



CALIFORNIA
HEALTH CARE
FOUNDATION



California Employer Health Benefits Survey

November 2006

Introduction

Employer-sponsored health insurance is the leading source of coverage in the state, as well as in the country. As such, changes in the percentage of employers offering health benefits, what it costs them and their employees, and changes in benefit design and cost sharing all have major implications for the level and quality of health insurance coverage for millions of Californians.

This report presents the highlights of the 2006 *California Employer Health Benefits Survey* and shows how health insurance premiums and many other items of interest have changed over time. Some key findings from the study are:

- Health insurance premiums rose 8.7 percent in 2006, compared with an increase in the California inflation rate of just 4.2 percent. Twenty-five percent of workers in small firms experienced premium increases greater than 15 percent.
- The cost of family coverage in California reached \$11,860 annually on average in 2006, with workers responsible for \$2,824 and employers \$9,036. Workers in small firms paid significantly more in premium contributions for family coverage than did workers in large firms.
- In 2006, for the first time, HMO premiums for single coverage in California caught up with those in the rest of the country;

historically, California's HMO premiums were significantly below the national average.

- Since 2000, California workers have experienced significant increases in deductibles for single PPO coverage; 69 percent faced a deductible of less than \$500 in 2006, down from 85 percent in 2000. Similarly, the proportion of California workers in PPOs with an out-of-pocket maximum of less than \$1,500 has declined from 44 percent in 2000 to 21 percent in 2006.
- Sixteen percent of California employers offered a high-deductible health plan in 2006 and 6 percent offered a health savings account-eligible HDHP.
- Forty-one percent of large employers (200 or more workers) in California reported that they were very likely to increase the amount employees pay for health insurance premiums in 2007, with another 28 percent being somewhat likely to do so.

Changes in benefit design and increases in cost sharing borne by California employees could have implications for how all Californians, and lower income Californians in particular, use health care services.

Additional information on the project methodology is available on page 44.

Employer Health Benefits

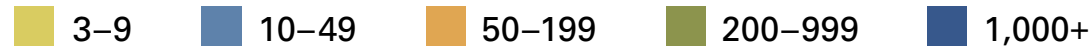
Introduction

CONTENTS

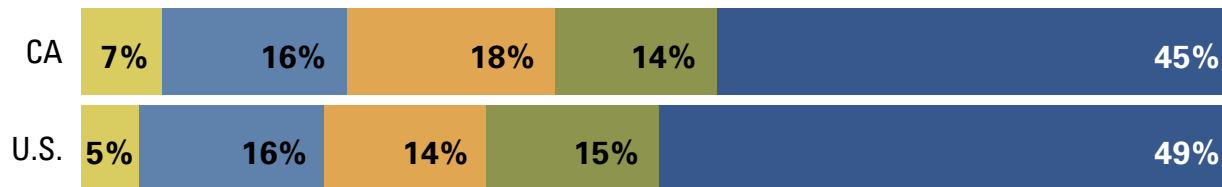
| | |
|---------------------------------|----|
| Overview | 3 |
| Coverage Availability | 4 |
| Costs | 11 |
| Benefits and Cost Sharing | 22 |
| Enrollment/Choice | 37 |
| Employer Attitudes | 41 |
| Methodology | 44 |

Covered Workers, Workers, and Employers, by Firm Size, CA vs. U.S., 2006

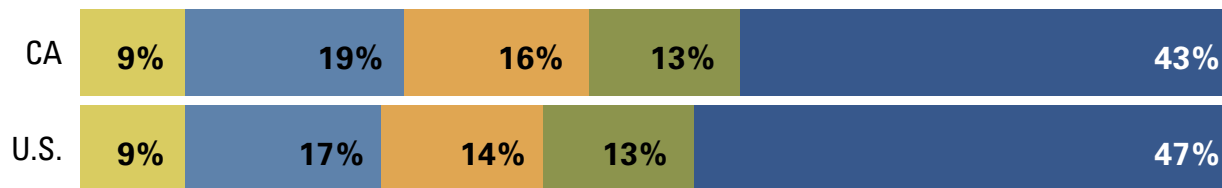
Number of Workers



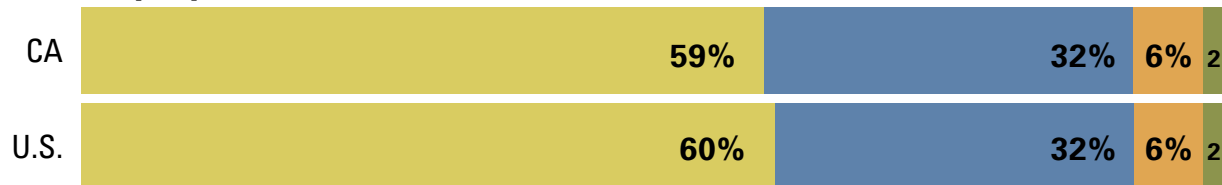
Covered Workers



Workers



Employers



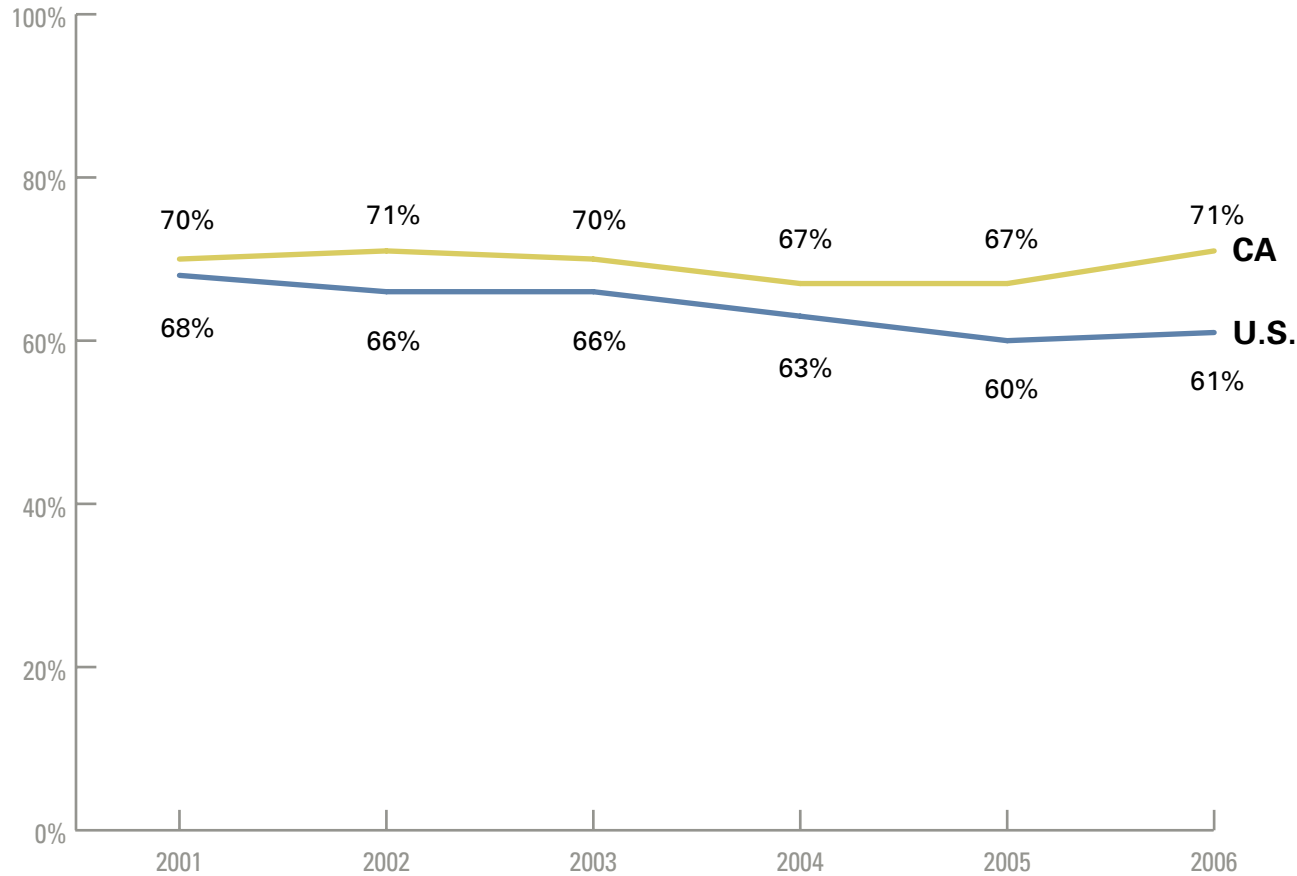
Notes: Firms that employ more than 1,000 workers comprise less than 2 percent of the total number of firms. Percentages may not add to 100 due to rounding.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits: 2006*.

Employer Health Benefits Overview

Small employers with three to 49 employees represent 91 percent of employers in California; however, employees in small firms represent just 28 percent of workers and 23 percent of covered workers.

Employers Offering Coverage, California vs. U.S., 2001 to 2006*



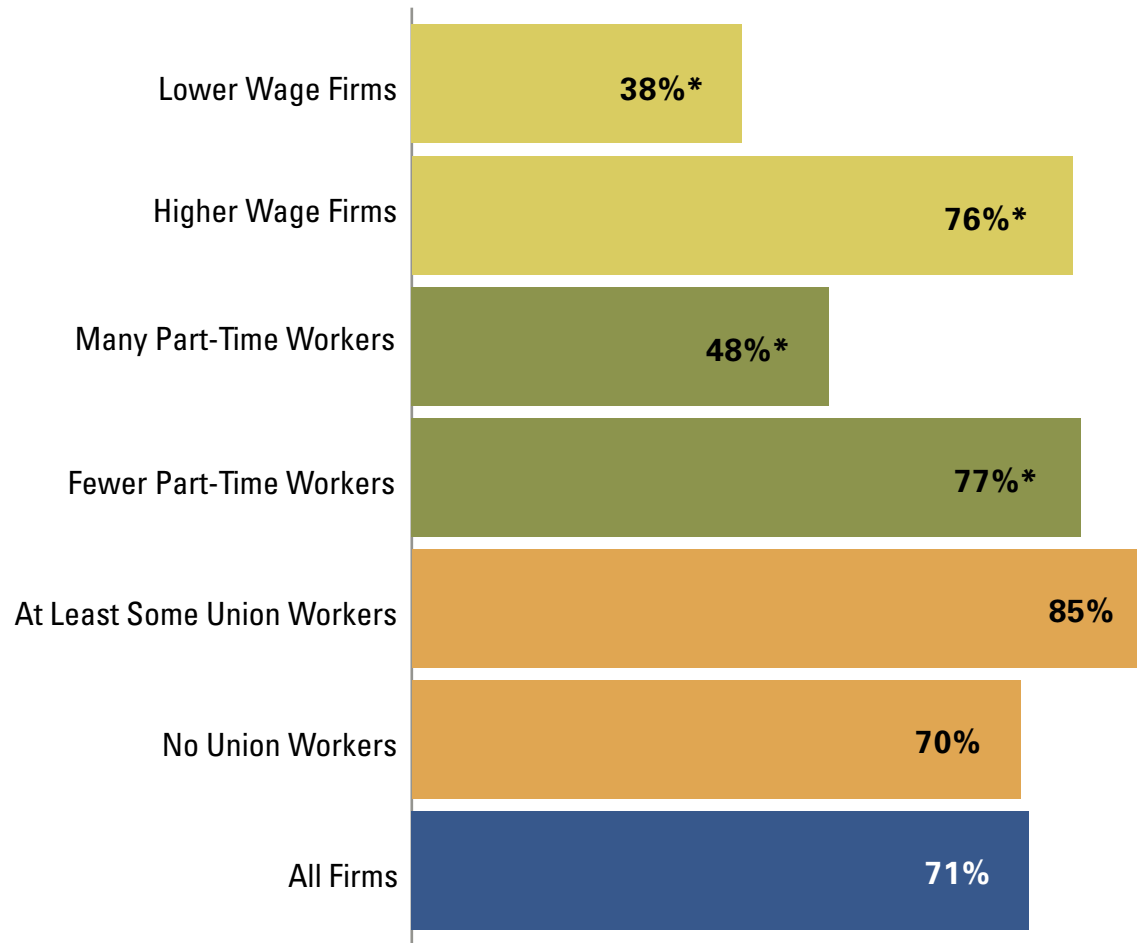
*Tests found no statistically different estimates from the previous year.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2001–2003*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits: 2001–2006*.

Employer Health Benefits Coverage Availability

A higher percentage of California employers offered coverage in 2006 than nationally.

Employers Offering Coverage, by Firm Characteristics, 2006



*Estimate is statistically different from All Firms.

Notes: Lower wage firms are defined as 35 percent or more of the workforce earning \$20,000 or less per year.

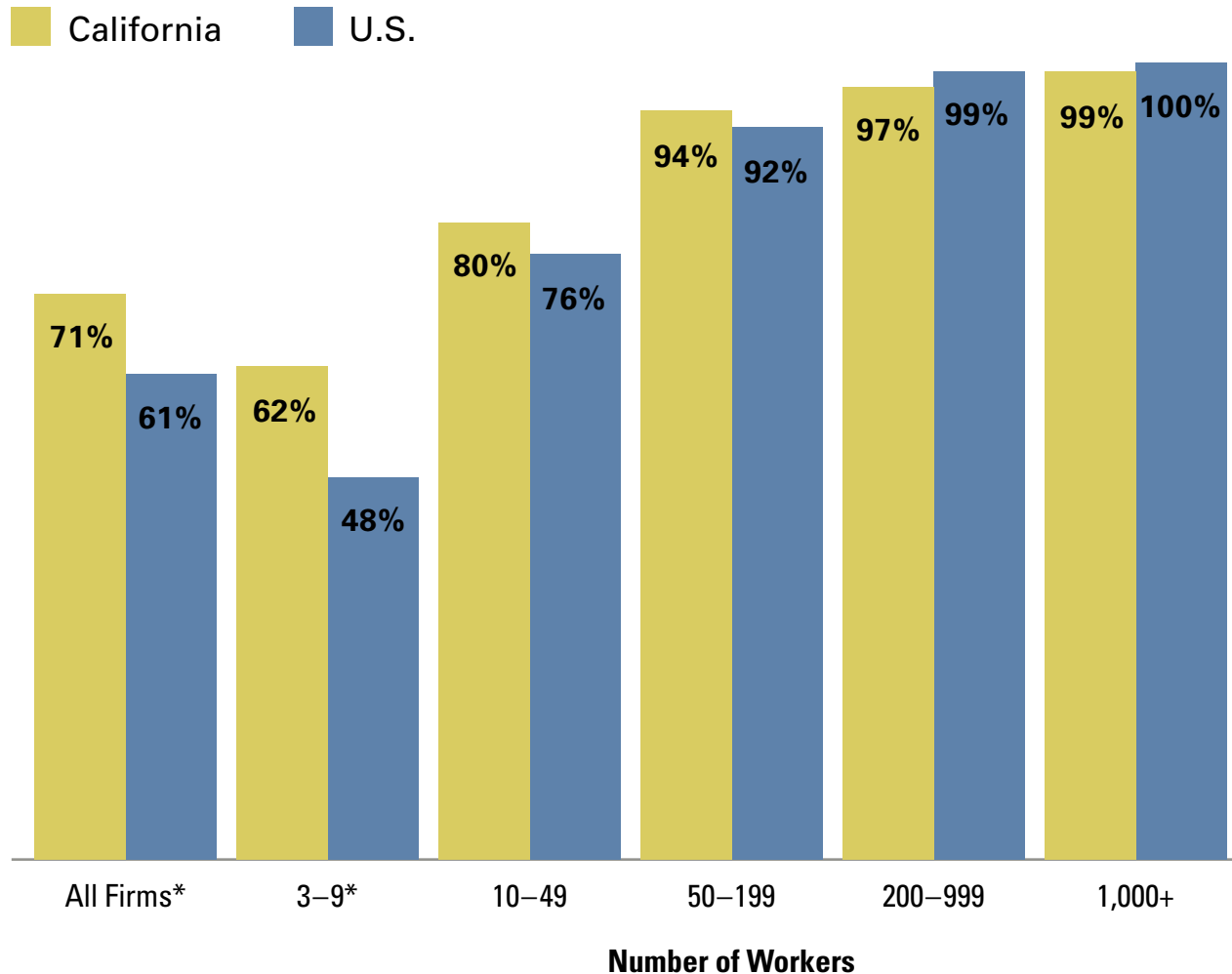
Part-time workers are defined as 35 percent or more of the workforce working part time.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Coverage Availability

Only 38 percent of lower wage California firms offered health benefits in 2006, versus 76 percent of higher wage firms.

