Separate Annual Out-of-Pocket Limit That Applies to Prescription Drugs, by Plan Type, 2007–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007–2012.



Note: Tests found no statistical difference from estimate for the previous year shown ($p < .05$). Data for HDHP/SOs are not included in this exhibit because HSA-qualified HDHPs are required by law to have an annual out-of-pocket limit of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012, making it unlikely a plan would include a separate out-of-pocket maximum for prescription drugs. As a result, only firms offering HDHP/HRAs were asked if the plan has a separate out-of-pocket maximum that applies to prescription drugs. Among covered workers enrolled in HDHP/HRAs, 13% are enrolled in plans with a separate annual out-of-pocket limit that applies to prescription drugs in 2012.

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Plan
Funding

SECTION

10

PLAN FUNDING

FEDERAL LAW (THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, OR ERISA) EXEMPTS SELF-FUNDED PLANS FROM STATE INSURANCE LAWS, INCLUDING RESERVE REQUIREMENTS, MANDATED BENEFITS, PREMIUM TAXES, AND CONSUMER PROTECTION REGULATIONS. THREE IN FIVE COVERED WORKERS ARE IN A SELF-FUNDED HEALTH PLAN. SELF-FUNDING IS COMMON AMONG LARGER FIRMS BECAUSE THEY CAN SPREAD THE RISK OF COSTLY CLAIMS OVER A LARGE NUMBER OF EMPLOYEES AND DEPENDENTS. MANY SELF-FUNDED PLANS USE INSURANCE, OFTEN CALLED STOPLOSS COVERAGE, TO LIMIT THE PLAN SPONSOR'S LIABILITY FOR VERY LARGE CLAIMS. ALMOST THREE IN FIVE COVERED WORKERS IN SELF-FUNDED PLANS ARE IN PLANS WITH STOPLOSS PROTECTION.

- ▶ Sixty percent of covered workers are in a self-funded plan, the same percentage reported in 2011 (Exhibit 10.1). The percentage of covered workers who are in a plan that is completely or partially self-funded has increased over time from 49% in 2000 and 54% in 2005.
 - The percentage of covered workers differs by plan type: 70% of covered workers in PPOs, 54% in HDHP/SOs, 38% in conventional health plans, 37% in HMOs, and 29% in POS plans are in a self-funded plan (Exhibit 10.4).
 - As expected, covered workers in large firms (200 or more workers) are more likely to be in a self-funded plan than covered workers in small firms (3–199 workers) (81% vs. 15%) (Exhibit 10.3). The percentage of covered workers in self-funded plans increases as the number of employees in a firm increases. Seventy-eight percent of covered workers in firms with 1,000 to 4,999 workers and 93% of covered workers in firms with 5,000 or more workers are in self-funded plans in 2012 (Exhibit 10.3).
- ▶ Fifty-nine percent of workers in self-funded health plans are in plans that have stoploss insurance (Exhibit 10.9). Stoploss coverage limits the amount that a plan sponsor has to pay in claims. Stoploss coverage may limit the amount of claims that must be paid for each employee or may limit the total amount the plan sponsor must pay for all claims over the plan year.

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

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

- ▶ Eighty-nine percent of covered workers in self-funded plans that have stoploss protection are in plans where the stoploss insurance limits the amount that the plan must spend on each employee (Exhibit 10.10).¹
- ▶ Firms with per enrollee stoploss coverage were asked for the dollar amount where the stoploss coverage would start to pay for most or all of the claim (called an attachment point). The average attachment point in large firms (200 or more workers) is \$223,233 (Exhibit 10.10).²

NOTE:

¹ This includes stoploss insurance plans that limit a firm's per employee spending as well as plans that limit both a firm's overall spending and per employee spending.

² The average attachment point in small firms (3 to 199 workers) is about \$140,000, which is almost twice the amount reported last year for small firms. This value has a very high relative standard error (40%) because there are very few small employers that self-fund represented in the survey and one firm reported a very high value (\$2,000,000). Including this firm increases the average by almost 100%.

EXHIBIT 10.1

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	13%	15%	17%	13%	10%	10%	13%	13%	12%	12%	15%	16%	13%	15%
200–999 Workers	51	53	52	48	50	50	53	53	53	47	48	58*	50	52
1,000–4,999 Workers	62	69	66	67	71	78	78	77	76	76	80	80	79	78
5,000 or More Workers	62	72	70	72	79	80	82	89	86	89	88	93	96	93
ALL FIRMS	44%	49%	49%	49%	52%	54%	54%	55%	55%	55%	57%	59%	60%	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 10.2

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Conventional	65%	64%	65%	58%	49%	43%	53%	^	53%	47%	48%	61%	53%	38%
HMO	16	23*	31*	27	29	29	32	33	34	40	40	41	41	37
PPO	60	63	61	61	61	64	65	63	65	64	67	67	70	70
POS	42	45	42	40	44	46	36	32	34	29	25	32	26	29
HDHP/SO	^	^	^	^	^	^	^	50	41	35	48*	61*	54	54
ALL PLANS	44%	49%	49%	49%	52%	54%	54%	55%	55%	55%	57%	59%	60%	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

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

EXHIBIT 10.3

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, Region, and Industry, 2012

	Self-Funded (Employer Bears Some or All of Financial Risk)
FIRM SIZE	
200–999 Workers	52%*
1,000–4,999 Workers	78*
5,000 or More Workers	93*
All Small Firms (3–199 Workers)	15%*
All Large Firms (200 or More Workers)	81%*
REGION	
Northeast	61%
Midwest	61
South	64*
West	48*
INDUSTRY	
Agriculture/Mining/Construction	43%*
Manufacturing	67
Transportation/Communications/Utilities	75*
Wholesale	43*
Retail	69
Finance	68
Service	46*
State/Local Government	72*
Health Care	68*
ALL FIRMS	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

EXHIBIT 10.4

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type and Firm Size, 2012

	Conventional	HMO	PPO	POS	HDHP/SO
3–199 Workers	NSD	13%*	20%*	7%*	14%*
200–999 Workers	NSD	14*	63	56*	39*
1,000–4,999 Workers	NSD	45	84*	50	85*
5,000 or More Workers	NSD	60*	97*	91*	98*
ALL FIRMS	38%	37%	70%	29%	54%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

NSD: Not Sufficient Data.

EXHIBIT 10.5

Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	5%	4%	14%	10%	5%	4%	10%	3%	1%	10%	6%	9%	5%	13%
200–999 Workers	14	13	23	16	21	18	17	29	19	22	26	23	16	14
1,000–4,999 Workers	22	27	32	31	37	49	50	54	44	48	50	59	54	45
5,000 or More Workers	19	35*	40	38	44	40	44	47	58	66	61	65	67	60
ALL HMO PLANS	16%	23%*	31%*	27%	29%	29%	32%	33%	34%	40%	40%	41%	41%	37%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 10.6

Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	19%	23%	23%	15%	13%	13%	18%	19%	17%	15%	21%	18%	19%	20%
200–999 Workers	69	72	66	63	60	63	67	61	65	55	55	69*	65	63
1,000–4,999 Workers	84	89	87	83	85	88	88	85	87	85	87	85	84	84
5,000 or More Workers	87	88	87	93	93	93	95	97	90*	94	93	96	98	97
ALL PPO PLANS	60%	63%	61%	61%	61%	64%	65%	63%	65%	64%	67%	67%	70%	70%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 10.7

Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	10%	10%	10%	10%	8%	9%	9%	6%	14%	9%	5%	9%	6%	7%
200–999 Workers	35	39	40	21*	42*	42	31	36	33	20	39	53	39	56
1,000–4,999 Workers	62	71	60	67	73	63	48	62	47	52	53	60	40	50
5,000 or More Workers	75	77	76	67	71	77	74	80	89	65	76	85	NSD	91
ALL POS PLANS	42%	45%	42%	40%	44%	46%	36%	32%	34%	29%	25%	32%	26%	29%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

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

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

EXHIBIT 10.8

Percentage of Covered Workers in Partially or Completely Self-Funded HDHP/SOs, by Firm Size, 2006–2012

	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	7%	4%	7%	18%	24%	11%	14%
200–999 Workers	57	27	48	36	53	45	39
1,000–4,999 Workers	81	86	72	81	88	89	85
5,000 or More Workers	100	97	91	96	99	98	98
ALL HDHP/SOs	50%	41%	35%	48%*	61%*	54%	54%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

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

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

EXHIBIT 10.9

Percentage of Covered Workers Enrolled in a Partially or Completely Self-Funded Plan Covered by Stoploss Insurance, by Firm Size, Region, and Industry, 2012

	Percentage of Covered Workers in a Self-Funded Plan Covered by Stoploss Insurance
FIRM SIZE	
50–199 Workers	79%*
200–999 Workers	94*
1,000–4,999 Workers	89*
5,000 or More Workers	39*
All Small Firms (3–199 Workers)	71%
All Large Firms (200 or More Workers)	58%
REGION	
Northeast	57%
Midwest	62
South	59
West	56
INDUSTRY	
Agriculture/Mining/Construction	63%
Manufacturing	58
Transportation/Communications/Utilities	58
Wholesale	42
Retail	29*
Finance	75*
Service	70*
State/Local Government	40*
Health Care	64
ALL SELF-FUNDED FIRMS	59%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

EXHIBIT 10.10

Prevalence and Average Attachment Points of Stoploss Insurance, by Firm Size and Region, 2012

	Percentage of Covered Workers in Partially or Completely Self-Funded Plans	Percentage of Covered Workers Enrolled in a Self-Funded Plan that Purchased Stoploss Insurance	Percentage of Covered Workers Enrolled in a Self-Funded Plan that Purchases Stoploss Insurance which Includes a Limit on Per Employee Spending [‡]	Average Per Employee Claims Cost at which Stoploss Insurance Pays Benefit [‡]
FIRM SIZE				
50–199 Workers	30%*	79%*	88%	\$130,216
200–999 Workers	52*	94*	91	126,524*
1,000–4,999 Workers	78*	89*	91	231,483
5,000 or More Workers	93*	39*	85	337,801*
All Large Firms (200 or More Workers)	81%*	58%	89%	\$227,699
REGION				
Northeast	61%	57%	79%	\$210,119
Midwest	61	62	89	237,884
South	64*	59	95*	223,120
West	48*	56	84	205,782
ALL FIRMS	60%	59%	89%	\$223,233

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Estimate is statistically different from estimate for all other firms not in the indicated size or region category ($p < .05$).[‡] This includes stoploss insurance plans that limit a firm's per employee spending as well as plans that limit both a firm's overall spending and per employee spending.