Employers Offering Coverage, by Firm Size, California vs. U.S., 2006



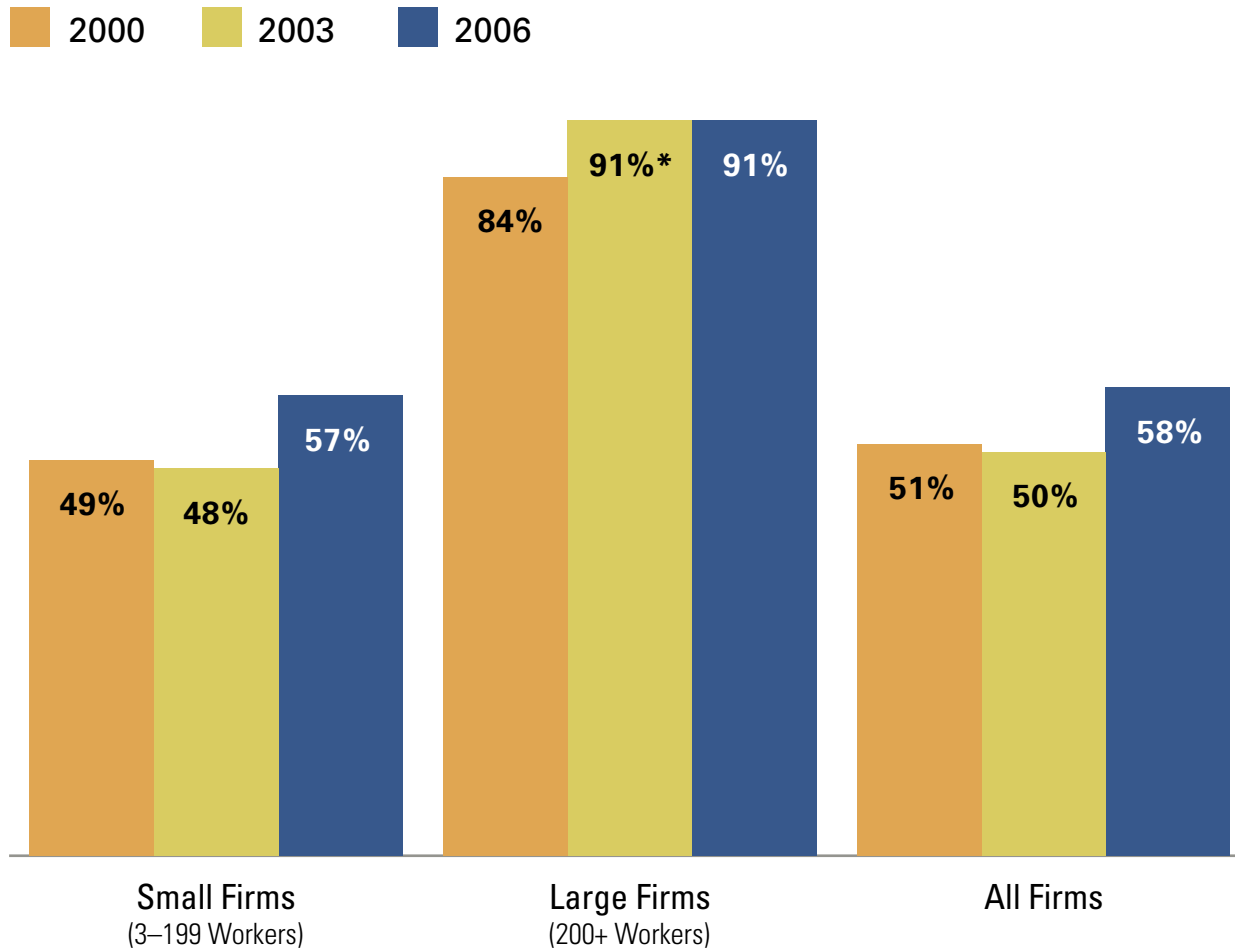
Employer Health Benefits Coverage Availability

Sixty-two percent of small companies (3 to 9 workers) provided coverage in California in 2006, more than nationally. Offer rates for all other firms sizes were comparable in California and the rest of the nation.

*Estimate is statistically different between California and the U.S.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits: 2006*.

Employers Offering Dental Coverage, by Firm Size, 2000 to 2006



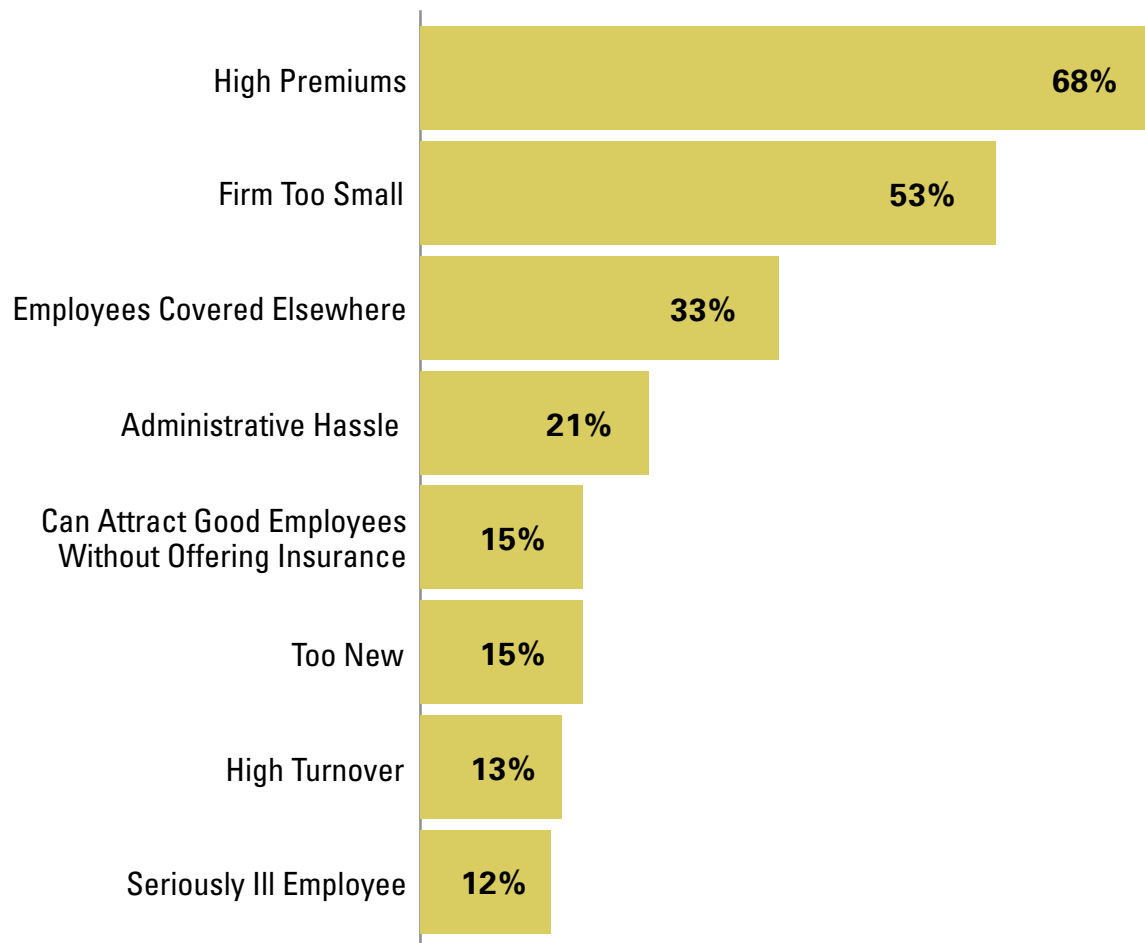
*Estimate is statistically different from previous year shown within firm size.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *California Employer Health Benefits Survey: 2000, 2003*.

Employer Health Benefits Coverage Availability

More than nine in ten large employers (200 or more workers) in California offered dental benefits, compared with just 57 percent of small employers (3 to 199 workers.)

Firms Reporting “Very Important” Reasons to Not Offer Coverage, 2006



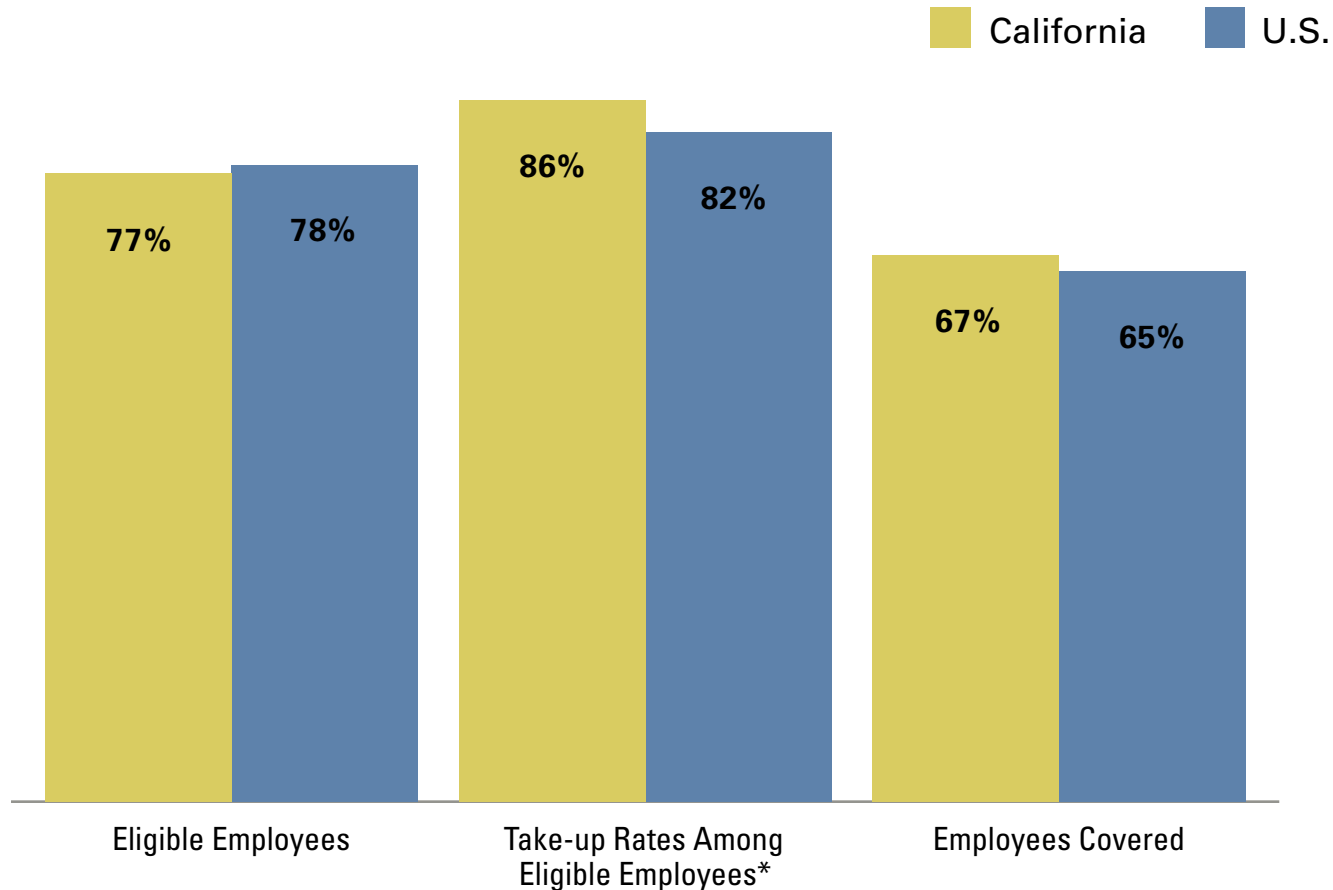
Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Coverage Availability

The most common reason cited by employers in California for not offering coverage was high premiums, with 68 percent of employers that did not offer health insurance citing it as “very important.”

Employee Eligibility, Take-Up Rates, and Coverage, California vs. U.S., 2006

Within Firms Offering Coverage...



*Estimate is statistically different between California and the U.S.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits: 2006*.

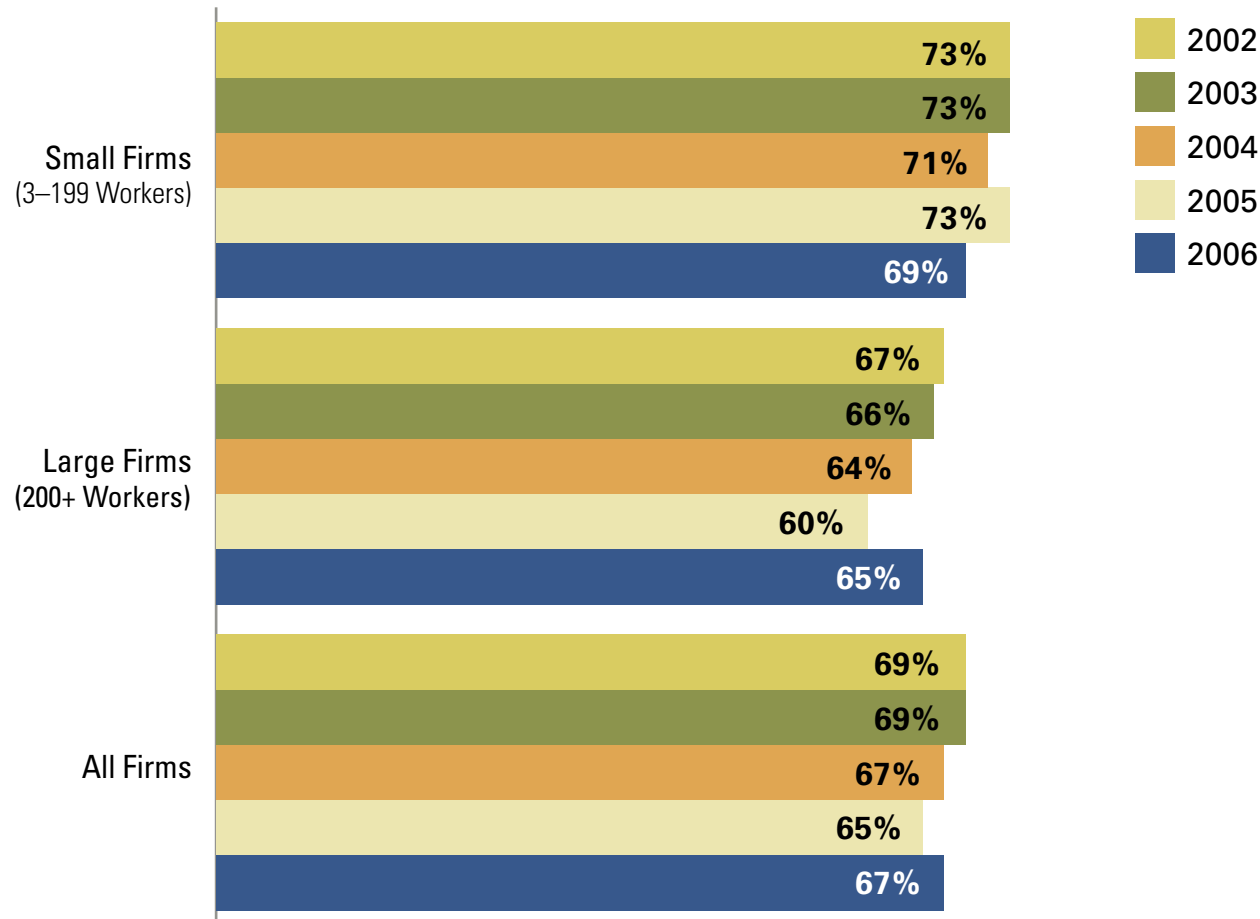
Employer Health Benefits Coverage Availability

Seventy-seven percent of California employees working in firms offering coverage were eligible for health benefits, and 86 percent of those elected to take it.

Overall, 67 percent of employees working in California firms that offered health insurance received coverage from that firm.

Insurance Coverage Rates, by Firm Size, 2002 to 2006*

Within Firms Offering Coverage...



*Tests found no statistically different estimates from previous year within firm size.

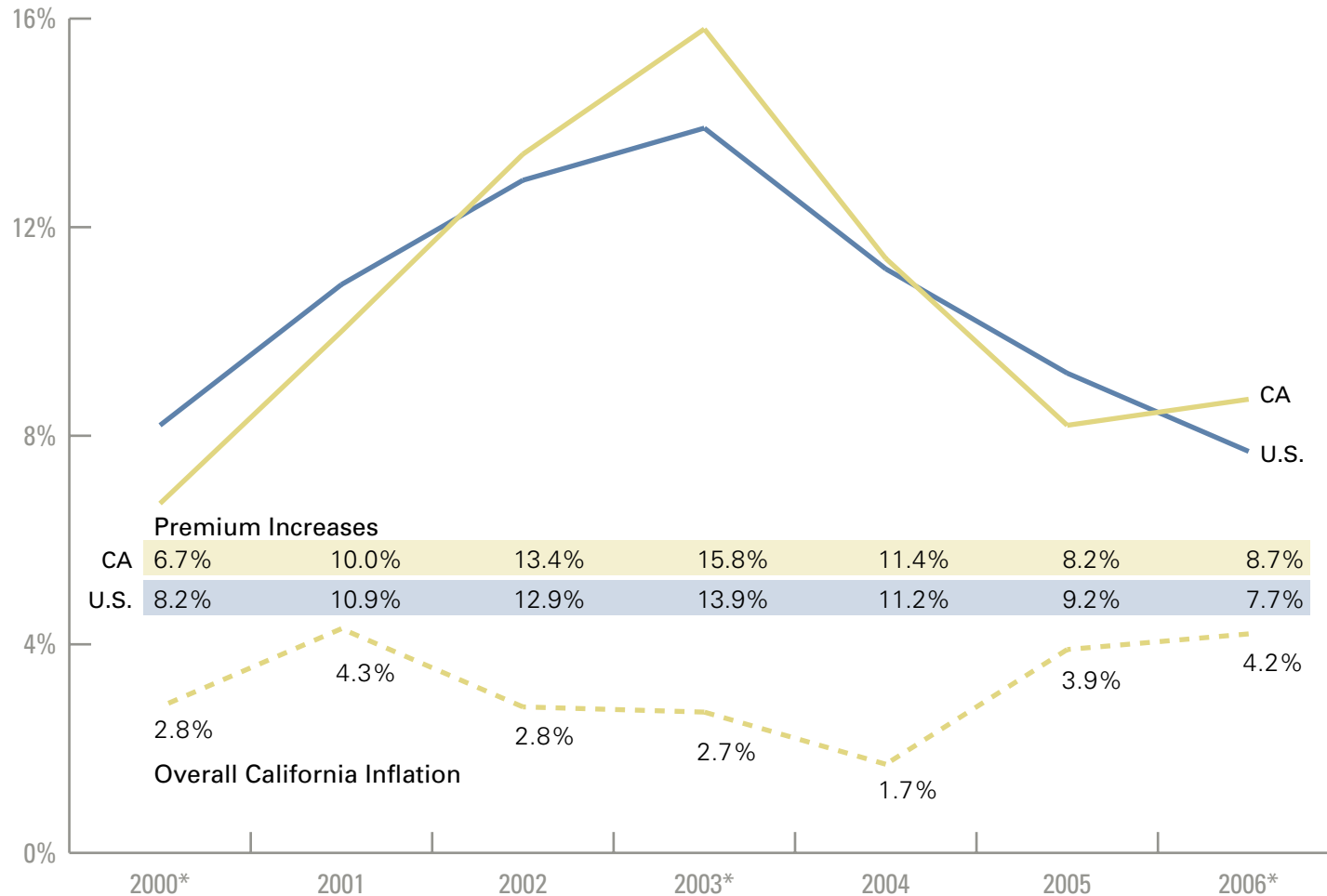
Note: Overall, 67 percent of employees working in California firms that offered health insurance received coverage from that firm.

Source: CHCF/HSC Survey of Employer-Sponsored Health Benefits: 2005-2006; CHCF/HRET Survey of Employer-Sponsored Health Benefits: 2004; Kaiser/HRET Surveys of Employer-Sponsored Health Benefits: 2002-2003.

Employer Health Benefits Coverage Availability

Insurance coverage rates have remained fairly stable since 2002. Coverage rates in firms that offer health benefits are driven by a combination of how many workers are eligible, how many workers take up coverage that is offered to them, or both.

Increase in Premiums Compared to Inflation, California vs. U.S., 2000 to 2006



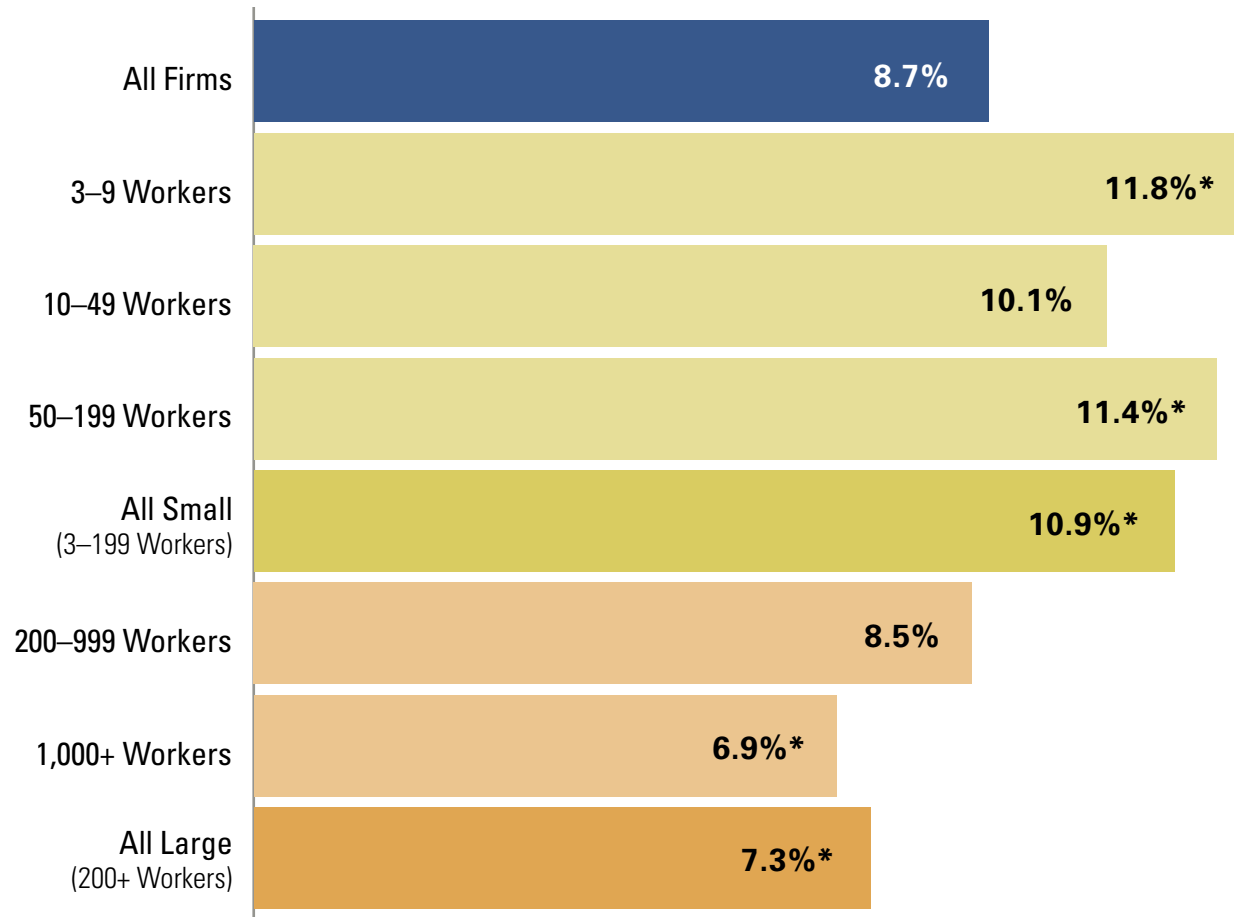
Employer Health Benefits Costs

Premium increases in California in 2006 (8.7 percent) were more than twice the California inflation rate of 4.2 percent, and higher than the national increase rate of 7.7 percent.

*Estimates are statistically different between California and the U.S.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2000–2003*; California Division of Labor Statistics and Research, Consumer Price Index, California Average of Annual Inflation (April to April) 2000–2005.

Increase in Premiums, by Firm Size, 2006



*Estimate is statistically different from All Firms.

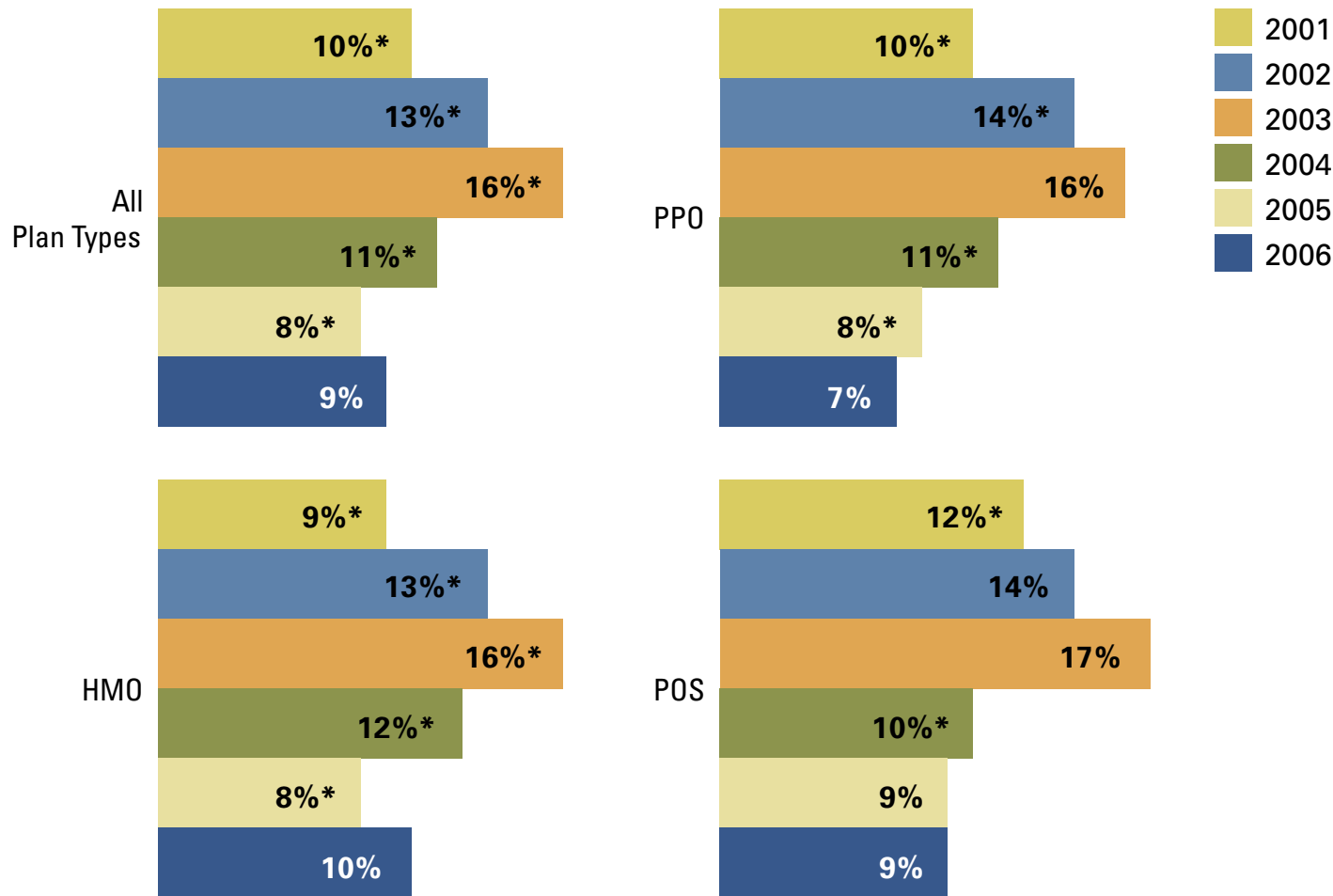
Note: Data are worker weighted.

Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Costs

Premium increases were greater for small employers than for large employers: small firms (3 to 199 workers) experienced average premium increases of 10.9 percent, compared with 7.3 percent for large firms (200 or more workers).

Increase in Premiums from Previous Year, by Plan Type, 2001 to 2006



Employer Health Benefits Costs

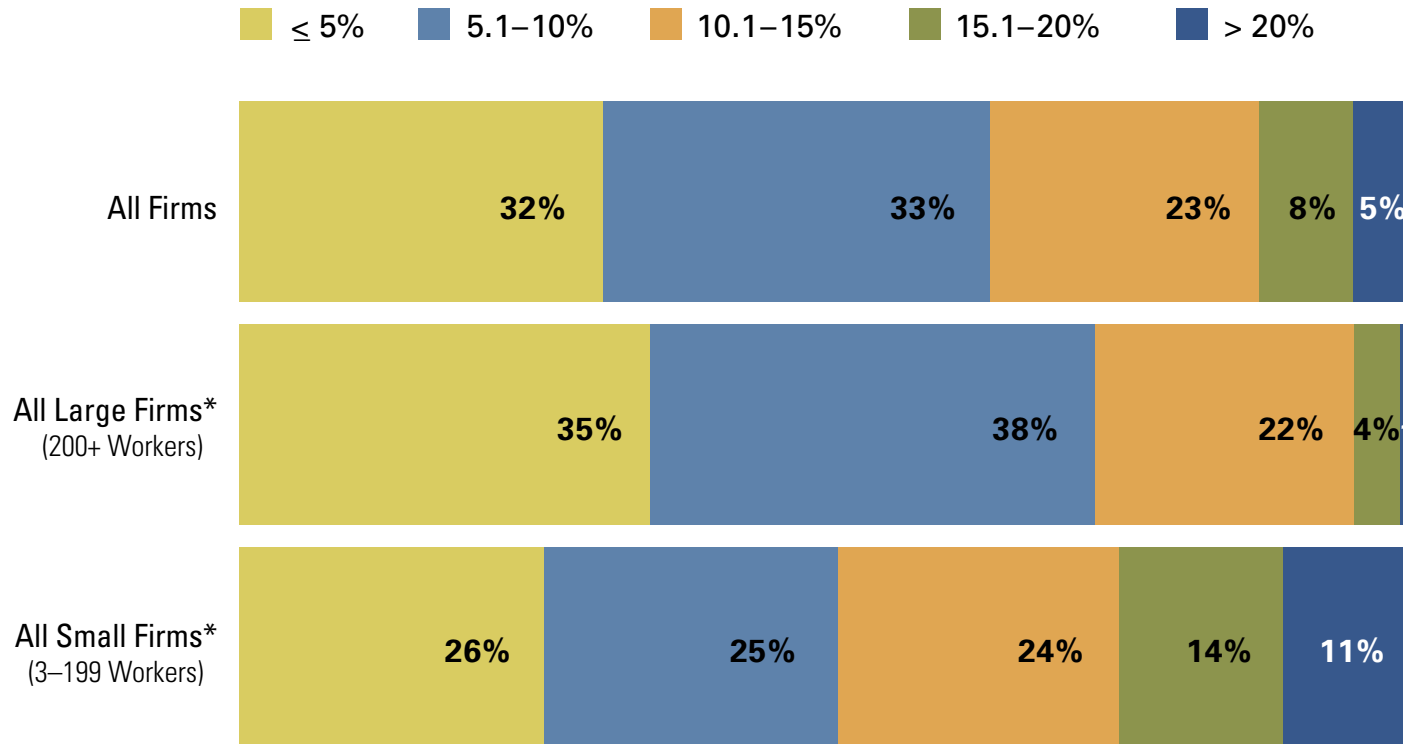
Health insurance premium increases for all plan types changed little from 2005 to 2006. HMO premiums increased the most, at 10 percent, while PPO premiums increased the least, at 7 percent.

*Estimates are statistically different from the previous year shown.

Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four. Data are worker weighted.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2001–2003*.

Premium Increase Percentage, by Firm Size, 2006



*Distribution is statistically different from All Firms.

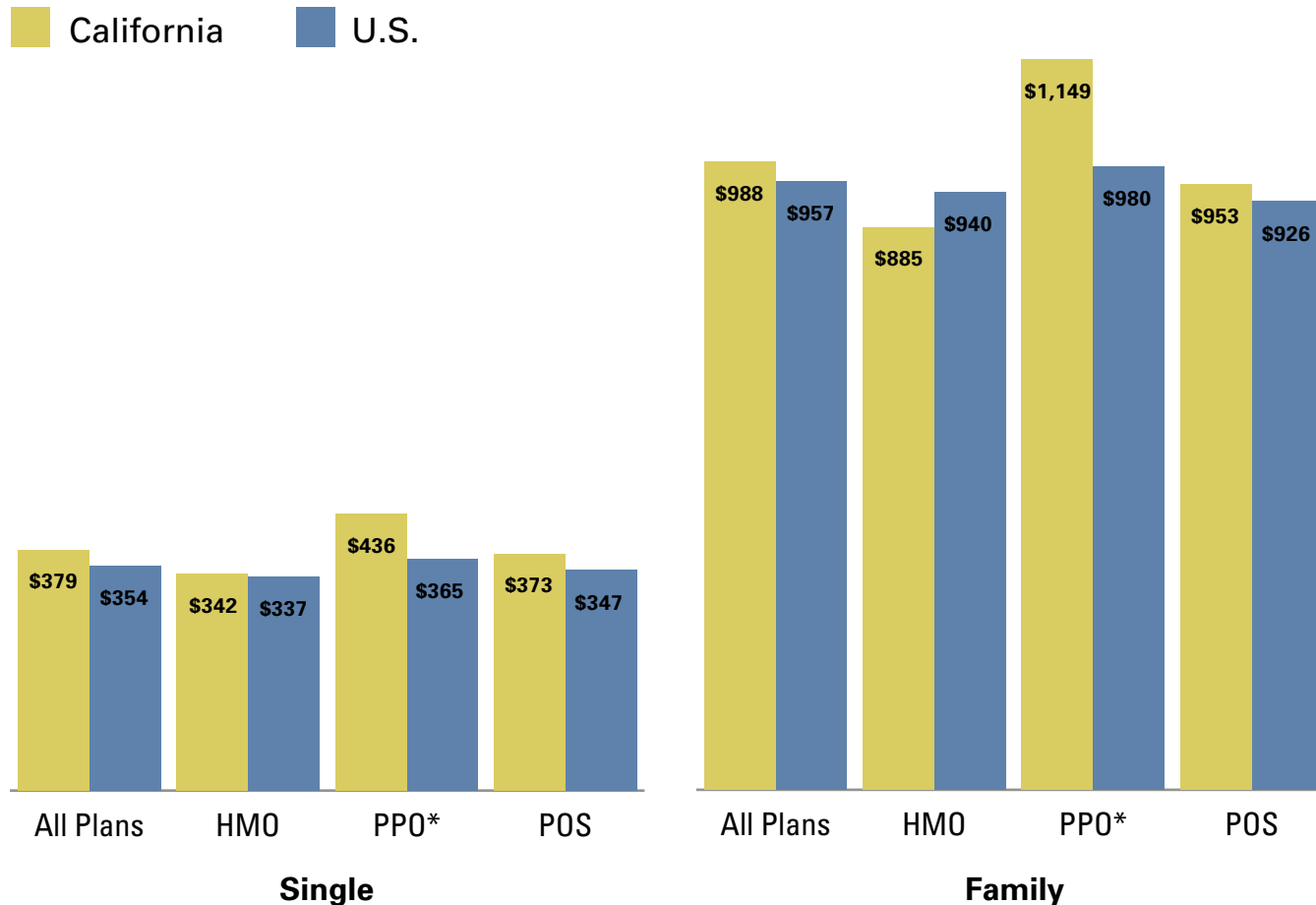
Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*

Employer Health Benefits Costs

The majority of workers were employed in firms that had a premium increase less than or equal to 10 percent.

Small firms were much more likely to experience large premium increases; 25 percent of small firm employees worked in companies that had a premium increase greater than 15 percent, compared with only 5 percent of employees working for large firms.

Average Monthly Premiums, by Plan Type, California vs. U.S., 2006



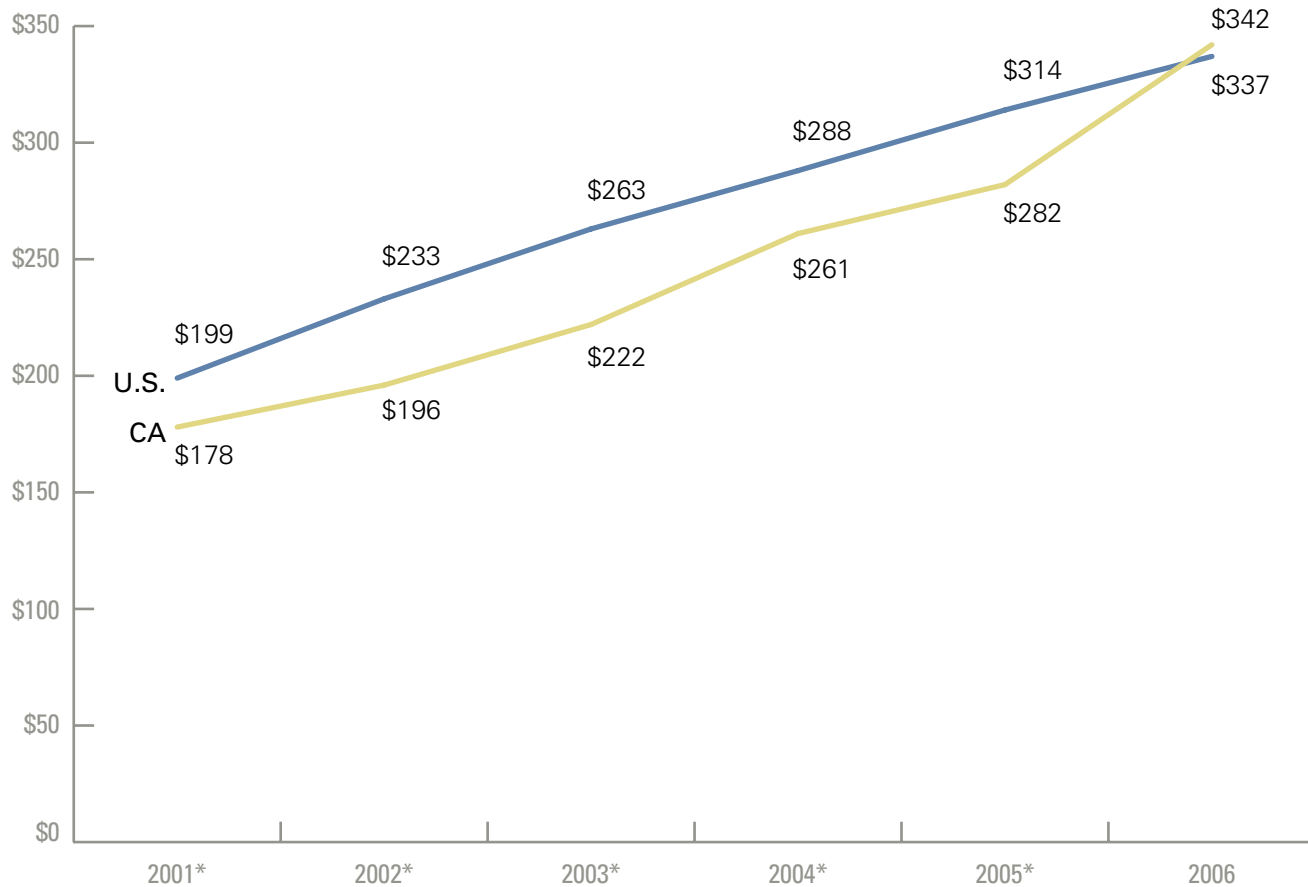
Employer Health Benefits Costs

Premiums in California were generally comparable to premiums nationally; the exception was PPOs, which were more costly in California.