Note: For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10. Attachment points refer to the amount at which stoploss coverage begins to pay for most or all of a claim. The average attachment point in small firms (3 to 199 workers) is about \$140,000, which is almost twice the amount reported last year for small firms. This value has a very high relative standard error (40%) because there are very few small employers that self-fund represented in the survey and one firm reported a very high value (\$2,000,000). Including this firm increases the average by almost 100%.

EXHIBIT 10.11

Percentage of Covered Workers Enrolled in Partially or Completely Self-Insured Plans which Purchase Different Types of Stoploss Insurance, by Firm Size, 2012

	Stoploss Insurance Limits Per Employee Spending	Stoploss Insurance Limits Total Spending	Stoploss Insurance Limits both Per Employee and Total Spending	Other
50–199 Workers	63%	<1%	25%	11%
200–999 Workers	63	4	28	5
1,000–4,999 Workers	70	6	22	3
5,000 or More Workers	74	10	11	5
All Small Firms (3–199 Workers)	65%	<1%	24%	11%
All Large Firms (200 or More Workers)	70%	7%	18%	4%
ALL FIRMS	70%	6%	19%	5%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Retiree Health
Benefits

SECTION

11

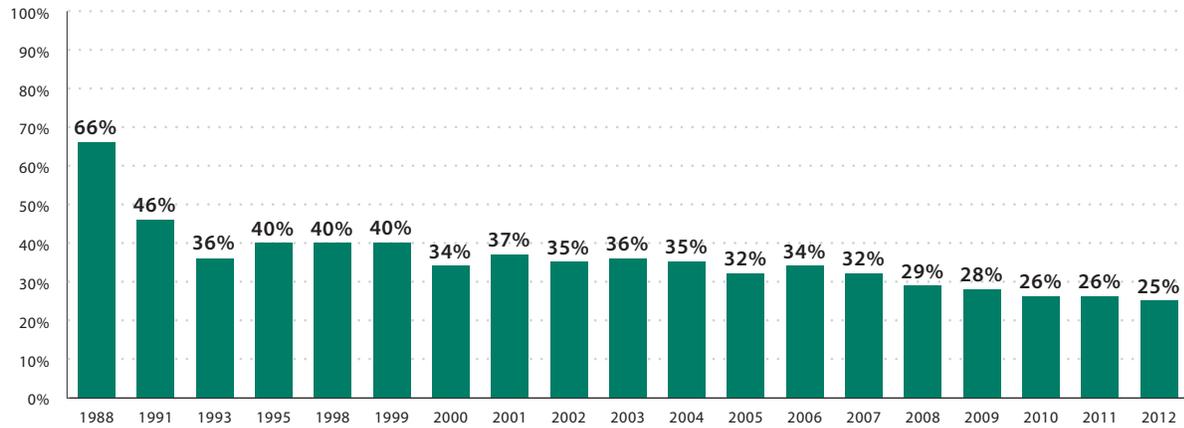
RETIREE HEALTH BENEFITS

RETIREE HEALTH BENEFITS ARE AN IMPORTANT CONSIDERATION FOR OLDER WORKERS MAKING DECISIONS ABOUT THEIR RETIREMENT. HEALTH BENEFITS FOR RETIREES PROVIDE AN IMPORTANT SUPPLEMENT TO MEDICARE FOR RETIREES AGE 65 OR OLDER. AMONG FIRMS OFFERING HEALTH BENEFITS TO THEIR WORKERS, LARGE FIRMS (200 OR MORE WORKERS) ARE MUCH MORE LIKELY THAN SMALL FIRMS (3–199 WORKERS) TO OFFER RETIREE HEALTH BENEFITS.

- ▶ Twenty-five percent of large firms (200 or more workers) that offer health benefits to their employees offer retiree coverage in 2012, similar to 26% in 2011. There has been a downward trend in the percentage of firms offering retirees coverage, from 32% in 2005 and 66% in 1988 (Exhibit 11.1).
- ▶ The offering of retiree health benefits varies considerably by firm characteristics.
 - Large firms are much more likely to offer retiree health benefits than small firms – 25% vs. 4% (Exhibit 11.2).
 - Among large firms that offer health benefits, state and local governments are more likely (77%) than large firms in other industries to offer retiree health benefits. In contrast, large firms in the retail industry are less likely (9%) to offer retiree health benefits when compared to large firms in other industries (Exhibit 11.2).
 - Large firms with fewer lower-wage workers (less than 35% of workers earn \$24,000 or less annually) are more likely to offer retiree health benefits than large firms with many lower-wage workers (35% or more of workers earn \$24,000 or less annually) (27% vs. 11%) (Exhibit 11.3). A comparable pattern exists in firms with a larger proportion of higher-wage workers (35% or more earn \$55,000 or more annually).
 - Large firms with union workers are more likely to offer retiree health benefits than large firms without union workers – 40% vs. 20% (Exhibit 11.3).
- ▶ Among firms offering retiree health benefits, most large firms offer them to early retirees under the age of 65 (88%). A lower percentage (74%) of large firms offering retiree health benefits offer them to Medicare-age retirees (Exhibit 11.4).

EXHIBIT 11.1

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers,
Percentage of Firms Offering Retiree Health Benefits, 1988–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

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

EXHIBIT 11.2

Among Firms Offering Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, by Firm Size, Region, and Industry, 2012

	All Small Firms (3–199 Workers)	All Large Firms (200 or More Workers)
FIRM SIZE		
3–199 Workers	4%	–
200–999 Workers	–	22%*
1,000–4,999 Workers	–	34*
5,000 or More Workers	–	50*
REGION		
Northeast	7%	27%
Midwest	7	29
South	4	24
West	1*	18
INDUSTRY		
Agriculture/Mining/Construction	1%*	19%
Manufacturing	2*	24
Transportation/Communications/Utilities	NSD	40
Wholesale	6	25
Retail	1*	9*
Finance	13	40*
Service	5	19*
State/Local Government	NSD	77*
Health Care	2	18*
ALL FIRMS	4%	25%

SOURCE:

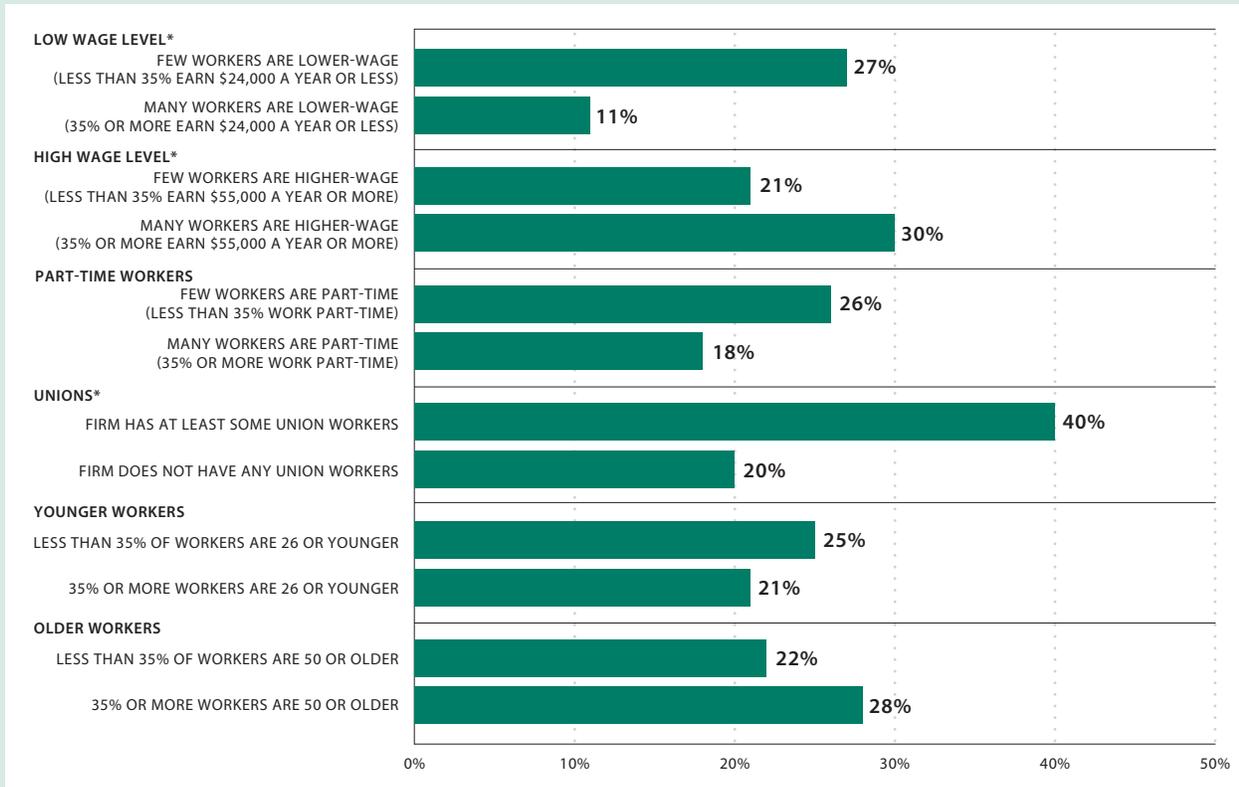
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

NSD: Not Sufficient Data.