*Estimates are statistically different between California and the U.S.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits: 2006*.

Average Monthly HMO Premiums, Single Coverage, CA vs. U.S., 2001 to 2006



*Estimates are statistically different between California and the U.S.

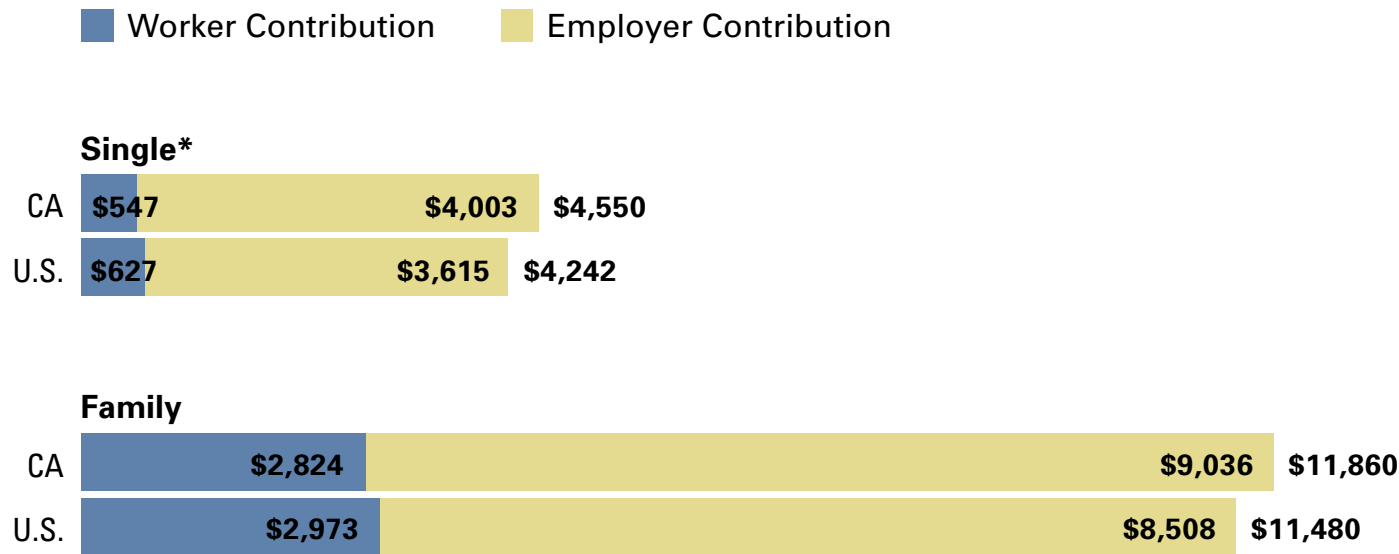
Notes: Annual rate of change for HMO single premiums should not be calculated by comparing dollar values from one year with the previous year, due to both the survey's sampling design and the way in which plan information is collected. Rates of change in family premiums are collected directly as a question in the survey (no change data for single premiums is collected), see page 10 for results.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005-2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2001-2003*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits: 2001-2006*.

Employer Health Benefits Costs

From 2001 to 2005, HMO premiums for single coverage were significantly less expensive in California than nationally. In 2006, for the first time, HMO single premiums in California caught up with those in the rest of the country.

Average Annual Worker and Employer Contributions, California vs. U.S., 2006



*Total annual premium estimates are statistically different between California and the U.S. within coverage type.

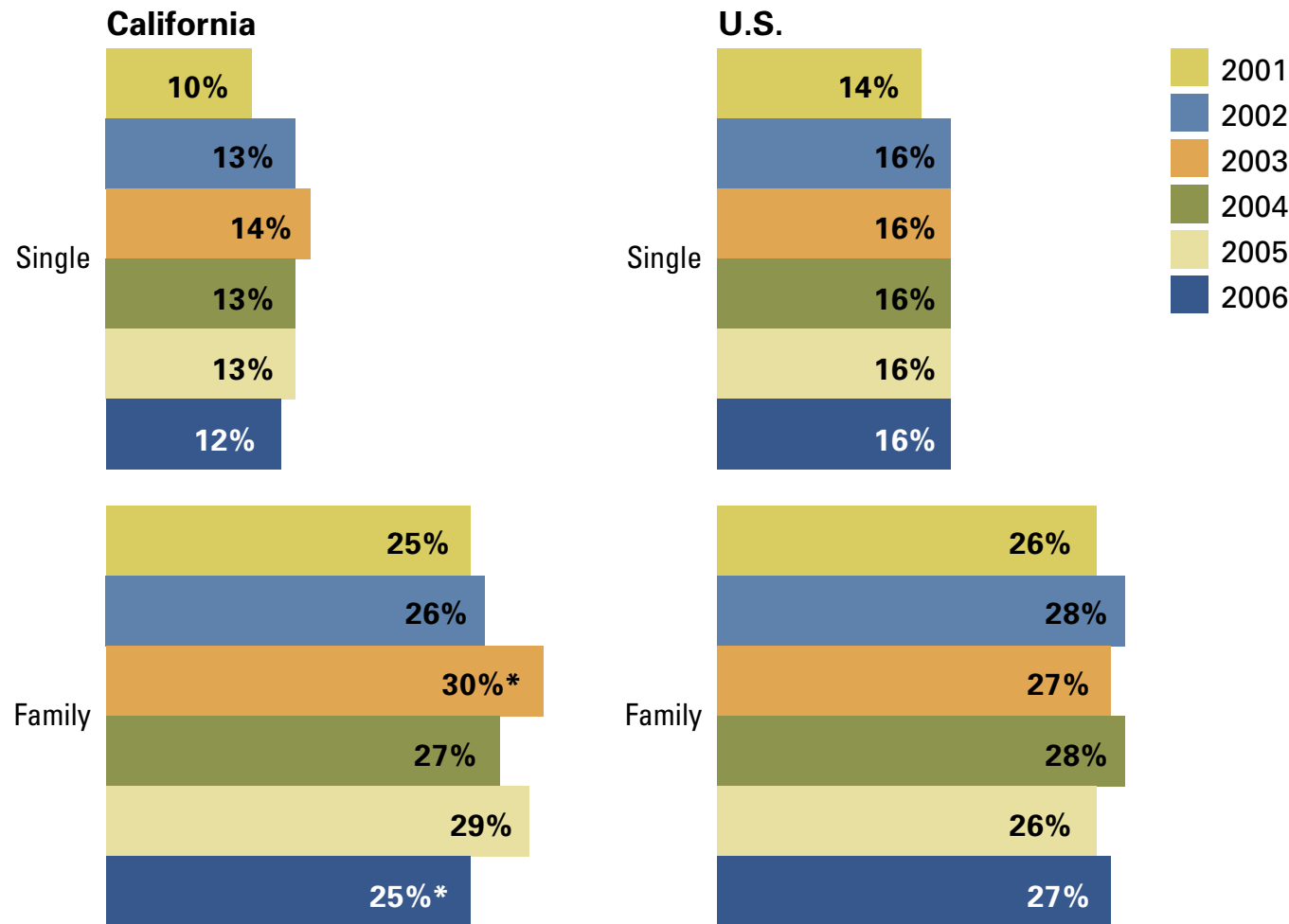
Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *Employer Health Benefits Survey: 2006*.

Employer Health Benefits Costs

On average, workers in California contributed \$547 annually for single coverage and \$2,824 for family coverage in 2006. They contributed less to premiums for single coverage than did workers nationally.

Employers, in contrast, contributed more to premiums in California than nationally—\$4,003 annually for single coverage, versus \$3,615 for employers nationally.

Share of Premiums Paid by Workers, California vs. U.S., 2001 to 2006



*Estimate is statistically different from previous year shown.

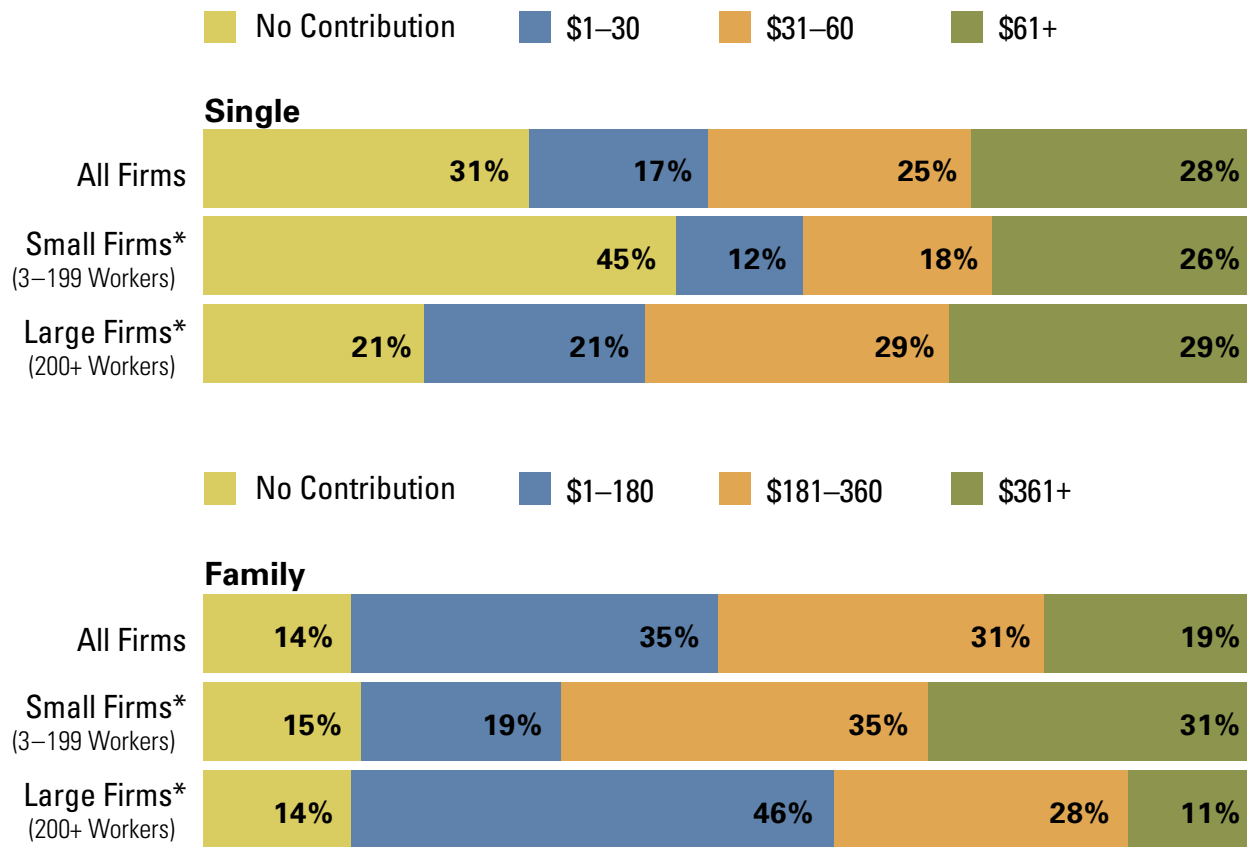
Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2001–2003*; Kaiser/HRET *Employer Health Benefits Survey: 2001–2006*.

Employer Health Benefits Costs

California workers' average share of the premium for family coverage decreased slightly to 25 percent in 2006.

Workers in California paid a slightly smaller share of the total premium than did workers nationally.

Worker Contribution to Monthly Premium, by Firm Size, 2006



*Distribution is statistically different from All Firms.

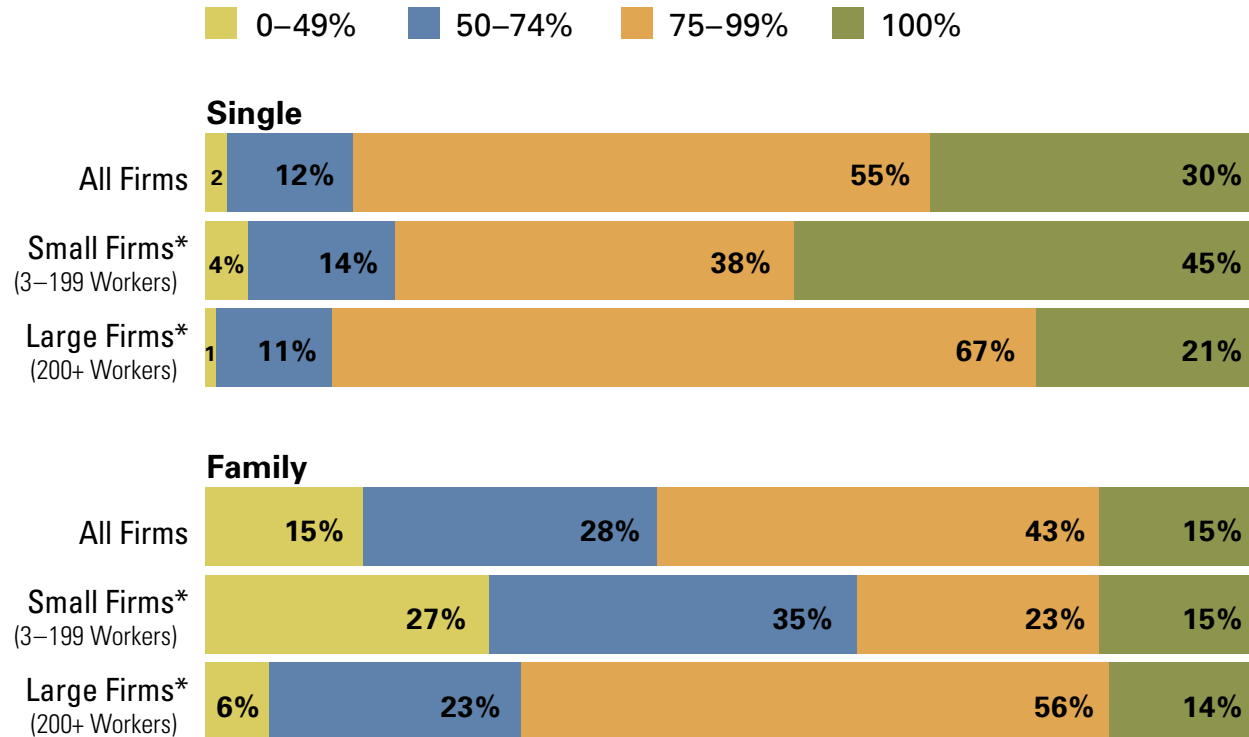
Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Costs

About 31 percent of California workers were not required to contribute toward their monthly premium for single coverage.

Workers in small firms were less likely to make any contributions towards single coverage than those in large firms, but much more likely to contribute substantially (more than \$360 per month) to family coverage.

Employer Share of Premium, by Firm Size, 2006



*Distribution is statistically different from All Firms.

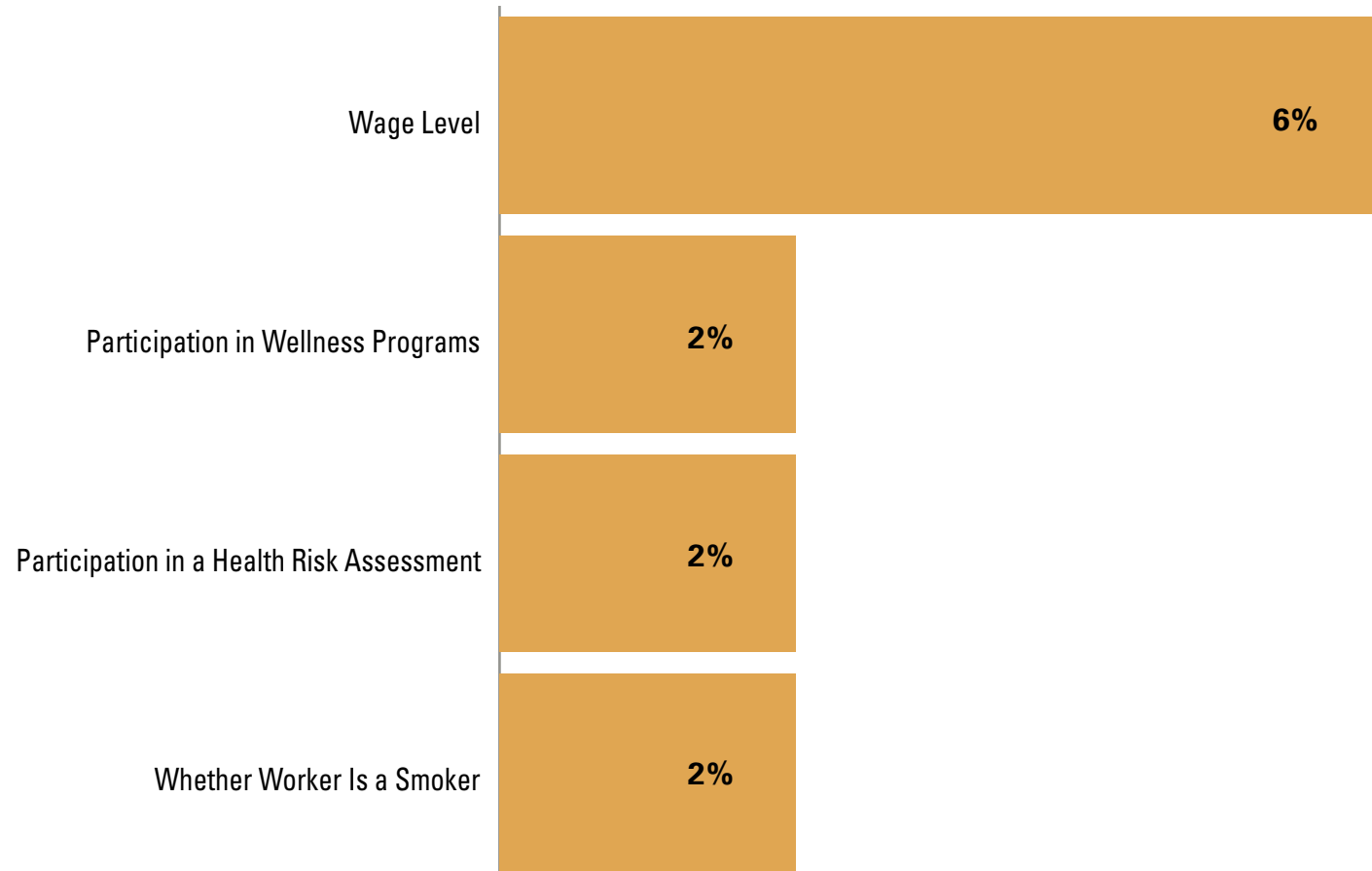
Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Costs

The majority of California employees worked in firms that contributed between 75 and 99 percent of the single premium. Small firms were far more likely to pay the full premium for single coverage (45 percent) than were large firms (21 percent).