EXHIBIT 11.3

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, by Firm Characteristics, 2012



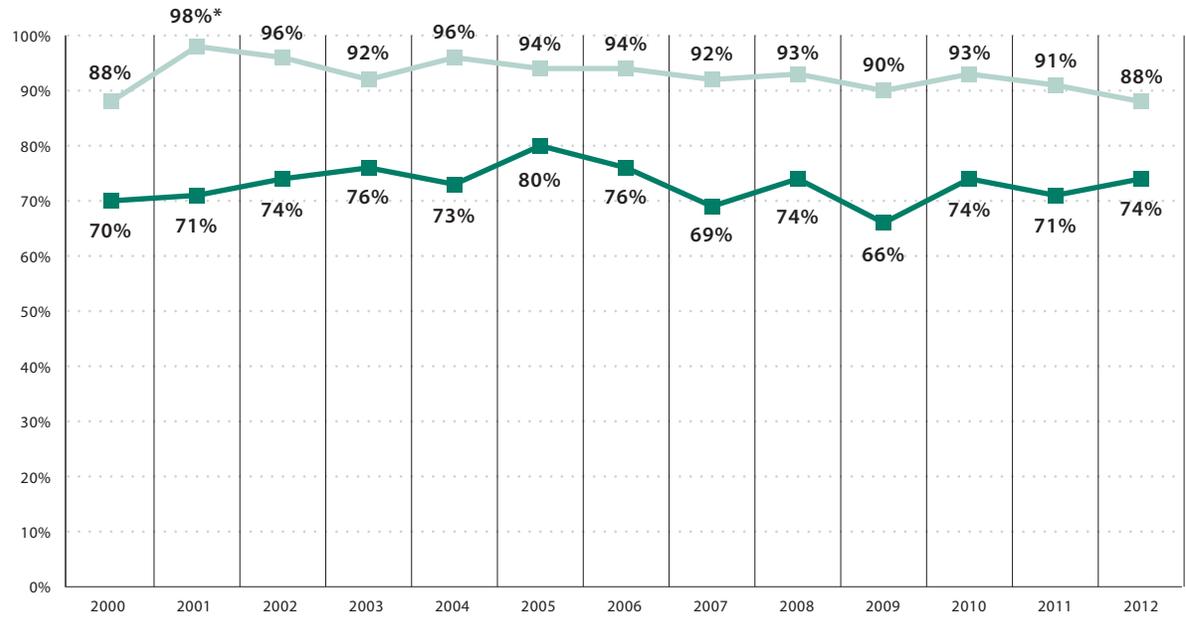
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 11.4

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage of Firms Offering Health Benefits to Early and Medicare-Age Retirees, 2000–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

Note: Early Retirees are workers retiring before age 65.

— OFFER HEALTH BENEFITS TO EARLY RETIREES
 — OFFER HEALTH BENEFITS TO MEDICARE-AGE RETIREES

EXHIBIT 11.5

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage of Firms Offering Retiree Health Benefits to Early and Medicare-Age Retirees, by Firm Size, Region, and Industry, 2012

	Percentage of Large Employers Offering Retiree Health Benefits to Early Retirees	Percentage of Large Employers Offering Retiree Health Benefits to Medicare-Age Retirees
FIRM SIZE		
200-999 Workers	85%*	72%
1,000-4,999 Workers	97*	77
5,000 or More Workers	95	78
REGION		
Northeast	86%	81%
Midwest	94	68
South	91	73
West	75	74
INDUSTRY		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	96%*	66%
Transportation/Communications/Utilities	100*	81
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	81	66
Service	81	80
State/Local Government	95	79
Health Care	98*	53*
ALL LARGE FIRMS (200 or More Workers)	88%	74%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: Early Retirees are workers retiring before age 65.

NSD: Not Sufficient Data.

EXHIBIT 11.6

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage of Firms Whose Retiree Health Benefits Cover Exclusively Prescription Drugs, by Firm Size, Region, and Industry, 2012

	Percentage of Large Employers Offering Retiree Health Benefits That Exclusively Cover Prescription Drugs
FIRM SIZE	
200–999 Workers	4%
1,000–4,999 Workers	9
5,000 or More Workers	3
REGION	
Northeast	8%
Midwest	3
South	4
West	5
INDUSTRY	
Agriculture/Mining/Construction	NSD
Manufacturing	4%
Transportation/Communications/Utilities	2
Wholesale	NSD
Retail	NSD
Finance	6
Service	5
State/Local Government	8
Health Care	0*
ALL LARGE FIRMS (200 or More Workers)	5%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

NSD: Not Sufficient Data.

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Wellness
Programs and
Health Risk
Assessments

SECTION

12

WELLNESS PROGRAMS AND HEALTH RISK ASSESSMENTS

A MAJORITY OF FIRMS OFFERING HEALTH BENEFITS OFFERS SOME TYPE OF WELLNESS PROGRAM, WITH LARGE FIRMS (200 OR MORE WORKERS) BEING MORE LIKELY THAN SMALLER FIRMS (3-199 WORKERS) TO OFFER A WELLNESS BENEFIT. FORTY-ONE PERCENT OF LARGE FIRMS AND 10% OF SMALL FIRMS OFFERING AT LEAST ONE WELLNESS BENEFIT OFFER FINANCIAL INCENTIVES TO EMPLOYEES WHO PARTICIPATE IN WELLNESS PROGRAMS. EIGHTEEN PERCENT OF FIRMS ASK EMPLOYEES TO COMPLETE HEALTH RISK ASSESSMENTS, WITH SOME OF THESE FIRMS TYING FINANCIAL PENALTIES OR REWARDS TO EMPLOYEES WHO COMPLETE WELLNESS PROGRAMS OR MEET BIOMETRIC OUTCOMES.

WELLNESS BENEFITS

- ▶ For a variety of reasons including efforts to improve health and lower costs, some employers and health plans offer wellness programs. Wellness programs may range from classes in nutrition or healthy living to a wellness newsletter.
 - Sixty-three percent of firms offering health benefits offer at least one of the following wellness programs:
 - weight loss programs
 - biometric screening
 - smoking cessation programs
 - lifestyle or behavioral coaching
 - gym membership discounts or on-site exercise facilities
 - classes in nutrition or healthy living
 - web-based resources for healthy living
 - a wellness newsletter.¹
 - Large firms (200 or more workers) are more likely to offer at least one of the listed wellness programs than smaller firms (94% vs. 63%). The offer rate for each type of wellness benefit included in the survey is presented in Exhibit 12.1, Exhibit 12.2 and Exhibit 12.3.
- Sixty percent of firms offering health benefits and wellness benefits offer the wellness benefits to spouses or dependents (Exhibit 12.4).
- ▶ In order to encourage participation in wellness programs, firms may offer financial incentives to employees who participate.²
 - Eight percent of firms offering health benefits and at least one of the listed wellness programs offer gift cards, travel, merchandise, or cash to workers who participate in wellness programs. Large firms (200 or more workers) are more likely to offer these incentives than small firms (3–199 workers) (30% vs. 7%) (Exhibit 12.5).
 - Few firms offering health benefits and at least one of the listed wellness programs lower worker premium contributions (3%) or cost sharing (1%) as an incentive to encourage employees to participate. Among firms that offer a high-deductible plan paired with a HRA or HSA, 1% of firms offer workers who participate in wellness programs higher HSA or HRA contributions than employees who do not participate (Exhibit 12.5).

NOTES:

¹ Respondents were given the option to report “other” types of wellness programs. If those firms that responded “other” are included, the percentage offering at least one wellness benefit is 64%. Two percent of firms indicating “other” said that they had an employee assistance program (EAP) and 5% said that they offered flu shots. In 2012, biometric screening was added to the list of wellness programs.

² Firms that offer only web-based resources or a wellness newsletter were not asked questions about any financial incentives provided.

- Ten percent of small firms and 41% of large firms offering one or more of the listed wellness programs offer employees a specific incentive for enrolling in wellness programs³ (Exhibit 12.5).