Employees Working in Firms that Vary Premium Contributions, 2006

Reason for Variation



Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Costs

Six percent of employees worked for firms that used employees' wage level as a basis for varying workers' premium contributions. Two percent of employees worked for firms using other criteria, such as participation in a wellness program or smoking status, in determining premium contributions.

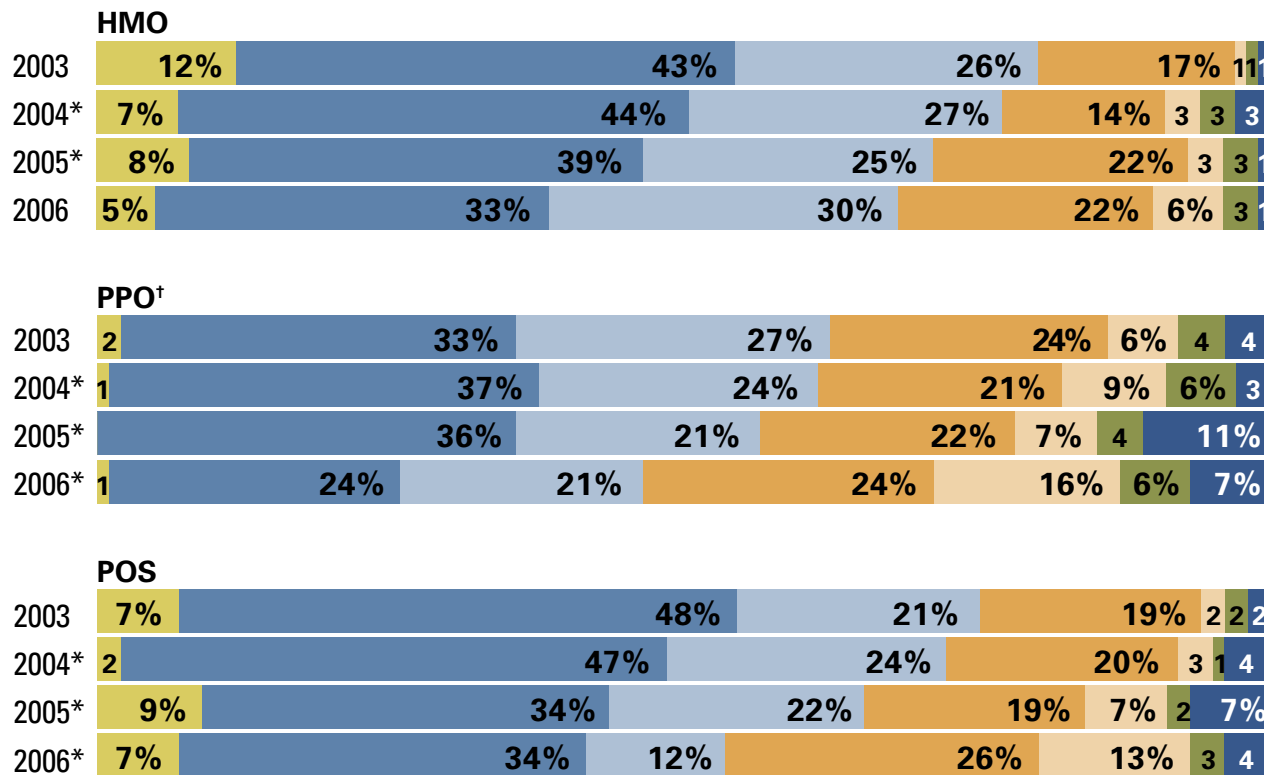
Workers with Specified Office Visit Copayments, by Plan Type, 2003 to 2006

Employer Health Benefits Benefits and Cost Sharing

Copayments remained fairly stable for HMO plans; PPO plan copayments increased from 2005, with the percentage of workers with \$25 copayments more than doubling from 7 to 16 percent.

Per Visit Copayment

■ \$5 ■ \$10 ■ \$15 ■ \$20 ■ \$25 ■ \$30 ■ Other



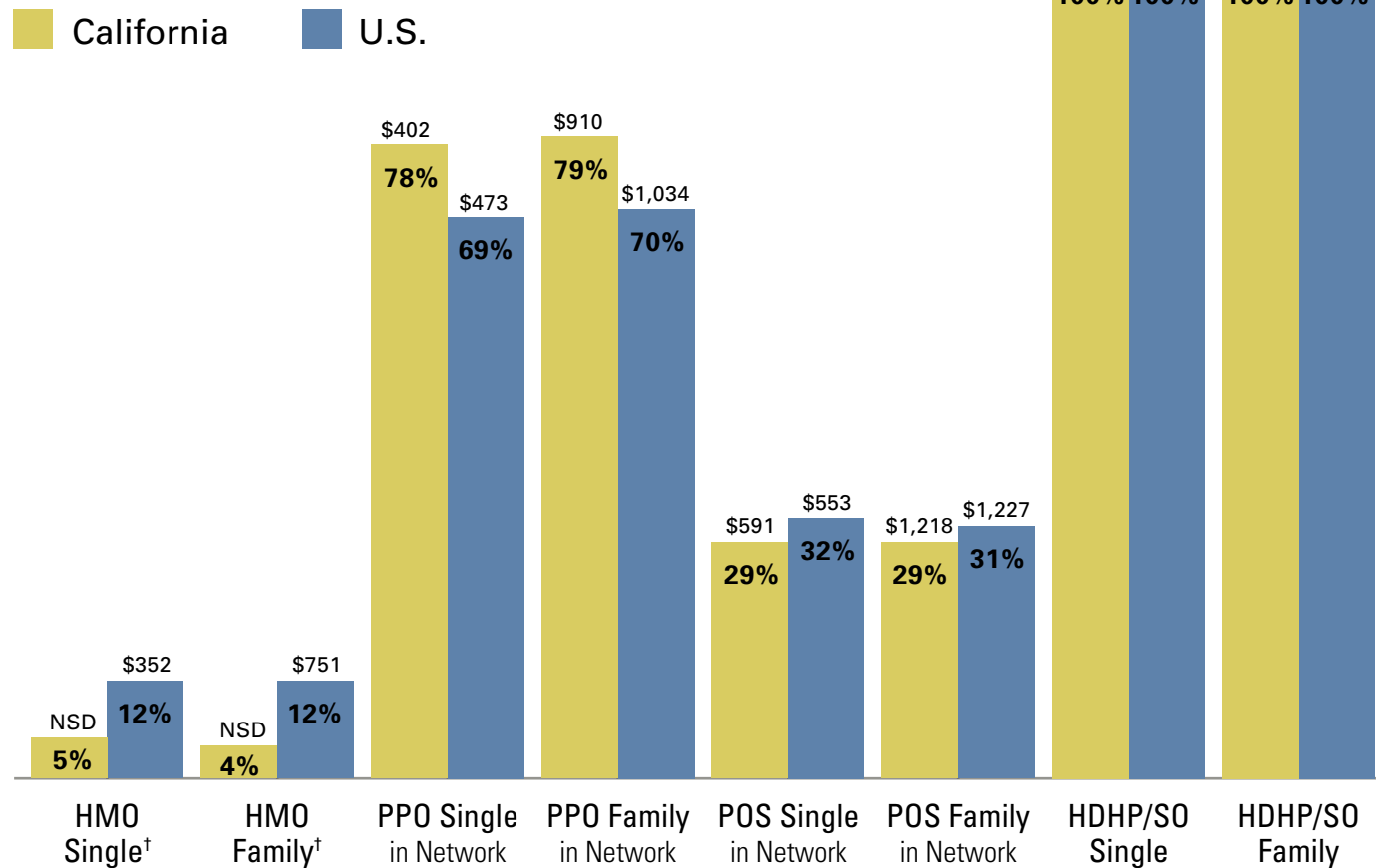
*Distribution is statistically different from previous year shown.

†Seventy-four percent of covered workers in PPOs have co-payments rather than coinsurance for office visits, as do virtually all workers in HMOs and POS plans.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2003*

Workers with Annual Deductible,* California vs. U.S., by Plan Type, 2006

Share of Workers and Deductible Amount



*Excludes workers with no deductible.

†Percentages are significantly different between California and the U.S.

Notes: HDHP/SO is high-deductible health plan with savings option. NSD stands for not sufficient data.

Source: CHCF/HSC Survey of Employer-Sponsored Health Benefits: 2006; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2006.

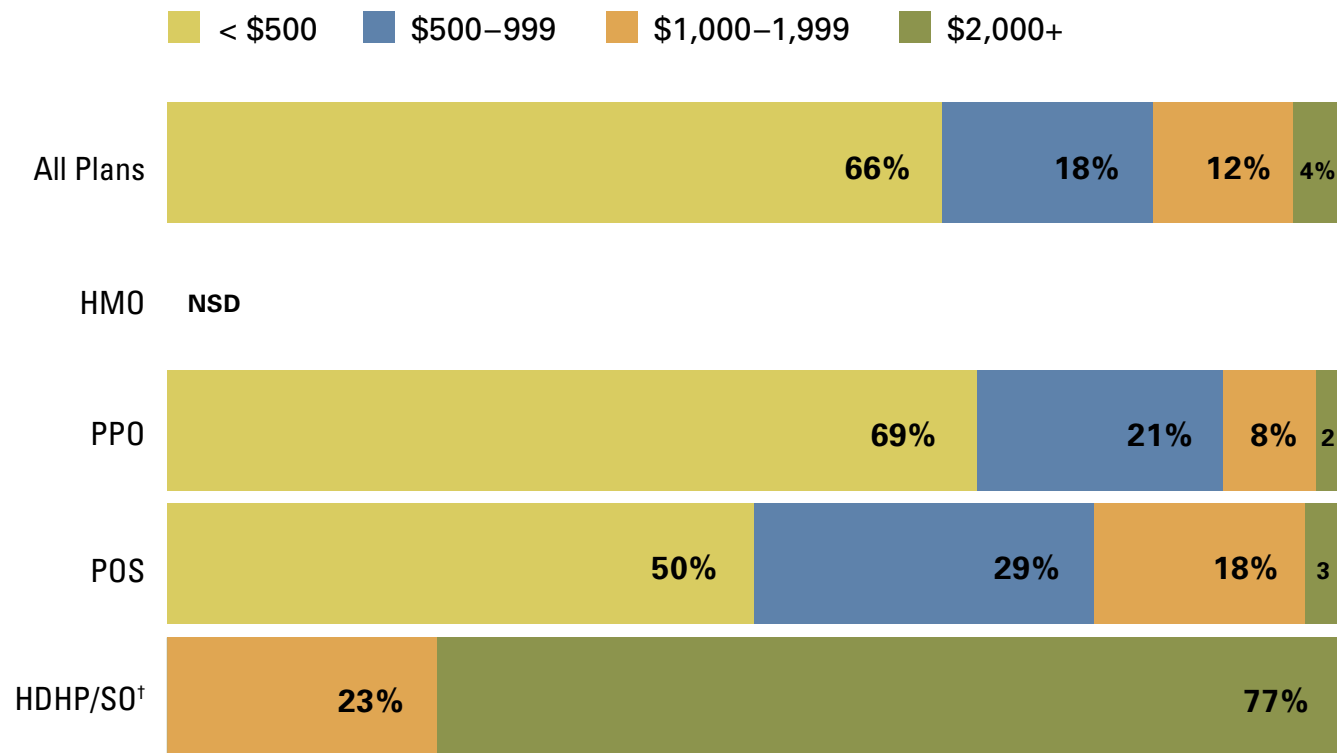
Employer Health Benefits Benefits and Cost Sharing

California workers in PPO plans were much more likely to have an annual deductible than workers in HMOs and POS plans.

Deductibles averaged \$402 for PPO single coverage and \$910 for PPO family coverage. Average deductibles in POS plans were higher, but fewer workers in these plans have deductibles.

Deductible for Single Coverage,* by Plan Type, 2006

Percentage of Workers with Specified Deductible Ranges



*Excludes workers with no deductible.

†Distribution is statistically different from All Plans.

Notes: HDHP/SO is high-deductible health plan with savings option. NSD stands for not sufficient data.

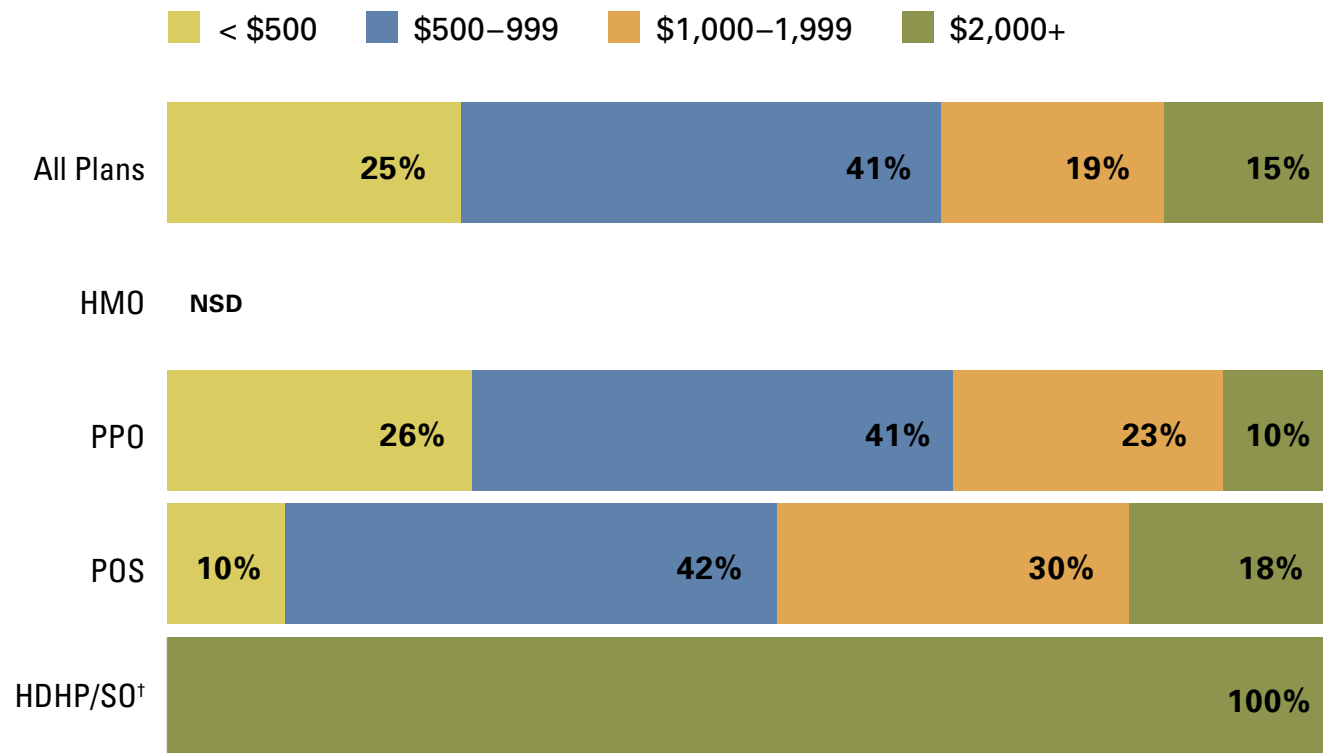
Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Benefits and Cost Sharing

Among employees who faced a deductible, two-thirds have an annual deductible of less than \$500 for single coverage, while 16 percent had a deductible of \$1,000 or more.

Deductible for Family Coverage,* by Plan Type, 2006

Percentage of Workers with Specified Deductible Ranges



*Excludes workers with no deductible.

†Distribution is statistically different from All Plans.

Notes: HDHP/SO is high-deductible health plan with savings option. NSD stands for not sufficient data.

Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Benefits and Cost Sharing

Among employees who faced a deductible, the majority (66 percent) had an annual deductible of less than \$1,000 for family coverage, while 15 percent had an annual deductible of \$2,000 or more for family coverage.

Deductible for Single PPO Coverage,* California vs. U.S., 2000 to 2006

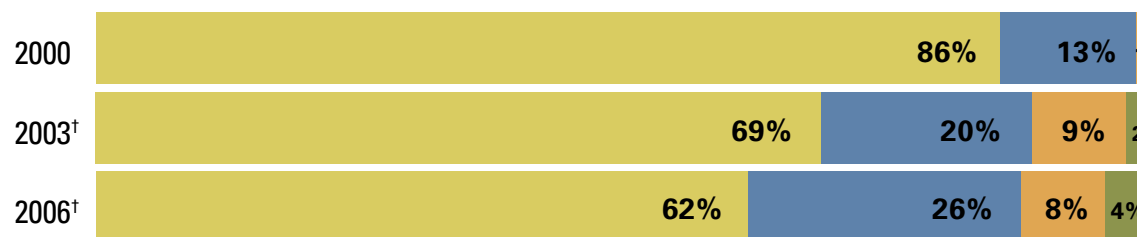
Percentage of Workers with Specified Deductible Ranges

■ < \$500
 ■ \$500–999
 ■ \$1,000–1,999
 ■ \$2,000+

California



United States



Employer Health Benefits Benefits and Cost Sharing

Since 2000, California workers have experienced significant increases in deductibles for single PPO coverage. The share of California workers with a single PPO deductible of less than \$500 fell from 85 percent in 2000 to 69 percent in 2006. Earlier surveys did not ask about deductibles for HMOs or POS plans.

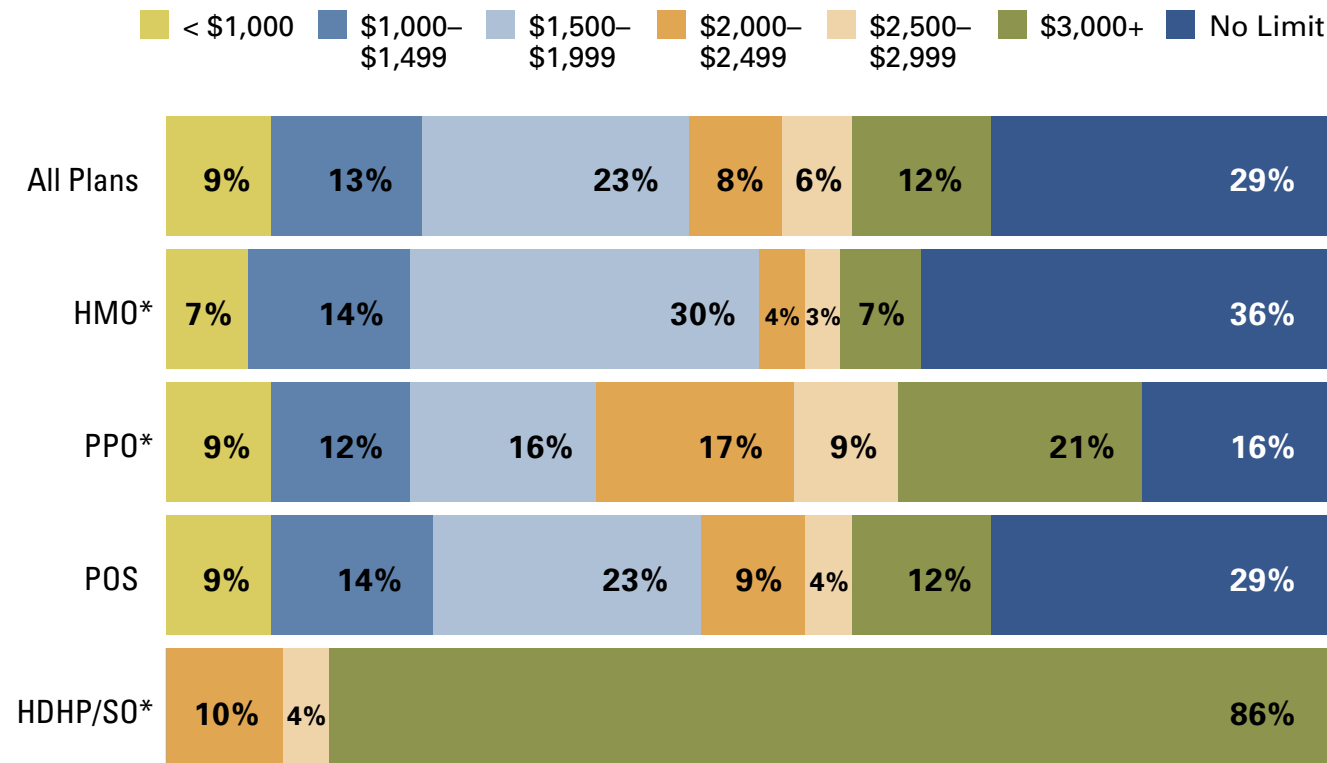
*Excludes workers with no deductible.

†Distribution is statistically different from previous year shown.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *California Employer Health Benefits Survey: 2000, 2003*; Kaiser/HRET *Employer Health Benefits Survey: 2000, 2003, 2006*.

Annual Out-of-Pocket Limits, Single Coverage, 2006

Percentage of Workers with Specified Limit Ranges



*Distribution is statistically different from All Plans.

Notes: HDHP/SO is high-deductible health plan with savings option. Since HMOs typically provide very comprehensive coverage, not having a limit on out-of-pocket expenditures does not expose enrollees to the same financial risk as other plan types.

Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

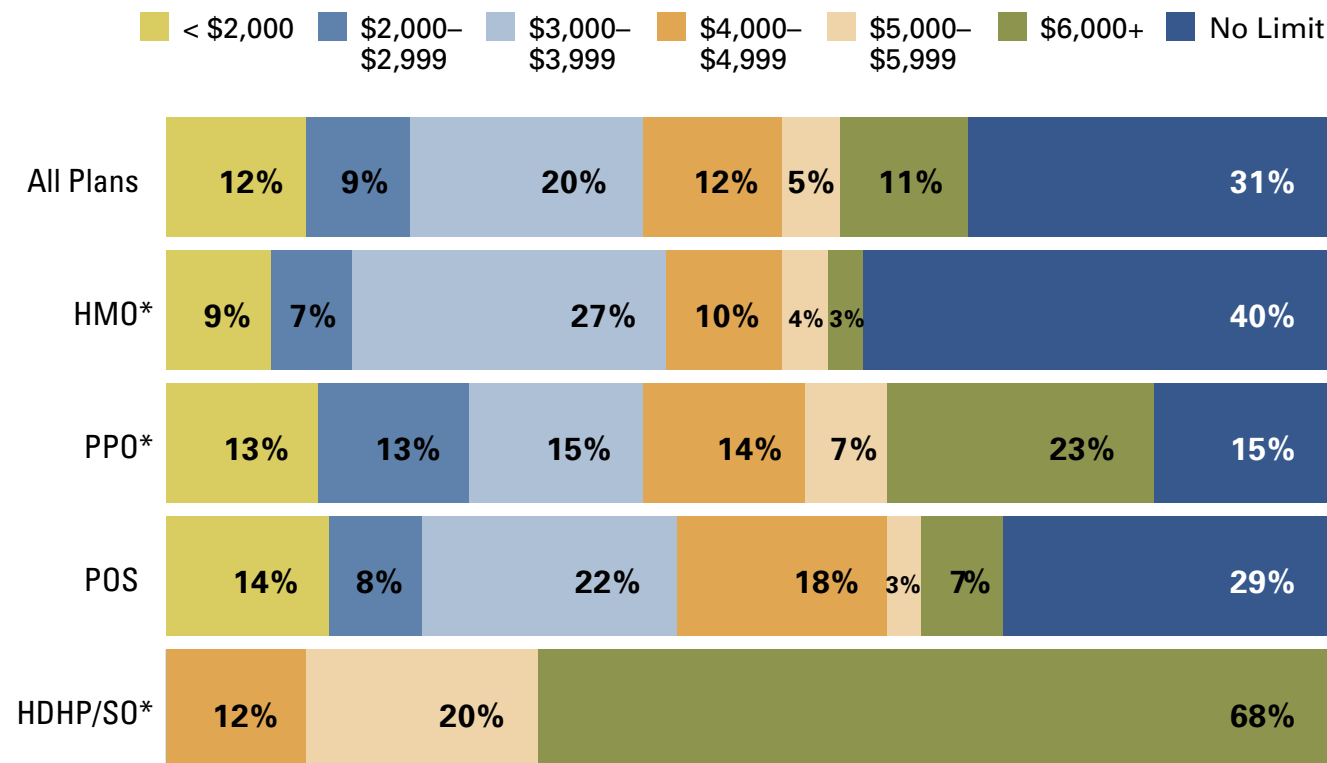
Employer Health Benefits Benefits and Cost Sharing

The majority of covered workers (71 percent) with single coverage had an annual out-of-pocket maximum in their health plans. However, 26 percent of workers had a limit of \$2,000 or more.

Of workers with single coverage, those in HDHP/SO plans were the most likely to have a limit of \$3,000 or more.

Annual Out-of-Pocket Limits, Family Coverage, 2006

Percentage of Workers with Specified Limit Ranges



*Distribution is statistically different from All Plans.

Note: Since HMOs typically provide very comprehensive coverage, not having a limit on out-of-pocket expenditures does not expose enrollees to the same financial risk as it could in other plan types.

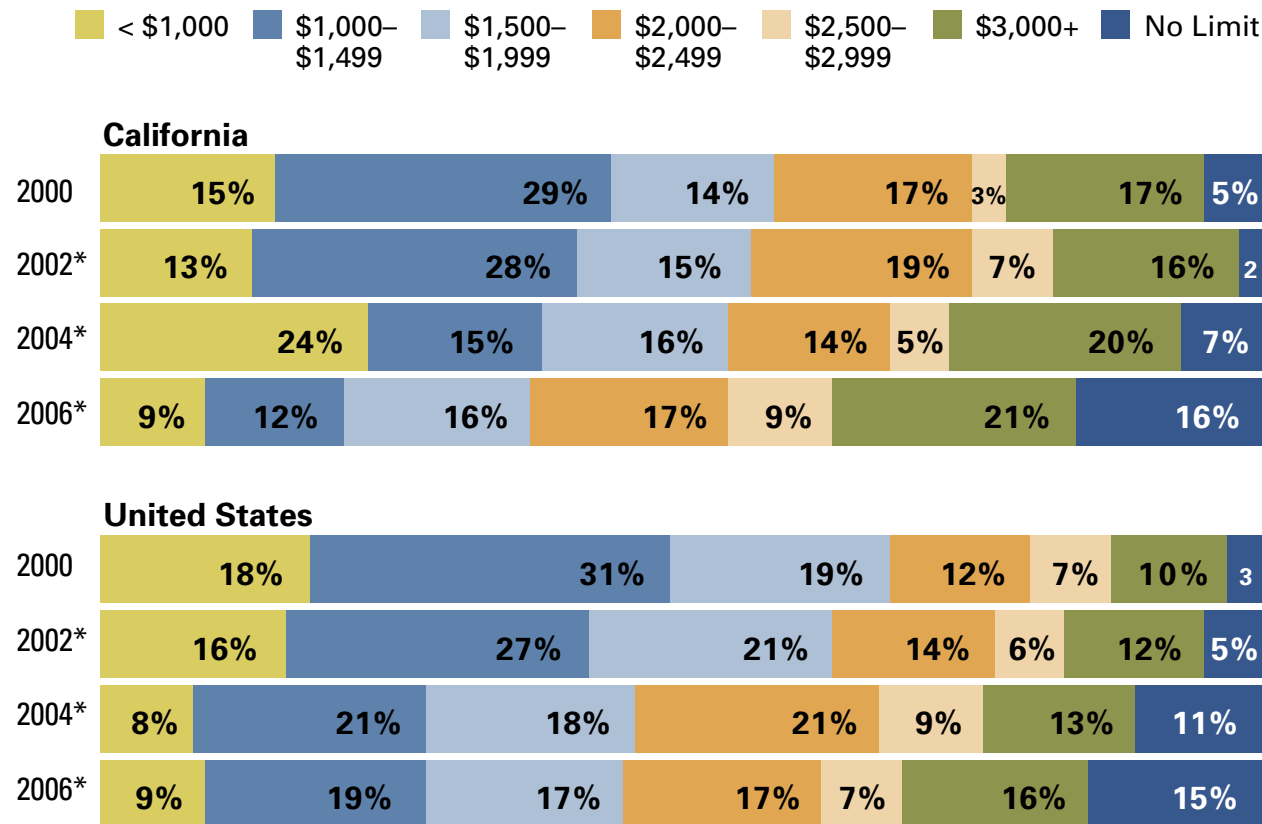
Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Benefits and Cost Sharing

The vast majority of covered workers (69 percent) with family coverage had an annual out-of-pocket maximum in their health plans. Twenty-eight percent of workers with family coverage, however, had a maximum of \$4,000 or more.

Annual Out-of-Pocket Limits, Single PPO Coverage, CA vs. U.S., 2000 to 2006

Percentage of Workers with Specified Limit Ranges



*Distribution is statistically different from previous year shown.

Note: Since HMOs typically provide very comprehensive coverage, not having a limit on out-of-pocket expenditures does not expose enrollees to the same financial risk as it could in other plan types.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2000, 2002*; Kaiser/HRET *Employer Health Benefits Survey: 2000, 2002, 2004, 2006*.

Employer Health Benefits Benefits and Cost Sharing

The proportion of California workers in PPOs with an out-of-pocket maximum of less than \$1,500 declined from 44 percent in 2000 to 21 percent in 2006.

A similar pattern of increasing limits on out-of-pocket costs was observed nationally.

Earlier surveys did not ask these questions of HMO or POS plans.

Covered Workers with Select Hospital Cost-Sharing Types, by Plan Type, 2006

| PLAN TYPE | COPAYMENT/ DEDUCTIBLE PER ADMISSION | COINSURANCE | BOTH | CHARGE PER DAY |
|------------------|---|-------------|-----------|-------------------|
| HMO | 48% | < 1% * | < 1% | 3% |
| PPO | 34% | 24% * | 3% | < 1% |
| POS | 34% | 12% | 1% | 4% |
| HDHP/SO | 8% * | 34% * | 0% | 0% |
| All Plans | 41% | 9% | 1% | 2% |

Across All Plans:

Average Deductible/Copay: \$237

Average Coinsurance: 15%

*Estimate is statistically different from All Plans.

Note: HDHP/SO is high-deductible health plan with savings option.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Benefits and Cost Sharing

Many covered workers faced a separate copayment, coinsurance, or both for each hospital admission, in addition to any annual deductible.

The most common was a copayment per admission (41 percent of covered workers), followed by coinsurance (9 percent).

Covered Workers with Cost Sharing for an Emergency Room Visit, by Plan Type, 2006

| PLAN TYPE | COPAYMENT/ DEDUCTIBLE | COINSURANCE | BOTH |
|------------------|--------------------------|-------------|-----------|
| HMO | 82%* | < 1%* | < 1%* |
| PPO | 54%* | 10%* | 4% |
| POS | 69% | 4% | 3% |
| HDHP/SO | 11%* | 32%* | 4% |
| All Plans | 71% | 4% | 2% |

*Estimate is statistically different from All Plans.

Note: HDHP/SO is high-deductible health plan with savings option.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Benefits and Cost Sharing

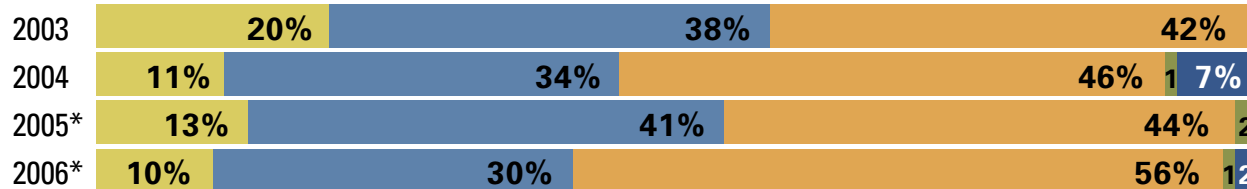
Seventy-seven percent of employees worked in firms with cost sharing for an emergency room visit in addition to any annual deductible.

Workers Facing Cost-Sharing Formulas for Prescription Drugs, 2003 to 2006

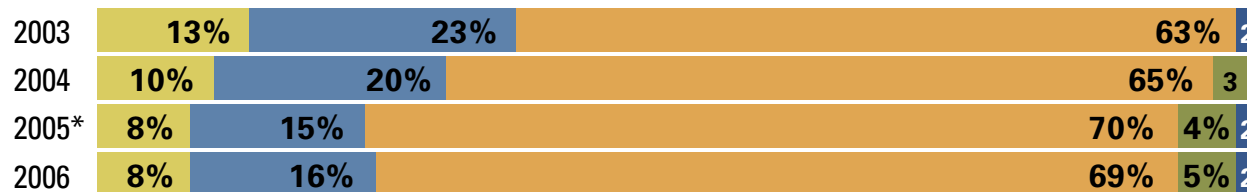
Cost-Sharing Formula

- Cost sharing the same regardless of drug type
- Two Tier: One payment for generic drugs and one for name brand
- Three Tier: One payment for generic drugs, another for preferred drugs, and a third for non-preferred drugs
- Four Tier: Three tier plus a fourth tier for lifestyle or other specified drugs
- Other

California



United States



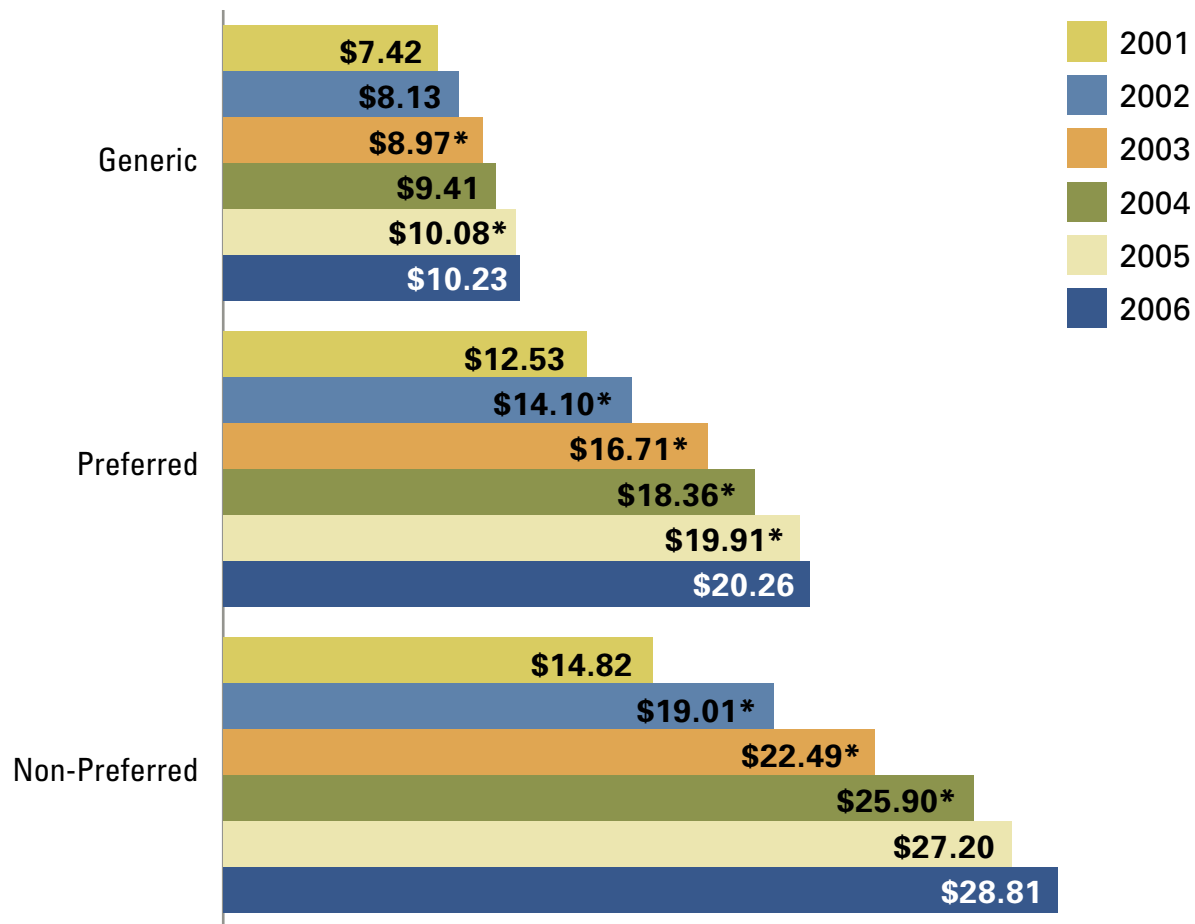
*Distribution is statistically different from previous year shown.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2003*; Kaiser/HRET *Employer Health Benefits Survey: 2003–2006*.