ENCOURAGING PARTICIPATION IN WELLNESS PROGRAMS

- ▶ Firms use methods such as health fairs or health claims that identify health risks to identify individuals and encourage participation in wellness programs.
 - Twenty-four percent of firms offering health benefits and at least one of the listed wellness programs report using health fairs to identify individuals and encourage participation in wellness programs; this is a significant increase over the 9% of firms reporting using health fairs in 2011. Large firms (200 or more workers) are more likely than small firms (3–199 workers) to use health fairs to encourage wellness participation (44% vs. 23%) (Exhibit 12.6).
 - Eleven percent of firms offering health benefits and at least one of the listed wellness programs use claims to identify individuals with health risks and encourage wellness participation. Large firms (200 or more workers) are more likely than small firms (3–199 workers) to use claims to identify individuals and encourage wellness participation (35% vs. 10%) (Exhibit 12.6).
 - Forty-six percent of firms offering health benefits and at least one of the listed wellness programs use health risk assessments to identify individuals and encourage wellness participation (Exhibit 12.6).

REASONS FOR OFFERING WELLNESS PROGRAMS

- ▶ Firms offering health benefits and at least one of the listed wellness programs were asked to identify their primary reason for offering a wellness program. Thirty-seven percent cite as their primary reason that the wellness program was part of their health plan, while an almost equal percentage (35%) say their primary reason is to improve the health of employees and reduce absenteeism. Fewer firms identify improving morale and productivity (9%) or reducing health costs (9%) as their primary reason (Exhibit 12.7).
 - Large firms (200 or more workers) are more likely than smaller firms to report that reducing health care costs (34% vs. 8%) is a primary reason for offering wellness programs, while small firms (3 to 199) workers are more likely than larger firms to say that their primary reason for offering a wellness program was because it was part of the health plan (38% vs. 14%) (Exhibit 12.7).⁴
- ▶ Among firms offering an HDHP/SO and at least one of the listed wellness benefits, 17% report that their decision to offer a wellness program was related to their decision to offer a high-deductible health plan (Exhibit 12.9).⁵
- ▶ Among firms offering health benefits and at least one of the listed wellness programs, 73% think offering wellness programs is effective in improving the health of the firm's employees. Fifty-two percent of firms offering health coverage and at least one of the listed wellness programs think offering wellness programs is effective in reducing their firm's health care costs. Large firms are more likely than small firms to think offering wellness programs is effective in reducing health care costs (68% vs. 51%) (Exhibit 12.8).⁶

NOTE:

³ Financial incentives include: workers pay smaller percentage of the premium, workers have smaller deductibles, receive higher HRA or HSA contributions, or receive gift cards, travel merchandise, or cash.

⁴ Eight percent of firms reported "don't know" when asked their primary reason for offering wellness programs.

⁵ In 2012, the percentage of firms was limited to firms who offer a high deductible plan with a savings option.

⁶ Twelve percent of firms responded "Don't Know" to whether they think offering wellness programs is effective in improving the health of employees. Thirteen percent said "Don't Know" to whether they think wellness programs are effective in reducing health care costs.

- ▶ Among firms offering health benefits and at least one wellness program, 79% report that most of the wellness benefits they offer are provided by the health plan (Exhibit 12.4).⁷ Small firms (3 to 199 workers) are more likely than larger firms to report that most wellness programs are provided by the health plan (80% vs. 60%) (Exhibit 12.4).
- ▶ This year, firms that ask employees to complete a health risk assessment were also asked if their employees are rewarded or penalized financially for completing a wellness or health management program or meeting biometric outcomes.
 - Eleven percent of large firms (200 or more workers) report that there are instances where an employee with an identified health risk factor is required to complete a wellness or health management program or activity in order to avoid a financial penalty such as a higher premium contribution or higher patient cost sharing.⁹
 - Nine percent of large firms (200 or more workers) who ask their employees to complete a health risk assessment report that employees are rewarded or penalized financially based on whether they meet specified biometric outcomes (not including smoking cessation), such as meeting a target body mass index (or BMI) or cholesterol level.¹⁰

HEALTH RISK ASSESSMENTS

- ▶ Some firms give their employees the option of completing a health risk assessment to identify potential health risks. Health risk assessments generally include questions about medical history, health status, and lifestyle.
 - Overall, 18% of firms offering health benefits ask their employees to complete a health risk assessment. Large firms (200 or more workers) are more likely than smaller firms to offer employees this option (38% vs. 18%) (Exhibit 12.10).
- ▶ Some firms offer financial incentives to encourage employees to complete health risk assessments.
 - Of those large firms (200 or more workers) offering health benefits and health risk assessments, 63% offer a financial incentive to employees who complete a health risk assessment.⁸

NOTE:

⁷ The survey asks firms offering at least one wellness program if most of the wellness benefits are provided by the health plan or by the firm.

⁸ The estimate for small firms is not reported in the text because of the high standard error associated with this estimate. Although 19 percent of small firms that ask their employees to complete a health risk assessment reported that they offer a financial incentive, the relative standard error is 0.36, which indicates considerable uncertainty. The difference between large and small firms is statistically significant at the 0.05 confidence level.

⁹ The percentages of small and large firms offering financial rewards or penalties for completing wellness programs are not significantly different. The small firm estimates are not reported because of the high relative standard errors for the percent for firms which levy financial penalties for not completing wellness programs (0.56).

¹⁰ The percentages of small and large firms offering financial rewards or penalties for not meeting biometric outcomes are not significantly different. The small firm estimates are not reported because of the high relative standard errors for the percent for firms which levy financial penalties for not meeting biometric outcomes (0.68). Smoking cessation is not included as a biometric outcome within this question.

EXHIBIT 12.1

Among Firms Offering Health Benefits, Percentage Offering a Particular Wellness Program to Their Employees, by Firm Size, Region, and Industry, 2012

	Gym Membership Discounts or On-Site Exercise Facilities	Smoking Cessation Program	Web-based Resources for Healthy Living	Wellness Newsletter	Lifestyle or Behavioral Coaching
FIRM SIZE					
3–24 Workers	22%*	23%*	41%*	42%	16%*
25–199 Workers	48*	48*	58*	53	37*
200–999 Workers	61*	68*	75*	62*	54*
1,000–4,999 Workers	78*	76*	85*	62*	65*
5,000 or More Workers	85*	84*	90*	65*	73*
All Small Firms (3–199 Workers)	28%*	28%*	45%*	45%*	21%*
All Large Firms (200 or More Workers)	65%*	70%*	77%*	62%*	56%*
REGION					
Northeast	48%*	33%	46%	49%	23%
Midwest	30	45*	49	53	20
South	27	16*	41	39	19
West	16*	30	47	43	26
INDUSTRY					
Agriculture/Mining/Construction	26%	10%*	35%	48%	14%
Manufacturing	21	51	55	52	20
Transportation/Communications/Utilities	72*	61*	54	77*	66*
Wholesale	23	25	37	55	14
Retail	6*	17	19*	26	15
Finance	70*	77*	66	76*	50*
Service	31	33	48	42	24
State/Local Government	16	14*	62	64	5*
Health Care	25	11*	49	36	13
ALL FIRMS	29%	30%	45%	45%	22%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The offer rates for additional types of wellness programs are presented in Exhibit 12.2.

EXHIBIT 12.2

Among Firms Offering Health Benefits, Percentage Offering a Particular Wellness Program to Their Employees, by Firm Size, Region, and Industry, 2012

	Biometric Screening [^]	Weight Loss Programs	Classes in Nutrition/Healthy Living	Offer at Least One Specified Wellness Program [‡]	Other Wellness Program
FIRM SIZE					
3–24 Workers	10%*	21%*	19%*	58%*	10%
25–199 Workers	23*	42*	35*	79*	9
200–999 Workers	45*	62*	52*	93*	24*
1,000–4,999 Workers	60*	78*	61*	96*	25*
5,000 or More Workers	61*	78*	68*	99*	38*
All Small Firms (3–199 Workers)	13%*	26%*	23%*	63%*	10%*
All Large Firms (200 or More Workers)	48%*	65%*	54%*	94%*	25%*
REGION					
Northeast	17%	36%	28%	72%	12%
Midwest	12	33	20	69	18
South	8*	17*	22	56	10
West	23	28	27	62	2*
INDUSTRY					
Agriculture/Mining/Construction	16%	15%	6%*	67%	16%
Manufacturing	10	23	17	64	24
Transportation/Communications/Utilities	33	57*	53*	94*	4
Wholesale	17	24	22	58	1*
Retail	10	8*	8*	37*	<1*
Finance	31	53	51*	89*	37
Service	15	35*	34*	65	10
State/Local Government	7	49	7*	71	24
Health Care	5*	9*	7*	60	2*
ALL FIRMS	14%	27%	24%	63%	10%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