Employer Health Benefits Benefits and Cost Sharing

Fifty-seven percent of covered workers in California in 2006 were enrolled in a health plan that used a three or four tier cost sharing formula. Nationally, in contrast, 74 percent of workers were enrolled in a plan that used a three or four tier cost-sharing formula.

Average Prescription Copayments, by Drug Type, 2001 to 2006



Employer Health Benefits Benefits and Cost Sharing

Average copayments for generic drugs were about one-half what they were for preferred drugs and nearly one-third what they were for non-preferred drugs.

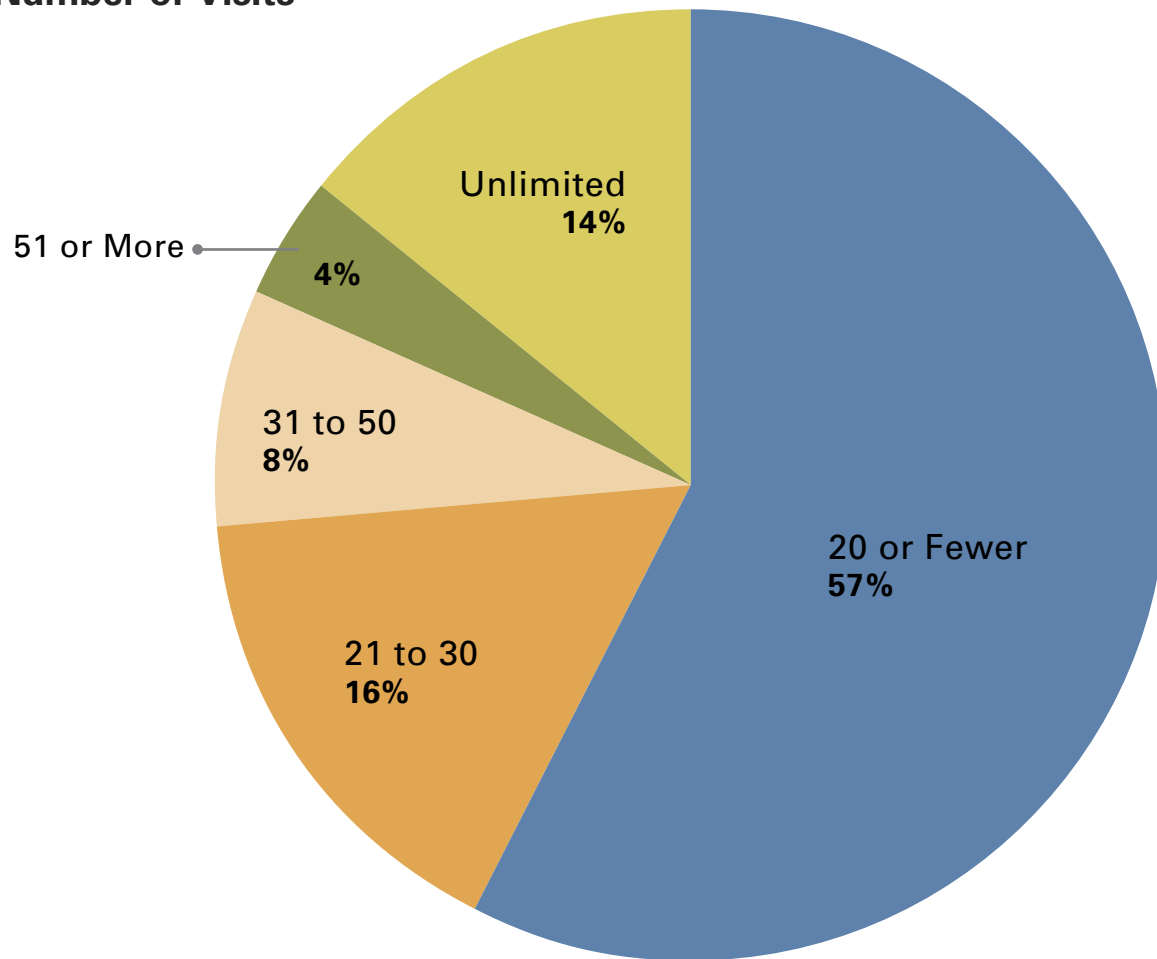
While copayments for generic drugs increased moderately, those for preferred drugs increased from \$12.53 in 2001 to over \$20 in 2006.

*Estimate is statistically different from previous year shown.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2001–2003*.

Limits on Outpatient Mental Health Coverage, All Plans, 2006

Number of Visits



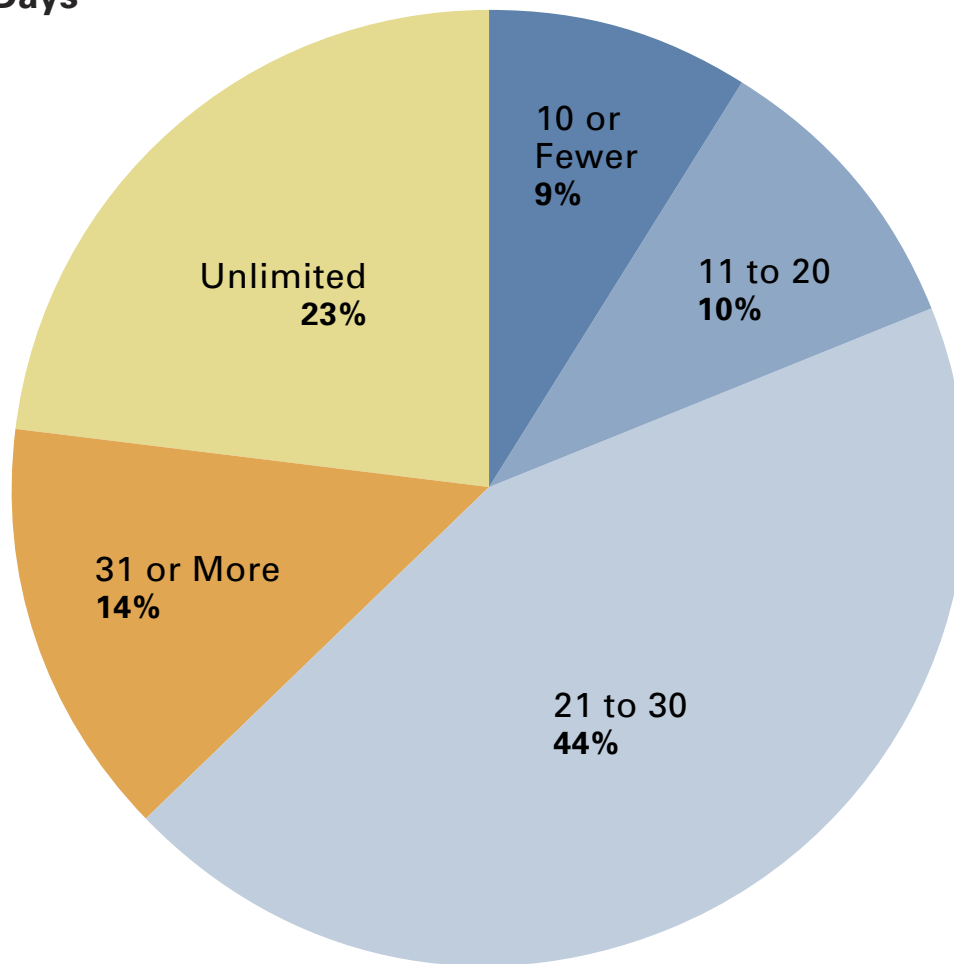
Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Benefits and Cost Sharing

Among covered workers with outpatient mental health coverage (97 percent), annual limits on outpatient mental health visits were very common: over half (57 percent) had 20 or fewer outpatient mental health visits covered annually.

Limits on Inpatient Mental Health Coverage, All Plans, 2006

Number of Days



Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Benefits and Cost Sharing

Among covered workers with inpatient mental health coverage (97 percent), annual limits on inpatient hospital days were very common; 63 percent had 30 or fewer inpatient hospital days covered annually.

Firms Whose Largest Plan Includes a Disease Management Program, 2006

| FIRM SIZE | PLAN INCLUDES A DISEASE MANAGEMENT PROGRAM |
|---|--|
| All Small Firms (3–199 Workers) | 28%* |
| 3–9 Workers | 29% |
| 10–49 Workers | 25% |
| 50–199 Workers | 35% |
| All Large Firms (200+ Workers) | 50%* |
| 200–999 Workers | 43%* |
| 1,000+ Workers | 62%* |
| All Firms | 29% |

*Estimate is statistically different from all other firms.

Source: CHCF/HSC Survey of Employer-Sponsored Health Benefits, 2006.

Employer Health Benefits Benefits and Cost Sharing

In 2006, 29 percent of firms had a disease management program as part of their largest health plan. Large firms were significantly more likely than small firms to include such a program.

Enrollment for Covered Workers, by Plan Type, CA vs. U.S., 2001 to 2006

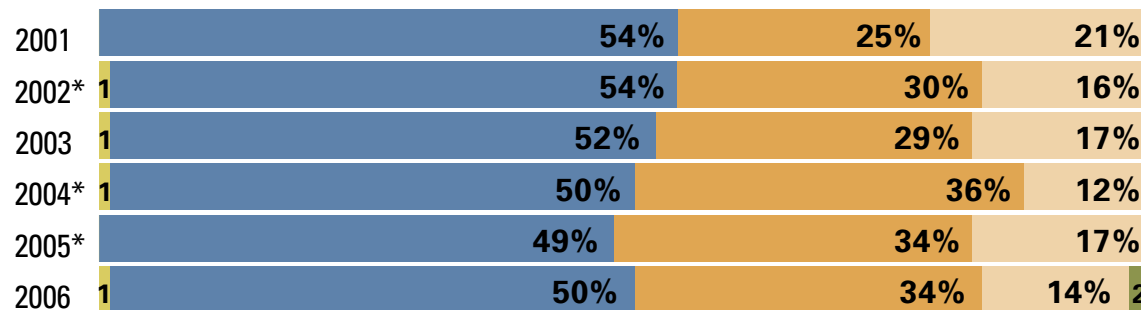
Employer Health Benefits Enrollment/Choice

The percentage of covered workers enrolled in HMOs in California was considerably higher than nationally. Conversely, enrollment in PPOs in 2006 remained far lower in California than nationally.

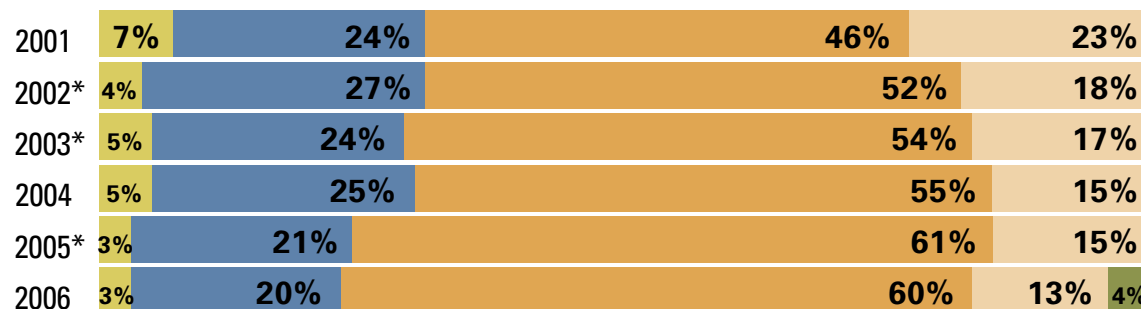
Only 2 percent of Californians were enrolled in high-deductible plans with a savings option, compared with 4 percent nationally.

■ Conventional
 ■ HMO
 ■ PPO
 ■ POS
 ■ HDHP/SO

California



United States

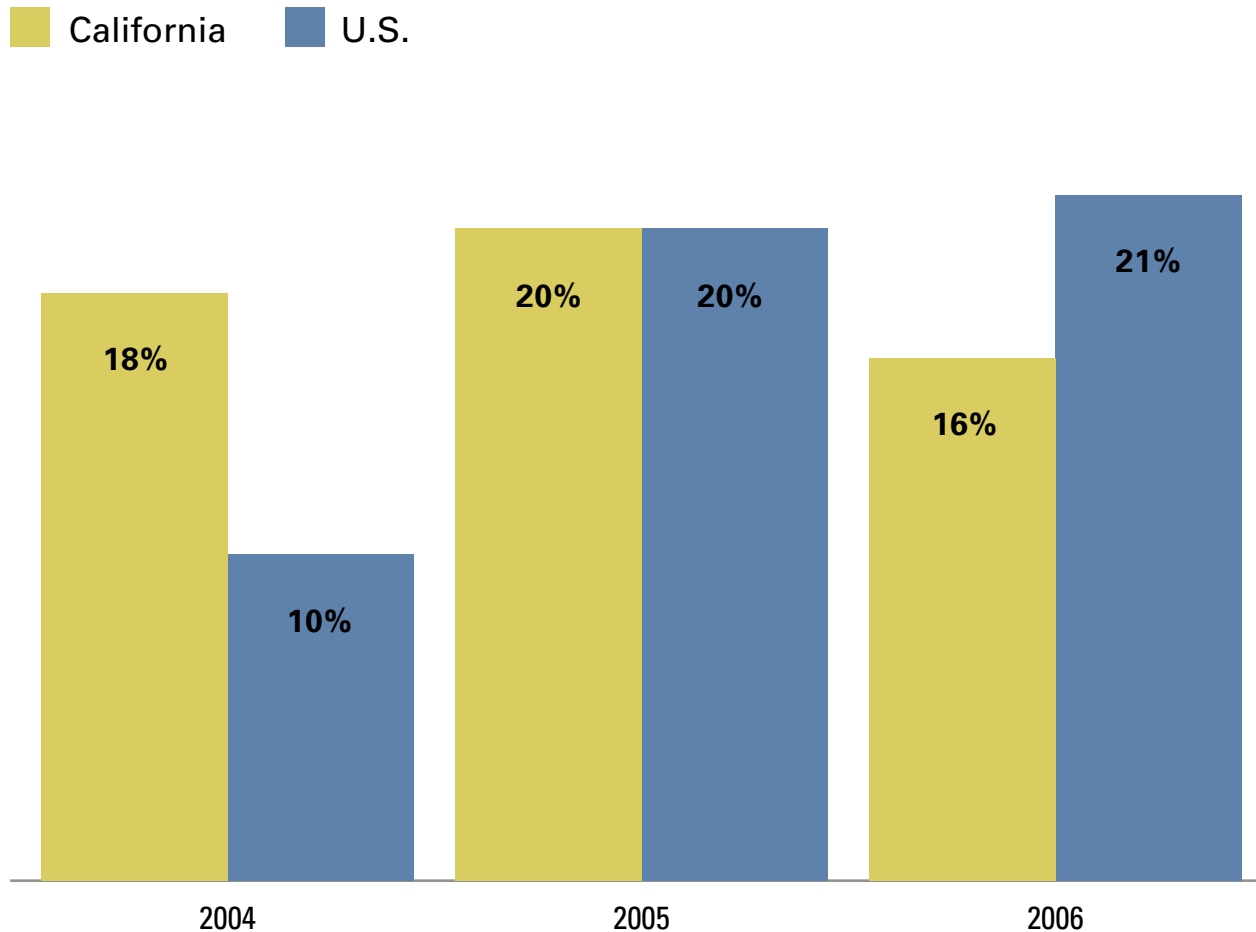


*Distribution is statistically different from previous year shown.

Note: Conventional plan enrollment in 2001 is less than 1 percent. Due to the addition of HDHP in 2006, no test was conducted comparing 2006 with 2005.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2001–2003*; Kaiser/HRET *Employer Health Benefits Survey: 2001–2006*.

Firms Offering a High-Deductible Health Plan,* CA vs. U.S.,† 2004 to 2006



Employer Health Benefits Enrollment/Choice

The percentage of California employers offering an HDHP has been fairly stable since 2004, whereas nationally, it has doubled from 10 percent in 2004 to 21 percent in 2006.

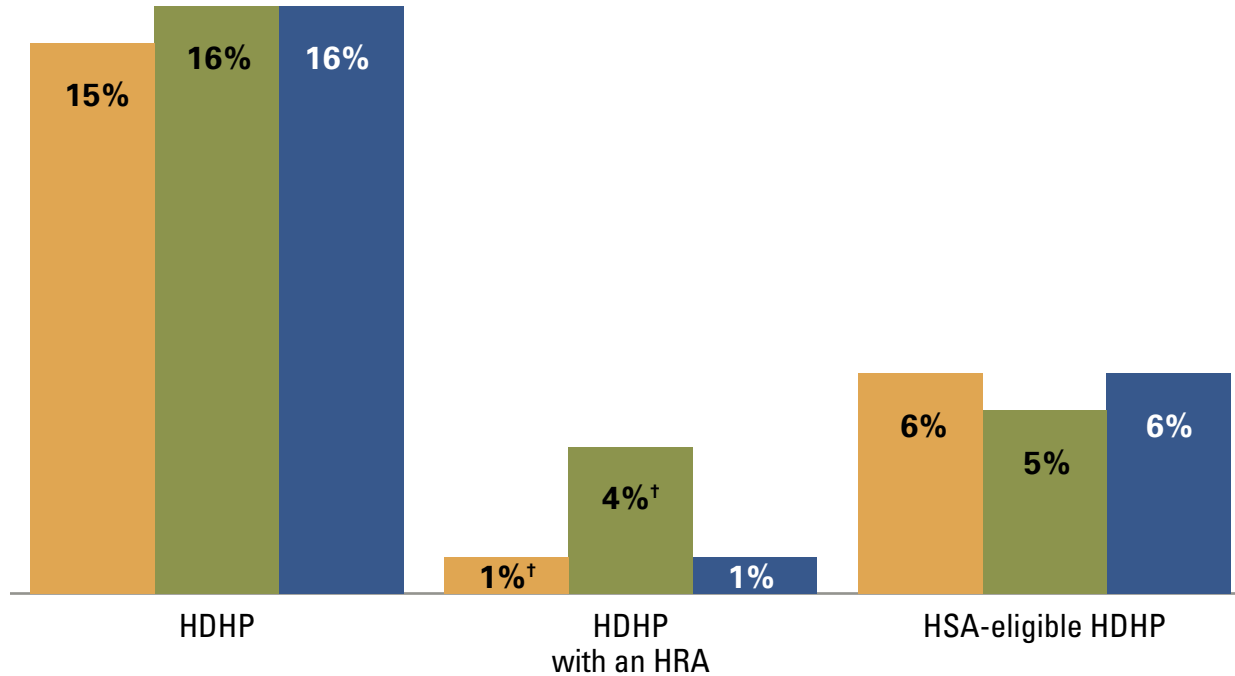
*Defined as having a deductible of at least \$1,000 for single coverage, and at least \$2,000 for family coverage.