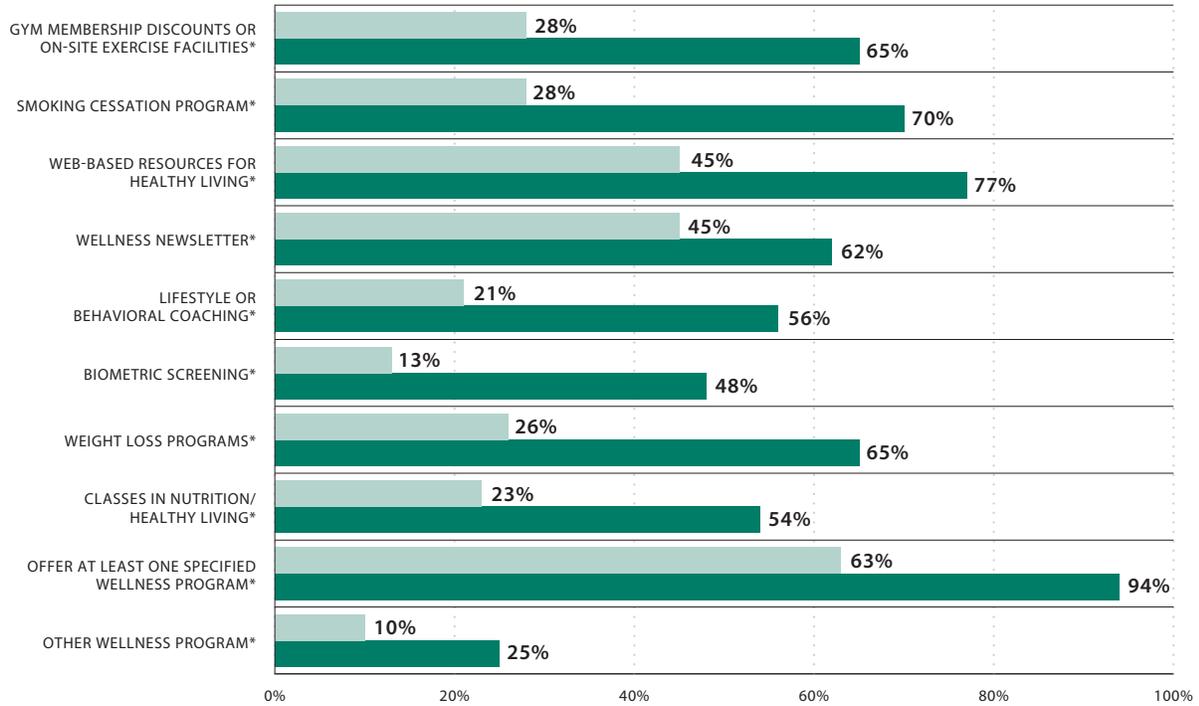
[^] Biometric screening is a health examination that measures an employee's risk factors such as cholesterol, blood pressure, stress, and nutrition.

[‡] Includes the following wellness programs: weight loss programs, biometric screenings, gym membership discounts or on-site exercise facilities, smoking cessation program, lifestyle or behavioral coaching, classes in nutrition or healthy living, web-based resources for healthy living, flu shot, employee assistance program (EAP), or a wellness newsletter. Respondents were given the option to reply that they offer another type of wellness benefit. Two percent of these firms said they had an EAP and 5% said that they offered flu shots. If those that responded "other" are included in the percentage of firms offering at least one wellness benefit, the percentage is 64%.

Note: The offer rates for additional types of wellness programs are presented in Exhibit 12.1.

EXHIBIT 12.3

Among Firms Offering Health Benefits, Percentage Offering a Particular Wellness Program to Their Employees, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

Note: Biometric screening is a health examination that measures an employee's risk factors such as cholesterol, blood pressure, stress, and nutrition. Two percent of firms indicating "other" said that they had an employee assistance program (EAP) and 5% said that they offered flu shots.

EXHIBIT 12.4

Among Firms Offering Health and Wellness Benefits, Percentage of Firms with the Following Features of Wellness Benefits, by Firm Size and Region, 2012

	Wellness Benefits Offered to Spouses or Dependents	Most Wellness Benefits Are Provided By the Health Plan
FIRM SIZE		
3–24 Workers	55%*	80%
25–199 Workers	72*	80
200–999 Workers	62	62*
1,000–4,999 Workers	70	55*
5,000 or More Workers	73*	50*
All Small Firms (3–199 Workers)	60%	80%*
All Large Firms (200 or More Workers)	64%	60%*
REGION		
Northeast	62%	70%
Midwest	67	80
South	60	83
West	52	80
ALL FIRMS	60%	79%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The survey asks firms offering at least one wellness program if most of the wellness benefits are provided by the health plan or by the firm.

EXHIBIT 12.5

Among Firms Offering Health and Wellness Benefits, Percentage of Firms That Offer Specific Incentives to Employees Who Participate in Wellness Programs, by Firm Size and Region, 2012

	Workers Pay Smaller Percentage of the Premium	Workers Have Smaller Deductible	Receive Higher HRA or HSA Contributions [†]	Receive Gift Cards, Travel, Merchandise, or Cash	Any Financial Incentive to Participate in Wellness Program ~
FIRM SIZE					
3–24 Workers	<1%*	<1%	0%*	5%*	6%*
25–199 Workers	6*	1	2	13	18*
200–999 Workers	13*	3*	5*	29*	38*
1,000–4,999 Workers	17*	3*	17*	36*	51*
5,000 or More Workers	24*	3*	12*	40*	58*
All Small Firms (3–199 Workers)	2%*	<1%*	<1%*	7%*	10%*
All Large Firms (200 or More Workers)	14%*	3%*	7%*	30%*	41%*
REGION					
Northeast	2%	<1%	<1%	16%	18%
Midwest	5	1	1	12	15
South	1	1	<1	5	7
West	3	<1	3	3*	6
ALL FIRMS	3%	1%	1%	8%	11%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

~ Any financial incentive indicates firms that offer employees who participate in wellness programs one of the following incentives: smaller premium contributions, smaller deductibles, higher HRA or HSA contributions, or gift cards, travel, merchandise, or cash.

† Only firms that offer an HDHP/HRA or HSA-qualified HDHP were asked if participating employees receive higher HRA/HSA contributions as an incentive to participate in wellness programs.

EXHIBIT 12.6

Among Firms Offering Health Benefits and Wellness Programs, Percentage That Use Specific Methods to Identify Individuals and Encourage Participation in Wellness Programs, by Firm Size and Region, 2012

	Health Fairs	Use of Claims to Identify Health Risks	Health Risk Assessments [‡]
FIRM SIZE			
3–24 Workers	25%	10%	NSD
25–199 Workers	19	12	34%
200–999 Workers	39*	30*	65
1,000–4,999 Workers	62*	56*	81*
5,000 or More Workers	61*	58*	82*
All Small Firms (3–199 Workers)	23%*	10%*	43%
All Large Firms (200 or More Workers)	44%*	35%*	70%
REGION			
Northeast	25%	10%	17%*
Midwest	23	11	25
South	26	8	65
West	22	18	72
ALL FIRMS	24%	11%	46%

SOURCE:

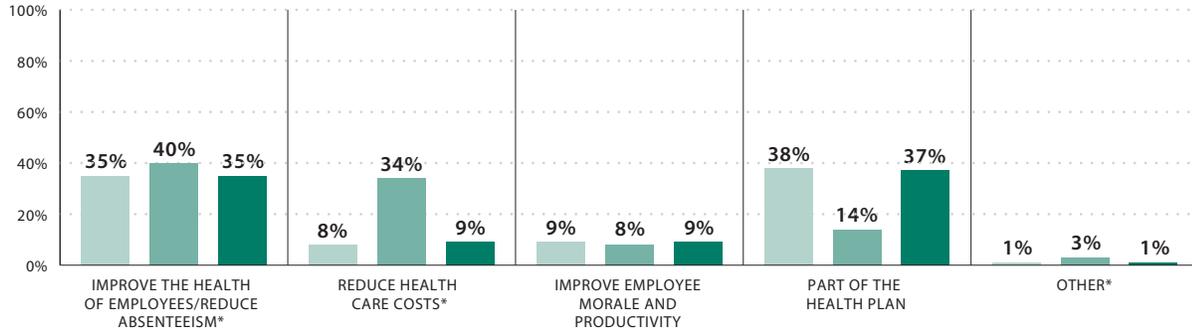
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

‡ A firm's use of health risk assessments to encourage participation in wellness is asked only of firms who ask employees to complete a health risk assessment. A health risk assessment includes questions about medical history, health status, and lifestyle, and is designed to identify the health risks of the person being assessed.

EXHIBIT 12.7

Among Firms Offering Health Benefits and Wellness Programs, Percentage of Firms Reporting the Following as the Firm's Primary Reason for Offering Wellness Programs, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

Note: 8% percent of firms reported "Don't Know" to the question about their primary reason for offering wellness.

EXHIBIT 12.8

Among Firms Offering Health Benefits and Wellness Programs, Percentage of Firms That Think Offering Wellness Programs is Effective at Improving Health or Reducing Costs, by Firm Size, 2012

	Effective in Improving the Health of Employees	Effective in Reducing the Firm's Health Care Costs
FIRM SIZE		
3-24 Workers	73%	54%
25-199 Workers	73	45
200-999 Workers	78	66*
1,000-4,999 Workers	84*	74*
5,000 or More Workers	83*	76*
All Small Firms (3-199 Workers)	73%	51%*
All Large Firms (200 or More Workers)	79%	68%*
ALL FIRMS	73%	52%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: Twelve percent of firms responded "Don't Know" to whether they think offering wellness programs is effective in improving the health of employees. Thirteen percent said "Don't Know" to whether they think wellness programs are effective in reducing the firm's health care costs.

EXHIBIT 12.9

Among Firms Offering Wellness Programs and a HDHP/SO, Percentage of Firms That Said the Decision to Offer Wellness Programs was Related to the Decision to Offer a High Deductible Health Plan, by Firm Size, 2012

	Decision to Offer Wellness Programs was Related to Decision to Offer a HDHP/SO
FIRM SIZE	
3–24 Workers	17%
25–199 Workers	16
200–999 Workers	16
1,000–4,999 Workers	17
5,000 or More Workers	12
All Small Firms (3–199 Workers)	17%
All Large Firms (200 or More Workers)	16%
ALL FIRMS	17%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: HDHP/SO: High deductible health plan with a savings option. Nine percent of firms indicated that they did not know whether their decision to offer wellness programs was related to their decision to offer a high deductible health plan.

EXHIBIT 12.10

Among Firms Offering Health Benefits, Percentage of Firms That Offer Employees Health Risk Assessments, by Firm Size, 2012

	Ask Employees to Complete a Health Risk Assessment
FIRM SIZE	
3–24 Workers	17%
25–199 Workers	22
200–999 Workers	35*
1,000–4,999 Workers	53*
5,000 or More Workers	58*
All Small Firms (3–199 Workers)	18%*
All Large Firms (200 or More Workers)	38%*
ALL FIRMS	18%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: A health risk assessment includes questions about medical history, health status, and lifestyle, and is designed to identify the health risks of the person being assessed. 63% of Large Firms which ask employees to complete a health risk assessment offer them an incentive to do so.

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Health Reform

SECTION

13

HEALTH REFORM

THE AFFORDABLE CARE ACT (ACA), ENACTED IN 2010, WILL MEANINGFULLY CHANGE THE AMERICAN HEALTH CARE SYSTEM, INCLUDING THE EMPLOYER-SPONSORED HEALTH INSURANCE MARKET. WHILE MANY OF THE MOST SIGNIFICANT PROVISIONS OF THE ACA TAKE EFFECT IN 2014, IMPORTANT PROVISIONS BECAME EFFECTIVE IN 2010 AND OTHERS WILL TAKE EFFECT OVER THE NEXT SEVERAL YEARS. THE 2012 SURVEY ASKED EMPLOYERS ABOUT SEVERAL PROVISIONS THAT ARE ALREADY IN EFFECT, INCLUDING QUESTIONS ABOUT GRANDFATHERED HEALTH PLANS, EXTENDING COVERAGE TO CHILDREN THROUGH THE AGE OF 25, AND COST SHARING FOR PREVENTIVE CARE.

GRANDFATHERING

The ACA provides new standards for employer-sponsored health plans. Many of these standards do not apply to “grandfathered” health plans, those that were created before the passage of the ACA (March 23, 2010) and which have not substantially changed since that time.

Interim final rules released by the Department of Health and Human Services on June 17, 2010, and amended on November 17, 2010, stipulate that firms cannot significantly change cost sharing, benefits, employer contributions, or access to coverage in grandfathered plans.¹ New employees can enroll in a grandfathered plan as long as the firm has maintained consecutive enrollment in the plan.

While grandfathered plans are exempted from most of the ACA’s new requirements, they must comply with the following provisions as they become effective: (1) provide a uniform explanation of coverage, (2) report medical loss ratios and provide premium rebates if medical loss ratios are not met, (3) prohibit lifetime and annual limits (phased out by 2014) on essential health benefits, (4) extend dependent coverage to age 26, (5) prohibit health plan rescissions, (6) prohibit waiting periods greater than 90 days, and (7) prohibit coverage exclusions for pre-existing health conditions.² Firms must decide whether to grandfather their insurance plans, which limits the changes they can

make to their plans, or whether to comply with the full set of new health reform requirements.

- ▶ Fifty-eight percent of firms offering health benefits report that they have at least one health plan that is a grandfathered plan in 2012 (Exhibit 13.1), lower than the 72% of offering firms with a grandfathered plan in 2011.
- ▶ Looking at worker enrollment, 48% of covered workers are enrolled in a grandfathered health plan in 2012, down from 56% in 2011 (Exhibit 13.3).
- ▶ Firms with plans that are not grandfathered were asked to respond to a list of potential reasons why each plan is not a grandfathered plan. Twenty-seven percent of covered workers are in plans that were not in effect when the ACA was enacted. Roughly similar percentages of workers are in plans where the deductibles or copayments (36%) or employee premium contributions (34%) changed more than was permitted for plans to maintain grandfathered status (Exhibit 13.4).
- ▶ The reasons plans are not grandfathered varied by firm size, with workers in small firms (3 to 199 workers) much more likely than workers in large firms to be in a new plan that was not in effect when the ACA was enacted (55% vs. 19%) (Exhibit 13.4).

NOTE:

¹ *Federal Register*. Vol. 75, No. 116, June 17, 2010, <http://www.gpo.gov/fdsys/pkg/FR-2010-06-17/pdf/2010-14614.pdf>, and No. 221, Nov. 17, 2010, <http://edocket.access.gpo.gov/2010/pdf/2010-28861.pdf>.

² United States. Congressional Research Service CRS. *Open CRS*. By Bernadette Fernandez. Grandfathered Health Plans Under the Patient Protection and Affordable Care Act (PPACA), Jan. 3, 2011. http://assets.opencrs.com/rpts/R41166_20110103.pdf.

EXTENDING COVERAGE TO ADULT CHILDREN TO AGE 26

Starting September 23, 2010, the ACA requires all health plans to extend coverage to the children of covered workers up to age 26, whether or not the child is financially dependent. Until 2014, grandfathered health plans are not required to extend coverage to a child of a covered worker if the child has access to employer-sponsored coverage either from a spouse or independently.³ The survey asked firms whether any adult children who would not have been eligible for the plan prior to the change in law had enrolled in health coverage under this provision.

- ▶ Thirty-one percent of firms that offer either family or single plus one coverage reported enrolling at least one adult child, who otherwise would not be eligible to enroll, due to the ACA (Exhibit 13.5).
 - Large firms (200 or more workers) are more likely to have enrolled an adult child due to the ACA than smaller firms (90% vs. 29%) (Exhibit 13.5).
- ▶ The numbers of children who enroll under this provision are closely related to the number of workers in the firm. Smaller firms (3–49 workers) on average enroll one to two adult children due to the provision, while the largest firms (5,000 or more workers) enroll an average of 478 adult children (Exhibit 13.6).

- ▶ In total, about 2.9 million adult children were enrolled in their parent's employer-sponsored health plan due to the Affordable Care Act. This is a significant increase from the number reported in 2011 (2.3 million)⁴.
- ▶ Of the total 2.9 million adult children currently enrolled on their parent's coverage because of the ACA, 1.1 million enrolled at small firms and 1.8 million at large firms.

COVERAGE FOR PREVENTIVE CARE

The ACA requires non-grandfathered health plans to provide coverage for certain preventive services without deductibles or other cost sharing. Grandfathered health plans are also permitted to conform their coverage and cost sharing for preventive care without compromising their grandfathered status. Firms were asked whether they changed the list of services considered to be preventive due to the provisions in the ACA.

- ▶ Forty-one percent of covered workers are in a plan that reports it has changed the list of services considered preventive due to the ACA (Exhibit 13.7).

NOTE:

³ *Federal Register*. Vol. 75, No. 92, May 13, 2010, <http://www.gpo.gov/fdsys/pkg/FR-2010-05-13/pdf/2010-11391.pdf>.

⁴ In 2011 firms that did not know if they enrolled adult children due to the Affordable Care Act (ACA) were not imputed. If a similar approach had been followed in 2012, an estimated 2.8 million children would have enrolled on a parent's health plan due to the Affordable Care Act. Using either approach the 2012 estimate is a significant increase over 2011. In 2012 5% of firms offering family coverage did not know whether they enrolled adult dependents due to the ACA, more than the 1% who did not know in 2011.

EXHIBIT 13.1

Percentage of Firms with At Least One Plan Grandfathered under the Affordable Care Act (ACA), by Size, Region and Industry, 2012

	Percentage of Firms with At Least One Grandfathered Plan
FIRM SIZE	
3–24 Workers	60%
25–49 Workers	45
50–199 Workers	57
200–999 Workers	60
1,000–4,999 Workers	48
5,000 or More Workers	49
All Small Firms (3–199 Workers)	58%
All Large Firms (200 or More Workers)	57%
REGION	
Northeast	41%
Midwest	62
South	64
West	57
INDUSTRY	
Agriculture/Mining/Construction	50
Manufacturing	58
Transportation/Communications/Utilities	78*
Wholesale	52
Retail	64
Finance	67
Service	53
State/Local Government	59
Health Care	68
ALL FIRMS	58%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 13.2

Percentage of Covered Workers Enrolled in Plans Grandfathered under the Affordable Care Act (ACA), by Size, Region, and Industry, 2012

	Percentage of Covered Workers in a Grandfathered Health Plan
FIRM SIZE	
3–24 Workers	57%
25–49 Workers	45*
50–199 Workers	55
200–999 Workers	60*
1,000–4,999 Workers	41
5,000 or More Workers	42
All Small Firms (3–199 Workers)	54%
All Large Firms (200 or More Workers)	46%
REGION	
Northeast	38%*
Midwest	41
South	55
West	53
INDUSTRY	
Agriculture/Mining/Construction	41%
Manufacturing	40
Transportation/Communications/Utilities	59
Wholesale	34
Retail	52
Finance	56
Service	50
State/Local Government	52
Health Care	45
ALL FIRMS	48%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 13.3

Percentage of Covered Workers Enrolled in Plans Grandfathered under the Affordable Care Act (ACA), by Firm Size, 2011 and 2012

	2011	2012
FIRM SIZE		
3–24 Workers	69%	57%
25–49 Workers	52	45
50–199 Workers	63	55
200–999 Workers	61	60
1,000–4,999 Workers	54	41*
5,000 or More Workers	49	42
All Small Firms (3–199 Workers)	63%	54%*
All Large Firms (200 or More Workers)	53%	46%
ALL FIRMS	56%	48%*