†Tests found no statistically different estimates between California and the U.S.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*.

Firms Offering a High-Deductible Health Plan,* by Firm Size, 2006

■ Small Firms
 ■ Large Firms
 ■ All Firms



*Includes a high-deductible health plan (having a deductible of at least \$1,000 for single coverage, and at least \$2,000 for family coverage); HDHP with health reimbursement arrangement; or a health savings account-eligible HDHP.

[†]Estimate is statistically different from all other firms.

Sources: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

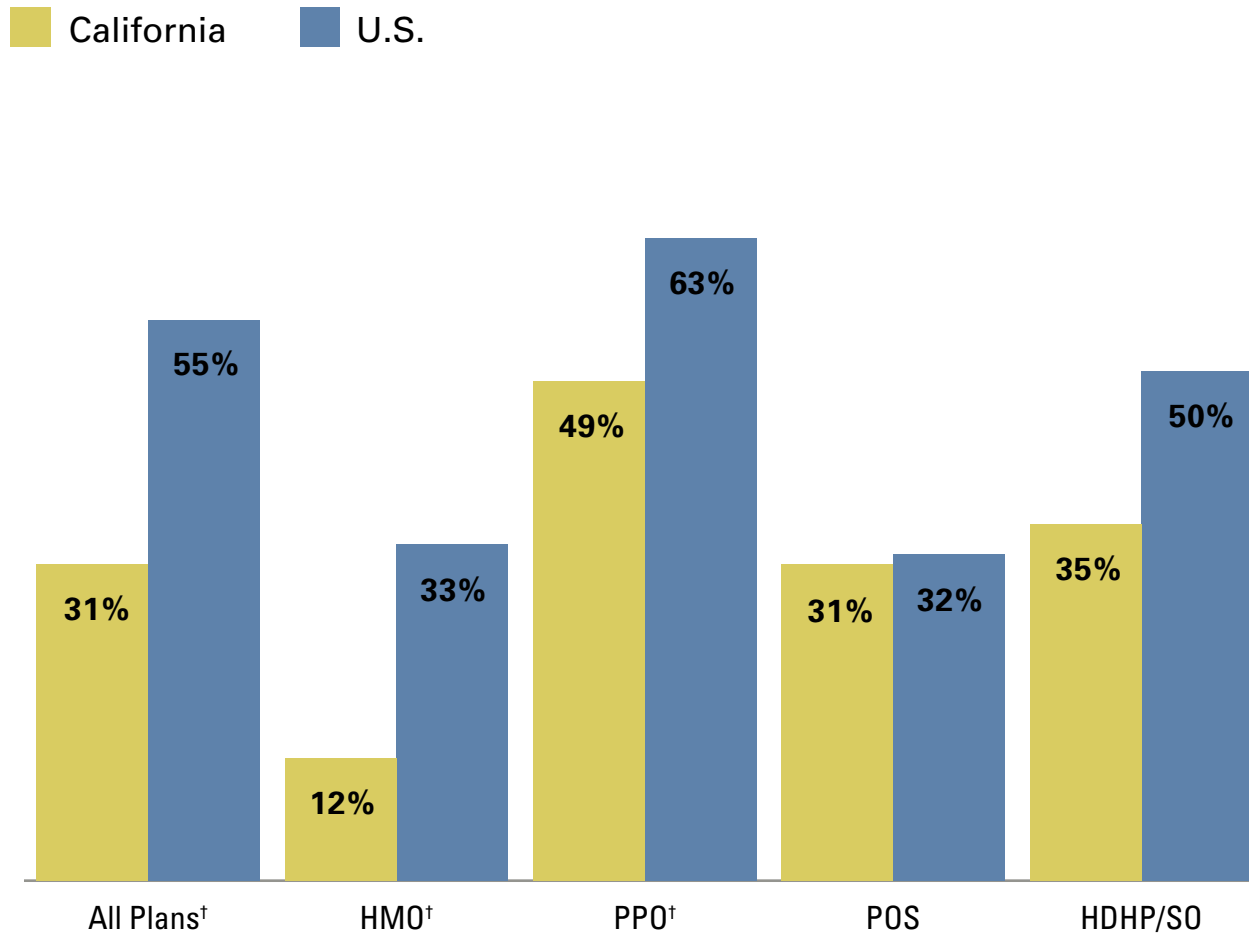
Employer Health Benefits Enrollment/Choice

Approximately

15 percent of all small firms offered an HDHP in 2006, which is similar to the 16 percent of all large firms (200 or more employees).

Just 1 percent of firms offered an HDHP with an HRA, while 6 percent offered an HSA-eligible HDHP.

Employees in Partly or Entirely Self-insured Plans,* CA vs. U.S., 2006



*Self-insured plans are plans where an employer assumes responsibility for paying health care claims rather than buying coverage from an insurer.

†Estimate is statistically different between California and the U.S.

Sources: CHCF/HSC *California Employer Health Benefits Survey, 2006*; Kaiser/HRET *Survey of Employer-Sponsored Health Benefits, 2006*.

Employer Health Benefits Enrollment/Choice

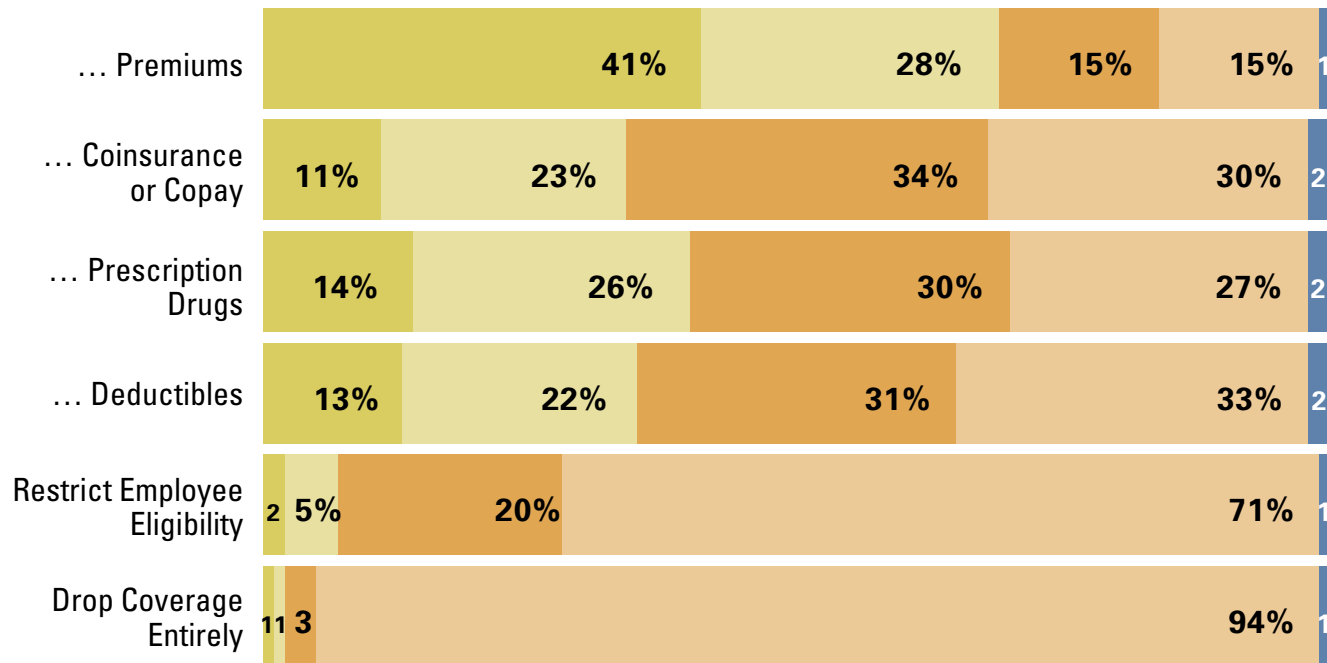
Thirty-one percent of Californians with employer-sponsored coverage were in a self-insured plan in 2006, compared with 55 percent nationally. This difference results in large part from the fact that more Californians are enrolled in HMOs than employees nationally; HMOs are less likely than other types of plans to be self-insured.

Likelihood of Large Employers Making Select Changes in 2007

Likelihood

Very Somewhat Not Too Not at All Don't Know

Increase Amount Employees Pay for...



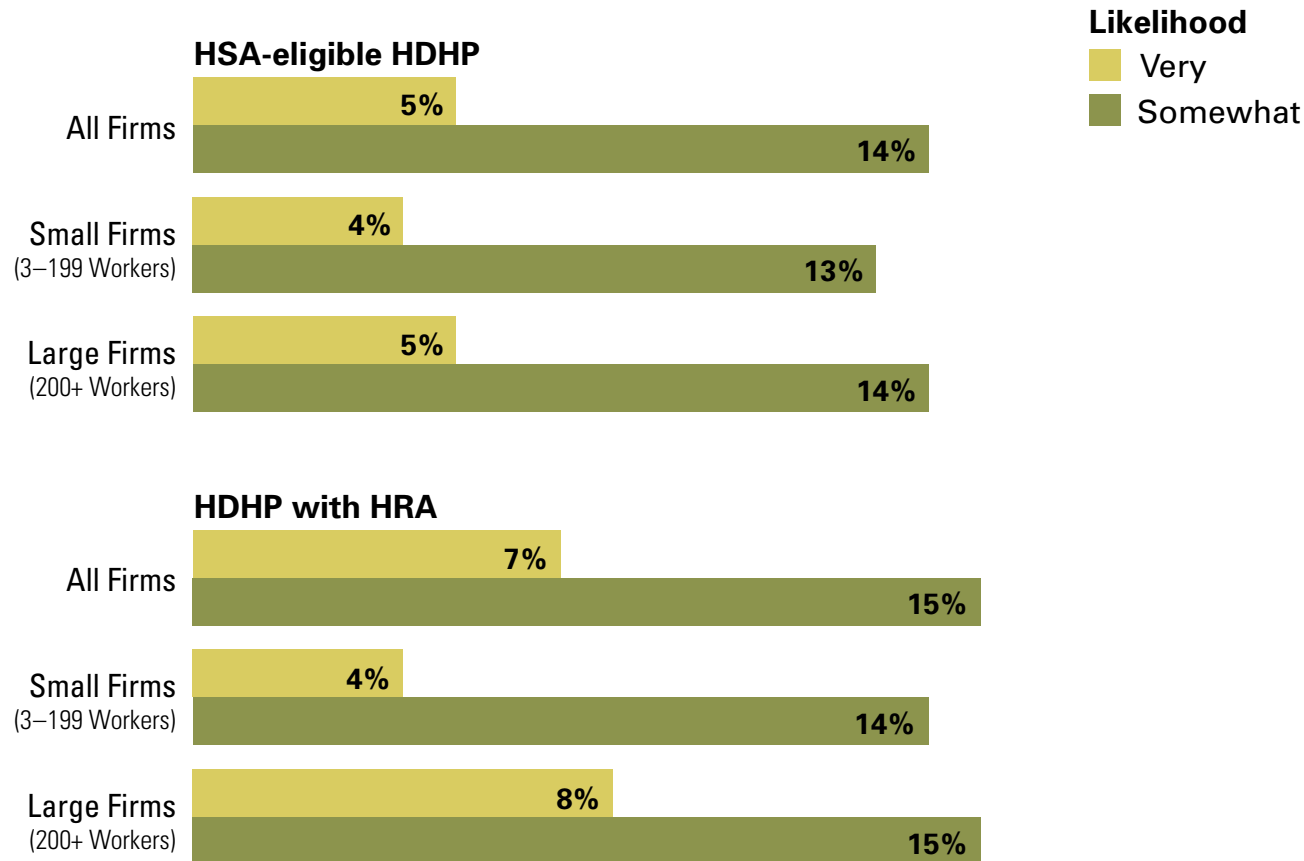
Note: Large employers defined as having 200 or more employees.

Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Employer Attitudes

Forty-one percent of large employers reported that they are “very likely” to increase the amount employees pay for health insurance premiums in 2007, with another 28 percent “somewhat likely” to do so.

Likelihood of Firms to Offer High-Deductible Plan* with an HRA or HSA in 2007,[†] by Firm Size



*High-deductible plan is defined as having a deductible of \$1,000 or more for single coverage, and \$2,000 or more for family coverage.

[†]Tests found no statistically different estimates from all other firms.

Note: HRA is a health reimbursement arrangement and HSA is a health savings account.

Source: CHCF/HSC *California Employer Health Benefits Survey: 2006*.

Employer Health Benefits Employer Attitudes

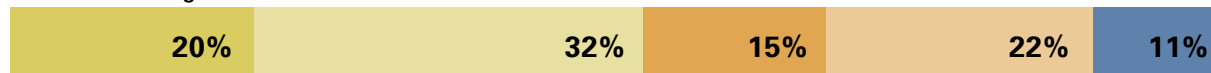
Five percent of employers reported that they are “very likely” and 14 percent reported that they are “somewhat likely” to offer an HSA-eligible HDHP in the next year. Seven percent of employers reported that they are “very likely” and 15 percent are “somewhat likely” to offer a high-deductible health plan with a health reimbursement arrangement in the next year.

Opinions on the Effectiveness of Cost Containment Strategies, 2006

Effectiveness

■ Very
 ■ Somewhat
 ■ Not Too
 ■ Not at All
 ■ Don't Know

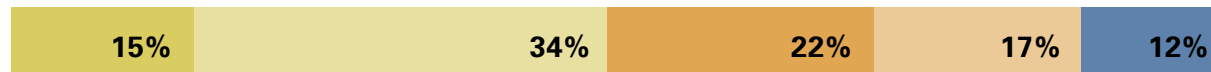
Disease Management



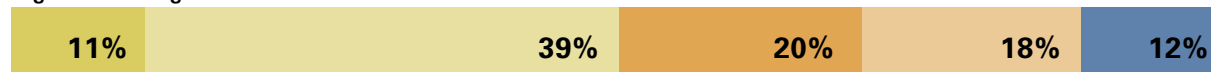
Higher Employee Cost Sharing



Consumer Driven Health Plans*



Tighter Managed Care Networks



*For example, a high-deductible plan with a health savings account.

Source: CHCF/HSC California Employer Health Benefits Survey: 2006.

Employer Health Benefits Employer Attitudes

Few firms viewed current cost containment strategies as highly effective at reducing premium increases.

Methodology

The *California Employer Health Benefits Survey* is a joint product of the California HealthCare Foundation (CHCF) and The Center for Studying Health System Change (HSC). The survey was designed and analyzed by researchers at HSC, and administered by National Research LLC (NR). The findings are based on a random sample of 802 interviews with employee benefit managers in private firms in California. NR conducted interviews from April to July 2006. As with prior years, the sample of firms was drawn from the Dun & Bradstreet list of private employers with three or more workers. The margin of error for responses among all employers is +/- 3.4 percent; for responses among employers with 3 to 199 workers is +/- 4.5 percent; and among employers with 200 or more workers is +/- 5.5 percent. Some exhibits do not sum to 100 percent due to rounding effects.

This survey instrument is based on a national employer survey conducted annually by the Kaiser Family Foundation and HRET. The U.S. results in this study are drawn from that survey and are available on Kaiser's Web site at www.kff.org. Prior to 1999, the national survey was conducted by KPMG Peat Marwick LLP. This survey asked questions about the following types of health plans: health maintenance organizations (HMO), preferred

provider organizations (PPO), point-of-service (POS) plans, and high-deductible health plans with a savings option (HDHP/SO). Conventional (fee-for-service) plans are generally excluded from the plan type analyses because they comprise such a small share of the California market.

Many variables with missing information were identified as needing complete information within the database. To control for item non-response bias, missing values within these variables were imputed using either a distributional approach (continuous variables) or a hot-deck approach (categorical variables). Calculation of the weights follows a common approach. First, the basic weight is determined, followed by a survey non-response adjustment. Next, the weights are trimmed in order to reduce the influence of weight outliers. Finally, a post-stratification adjustment is applied.

All statistical tests in this chart pack compare either changes over time, a plan specific estimate with an overall estimate, subcategories versus all other firms (e.g., firms with 3 to 9 workers vs all other firms), or California with the United States. Tests include t-tests and chi-square tests and significance was determined at $p < 0.05$ level. Due to the complex nature of the design, standard errors are calculated in SUDAAN.

AN IMPORTANT NOTE ABOUT THE METHODOLOGY: Rates of change for worker or employer contributions to premiums and other variables should not be calculated by comparing dollar values in this report to data reported in past CHCF or KFF publications, due to both the survey's sampling design and the way in which plan information is collected. Rates of change in premiums are collected directly as a question in the survey. Because the survey does not collect information on the rate of change in other variables, this information is not reported and should not be calculated by comparing results to data from previous surveys.

In prior years, the sample of employers was post stratified using frequency distributions from Dun & Bradstreet. Concerns about the volatility of counts in recent years led Kaiser/HRET to use the Statistics of U.S. Businesses conducted by the U.S. Census as the basis for the post-stratification adjustment in 2003. Due to this change, Kaiser/HRET recalculated the weights for survey years 1999-2002 and modified estimates published in the survey where appropriate. The majority of these new estimates are not statistically different from the old estimates. However, please note that the survey data published in this chart pack may vary slightly from reports published in 2003 and earlier.

Employer Health Benefits Appendix

GIVE US YOUR FEEDBACK

Was the information provided in this report of value? Are there additional kinds of information or data you would like to see included in future reports of this type? Is there other research in this subject area you would like to see?

We would like to know.



Click to complete our survey at www.chcf.org/feedback and enter Report Code #1127. Thank you.

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