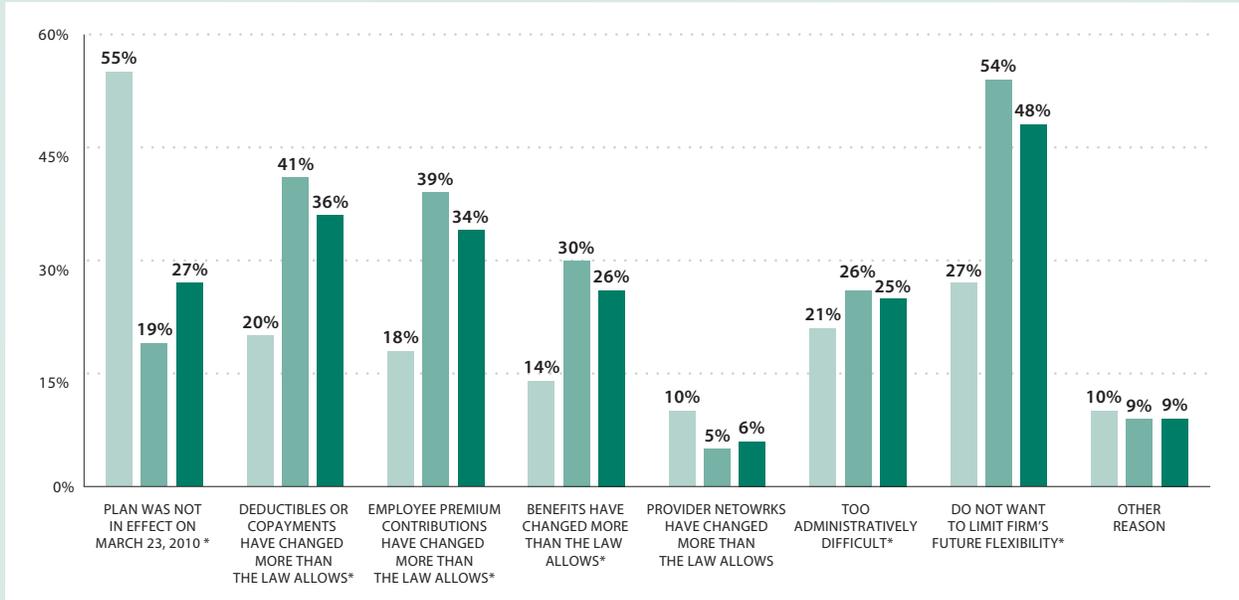
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011–2012.

* Estimate is statistically different between 2011 and 2012 in the indicated size category ($p < .05$).

EXHIBIT 13.4

Among Covered Workers in a Non-Grandfathered Health Plan, Reasons Why Plan is Not a Grandfathered Health Plan, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

Note: Firms were permitted to select multiple responses. In 2012 and 2011 firms that indicate "other" were allowed to explain why the plan was no longer eligible. In 2011, firms that indicated they changed carriers were recoded as having a new plan. However, federal regulations allow some firms to change carriers and preserve their grandfather status, and therefore these firms were not recoded as having new plans in 2012.

EXHIBIT 13.5

Percentage of Firms Offering Family Coverage That Enrolled Adult Dependents up to 26 Years of Age Because of the Affordable Care Act (ACA), by Size, Region, and Industry, 2012

	Percentage of Firms That Enrolled Adult Dependents Because of the ACA
FIRM SIZE	
3–24 Workers	18%*
25–199 Workers	57*
200–999 Workers	89*
1,000–4,999 Workers	95*
5,000 or More Workers	97*
All Small Firms (3–199 Workers)	29%*
All Large Firms (200 or More Workers)	90%*
REGION	
Northeast	41%
Midwest	44*
South	22
West	25
INDUSTRY	
Agriculture/Mining/Construction	16%*
Manufacturing	57
Transportation/Communications/Utilities	49
Wholesale	62*
Retail	9*
Finance	50
Service	26
State/Local Government	56
Health Care	27
ALL FIRMS	31%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The question asked firms if they enrolled adult dependents who would not have been eligible before the ACA provision took effect. In 2012, 5% of firms indicated that they did not know and their responses were imputed. Questions regarding adult dependents were asked of firms that offer either family coverage or single plus one coverage. The percentage of firms that enroll adult dependents because of the ACA is substantively the same among firms that offer only family coverage. In 2011, the survey did not ask firms whether they offered single plus one coverage.

EXHIBIT 13.6

Among Firms That Enrolled Adult Dependents Due to the Affordable Care Act (ACA), the Average Number of Adult Dependents Enrolled, by Firm Size, 2012

	Average Number of Adult Dependents Enrolled in Health Plans Because of the ACA
FIRM SIZE	
3-24 Workers	2
25-199 Workers	4
200-999 Workers	12
1,000-4,999 Workers	63
5,000 or More Workers	478
All Small Firms (3-199 Workers)	3
All Large Firms (200 or More Workers)	41
ALL FIRMS	7

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The 2012 survey asked firms that offer either family coverage or single plus one coverage how many adult children they enrolled due to the ACA. The average number of adult children enrolled due to the ACA is the same among firms that offer only family coverage in every size category except the All Large Firms category (200 or more workers), where the average is 42.

EXHIBIT 13.7

Among Covered Workers, Changes to Cost Sharing for and Type of Preventive Services Because of the Affordable Care Act (ACA), by Firm Size, 2012

	Percentage of Workers in a Plan Where Cost Sharing Changed for Preventive Services Because of the ACA [‡]	Percentage of Workers in a Plan Where the Services Considered Preventive Changed Because of the ACA
FIRM SIZE		
All Small Firms (3-199 Workers)	21%*	36%
All Large Firms (200 or More Workers)	38%*	43%
ALL FIRMS	33%	41%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] This question was asked only to covered workers in plans where cost sharing is not required prior to preventive services being covered (82%).

EMPLOYER HEALTH BENEFITS
2012 ANNUAL SURVEY

Employer
Opinions and
Health Plan
Practices

SECTION

14

EMPLOYER OPINIONS AND HEALTH PLAN PRACTICES

EMPLOYERS PLAY A SIGNIFICANT ROLE IN HEALTH INSURANCE COVERAGE – SO THEIR OPINIONS AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS. EMPLOYERS WERE ASKED HOW THEY VIEW DIFFERENT APPROACHES TO CONTAINING COST INCREASES, THE PREVALENCE OF FLEXIBLE SPENDING ACCOUNTS (FSA) AND SECTION 125 PLANS, AND WHETHER THEY SHOPPED FOR A NEW INSURANCE CARRIER RECENTLY.

EMPLOYER OPINIONS ON COST CONTAINMENT

Firms offering health benefits were asked to rate how effective several different strategies, such as tighter managed care restrictions, higher employee cost sharing, or disease management programs, would be in reducing the growth of health insurance costs. Relatively few firms rate any of the suggested strategies as “very effective” at controlling costs (between 15% and 25%, depending on the strategy). Roughly one third of firms (between 28% and 37%) report that each of the approaches we asked about would be “somewhat effective” at controlling cost growth (Exhibit 14.1).

SHOPPING FOR HEALTH COVERAGE

More than one-half (54%) of firms offering health benefits reported shopping for a new health plan or a new insurance carrier in the past year, suggesting that the market is quite dynamic (Exhibit 14.4). Among firms that shopped, 18% changed insurance carriers and 27% reported changing the type of health plan provided to employees. There were no significant differences between small firms (3 to 199 workers) and larger firms on any of these measures (Exhibit 14.5).

PRE-TAX PREMIUM CONTRIBUTIONS

Forty-one percent of small firms (3 to 199 workers) and 91% of larger firms have a plan under section 125 of the Internal Revenue Service Code (sometimes called a premium-only plan) to allow employees to use pre-tax dollars to pay for their share of health insurance premiums (Exhibit 14.2).

FLEXIBLE SPENDING ACCOUNTS

Seventeen percent of small firms (3 to 199 workers) and 76% of larger firms offer employees the option of contributing to a flexible spending account (or FSA). FSAs permit employees to make pre-tax contributions that may be used during the year to pay for eligible medical expenses (Exhibit 14.2).

WORKPLACE HEALTH CLINICS

Twenty-two percent of firms with 1,000 or more employees have an on-site health clinic at at least one of their major locations to treat employees for work-related or non-work-related conditions. Among firms with health clinics, about 3 in 4 (76%) provide treatment for non-work-related medical conditions (Exhibit 14.6).

EXHIBIT 14.1

Among Firms Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, by Firm Size, 2012

	Very Effective	Somewhat Effective	Not Too Effective	Not At All Effective	Don't Know
Tighter Managed Care Restrictions*					
All Small Firms (3–199 Workers)	16%	28%	23%	29%	4%
All Large Firms (200 or More Workers)	8	41	32	17	2
ALL FIRMS	15%	28%	24%	29%	4%
Consumer-Driven Health Plans (Ex: High-Deductible Plan Combined with a Health Savings Account)					
All Small Firms (3–199 Workers)	25%	37%	21%	10%	6%
All Large Firms (200 or More Workers)	29	40	18	11	2
ALL FIRMS	25%	37%	21%	10%	6%
Higher Employee Cost Sharing*					
All Small Firms (3–199 Workers)	17%	29%	25%	25%	4%
All Large Firms (200 or More Workers)	21	34	29	15	<1
ALL FIRMS	17%	29%	25%	25%	4%
Disease Management Programs					
All Small Firms (3–199 Workers)	24%	37%	23%	11%	5%
All Large Firms (200 or More Workers)	32	42	19	6	1
ALL FIRMS	24%	37%	23%	11%	5%

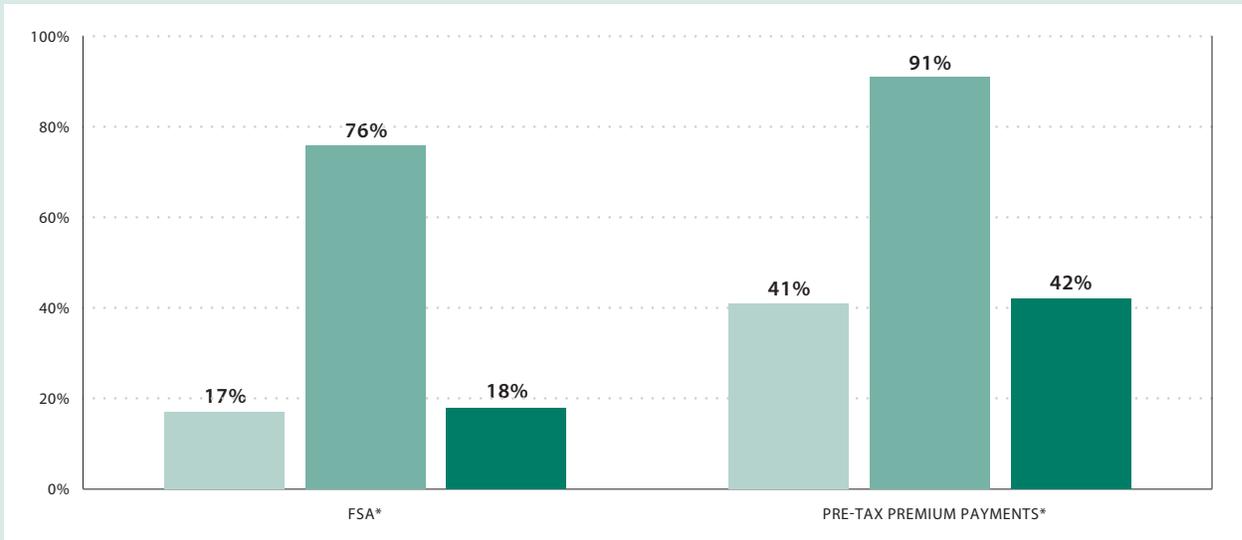
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 14.2

Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts and Pre-Tax Employee Premium Contributions, By Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

Note: Section 125 of the Internal Revenue Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in an FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in an FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs. Nineteen percent of firms responded "not applicable" when asked if they allow the establishment of a section 125 plan. For example, some firms may pay for 100 percent of the cost of coverage.

EXHIBIT 14.3

Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts and Pre-Tax Employee Premium Contributions, By Firm Size, 2007, 2010, and 2012

Offers Flexible Spending Accounts (FSAs)			
	2007	2010	2012
All Small Firms (3–199 Workers)	13%	12%	17%
All Large Firms (200 or More Workers)	70%	74%	76%
ALL FIRMS	13%	13%	18%
Pre-Tax Employee Premium Contributions			
	2007	2010	2012
All Small Firms (3–199 Workers)	38%	40%	41%
All Large Firms (200 or More Workers)	91%	90%	91%
ALL FIRMS	39%	41%	42%

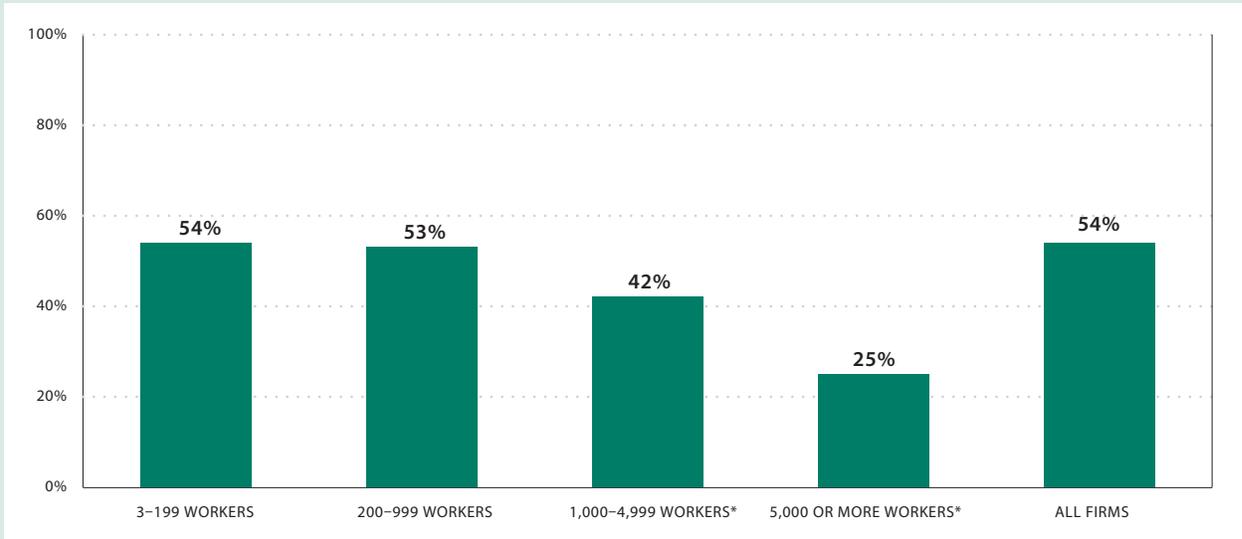
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007, 2010, and 2012.

Note: Tests found no statistical difference from previous year shown ($p < .05$). Section 125 of the Internal Revenue Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in an FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in an FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs. Nineteen percent of firms responded "not applicable" when asked if they allow the establishment of a section 125 plan. For example, some firms may pay for 100 percent of the cost of coverage.

EXHIBIT 14.4

Percentage of Firms Offering Health Benefits That Shopped For a New Plan or Health Insurance Carrier in the Past Year, by Firm Size, 2012



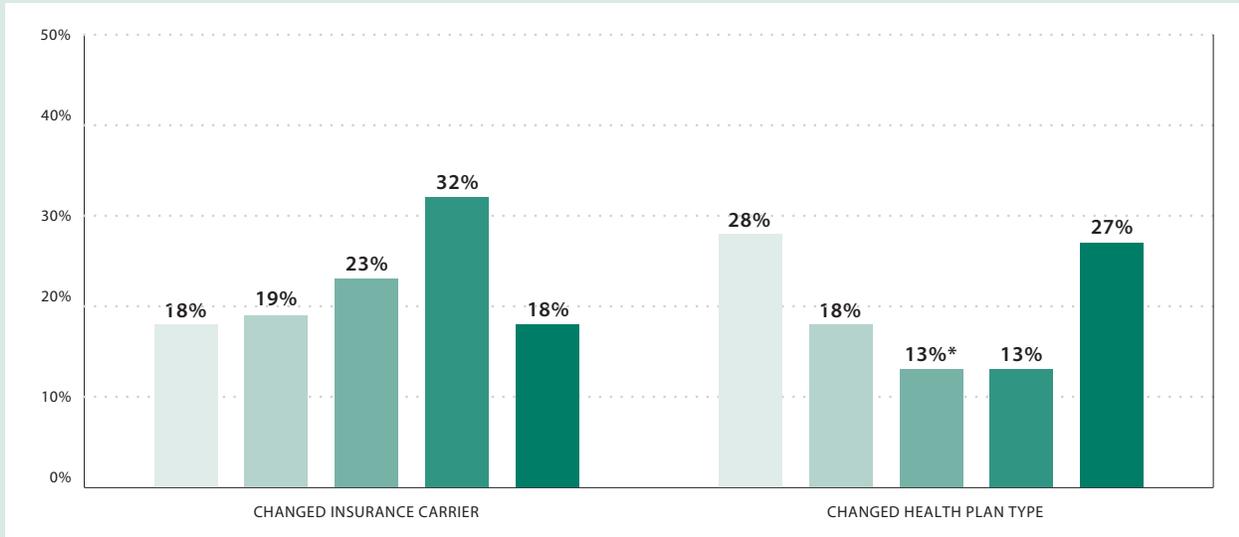
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

EXHIBIT 14.5

Among Firms Offering Health Benefits That Shopped for a New Plan or Insurance Carrier, Percentage Reporting That They Changed Insurance Carrier and Health Plan Type in the Past Year, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

Note: The survey considers a firm to have changed health plan types when the plan switches one of the following categories: Conventional, HMO, PPO, POS, HDHP/SO.



EXHIBIT 14.6

Among Offering Firms with 1,000 or More Employees, Percentage with On-Site Health Clinic, by Firm Size and Region, 2012

	Offers On-Site Health Clinic	At On-Site Clinic, Employees Can Receive Treatment for Non-Work-Related Illness [‡]
FIRM SIZE		
1,000–4,999 Workers	19%*	73%
5,000 or More Workers	33*	83
REGION		
Northeast	27%	69%
Midwest	24	72
South	23	84
West	10*	NSD
ALL LARGE FIRMS (1,000 or More Workers)	22%	76%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] Among firms that have an on-site health clinic at any of their locations.

NSD: Not Sufficient Data.



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