



CALIFORNIA
HEALTHCARE
FOUNDATION

NORC

California Employer Health Benefits Survey

December 2007

Introduction

Employer-sponsored coverage is the leading source of health insurance coverage in the state, as well as in the country. As such, changes in employer offering rates, premiums, benefit design, and employee 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 2007 *California Employer Health Benefits Survey* and shows how health insurance premiums and many other items of interest have changed over time. Key findings from the study:

- Health insurance premiums increased 8.3 percent in California in 2007, outpacing a 6.1 percent rise in premiums nationally. Since 2002, premiums in California have increased 86.3 percent compared to 78.5 percent nationally.
- The 8.3 percent increase in the cost of employer-based health insurance was more than double the California inflation rate of 3.4 percent.
- While HMO premium increases generally outpaced PPO premium increases (10 percent vs. 8 percent), HMO monthly premiums were much less costly than PPO monthly premiums.
- The percentage of covered workers enrolled in a high-deductible health plan with a savings option increased from 2 to 4 percent from 2006 to 2007.

- Two-thirds of California employers provided coverage for same-sex domestic partners, almost double the national average.
- In 2007, the total average cost of single coverage in California was \$4,482, of which workers contributed \$561. The total average cost for family coverage was \$12,297, of which workers contributed \$3,103. Workers in small firms contributed significantly more for family coverage than did workers in large firms.
- Forty-one percent of large employers (200 or more workers) in California reported that they are very or somewhat likely to increase the amount employees pay for coinsurance or copayments in 2008. Thirty-seven percent are very or somewhat likely to increase the cost sharing for prescription drugs, and 36 percent are very or somewhat likely to increase the amount employees pay towards premiums.

Changes in benefit design and increased cost sharing on the part of California employees could have implications for how all Californians, especially those with lower incomes, use health care services.

Additional information on the project methodology is available on page 45.

Employer Health Benefits

Introduction

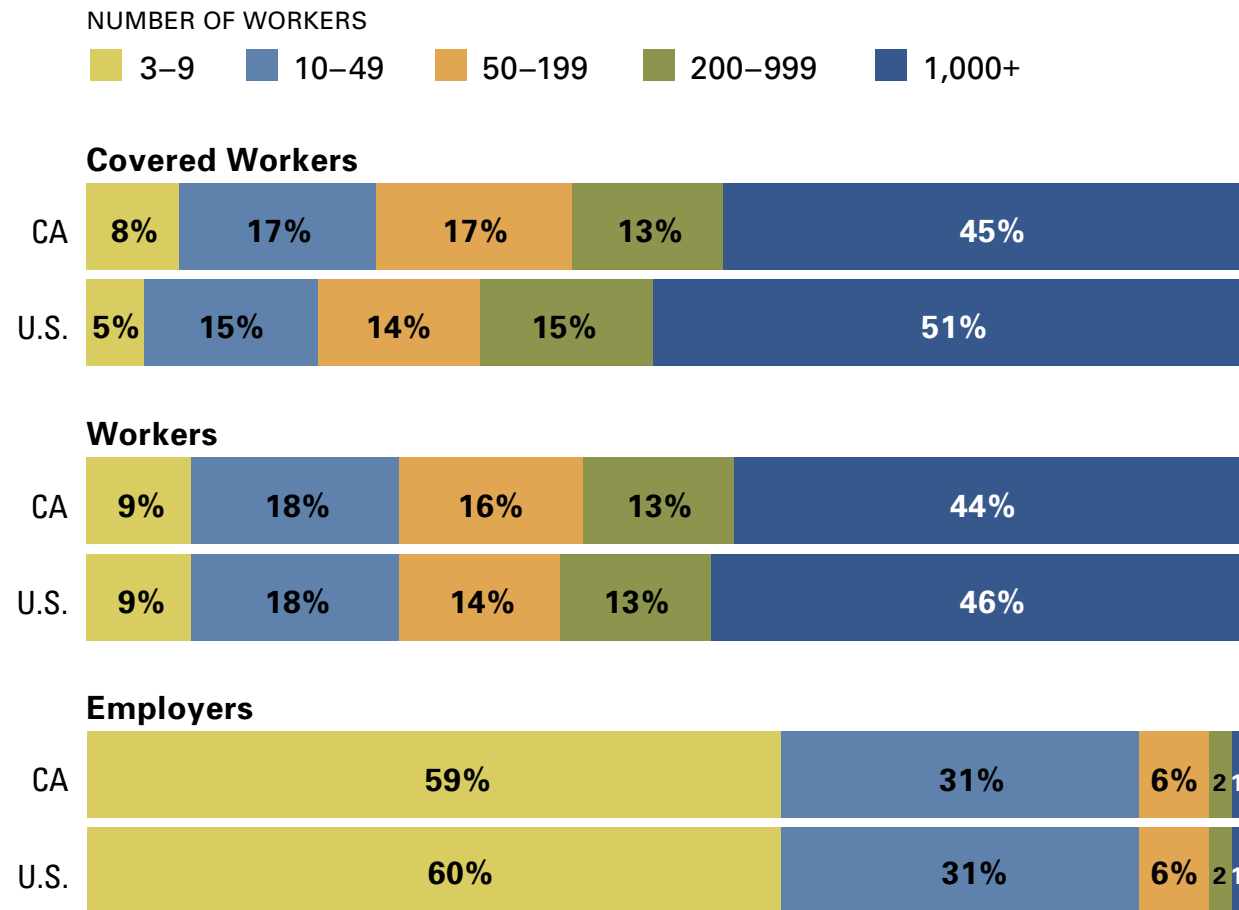
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Covered Workers, Workers, and Employers, by Firm Size, California vs. U.S., 2007

Employer Health Benefits Overview

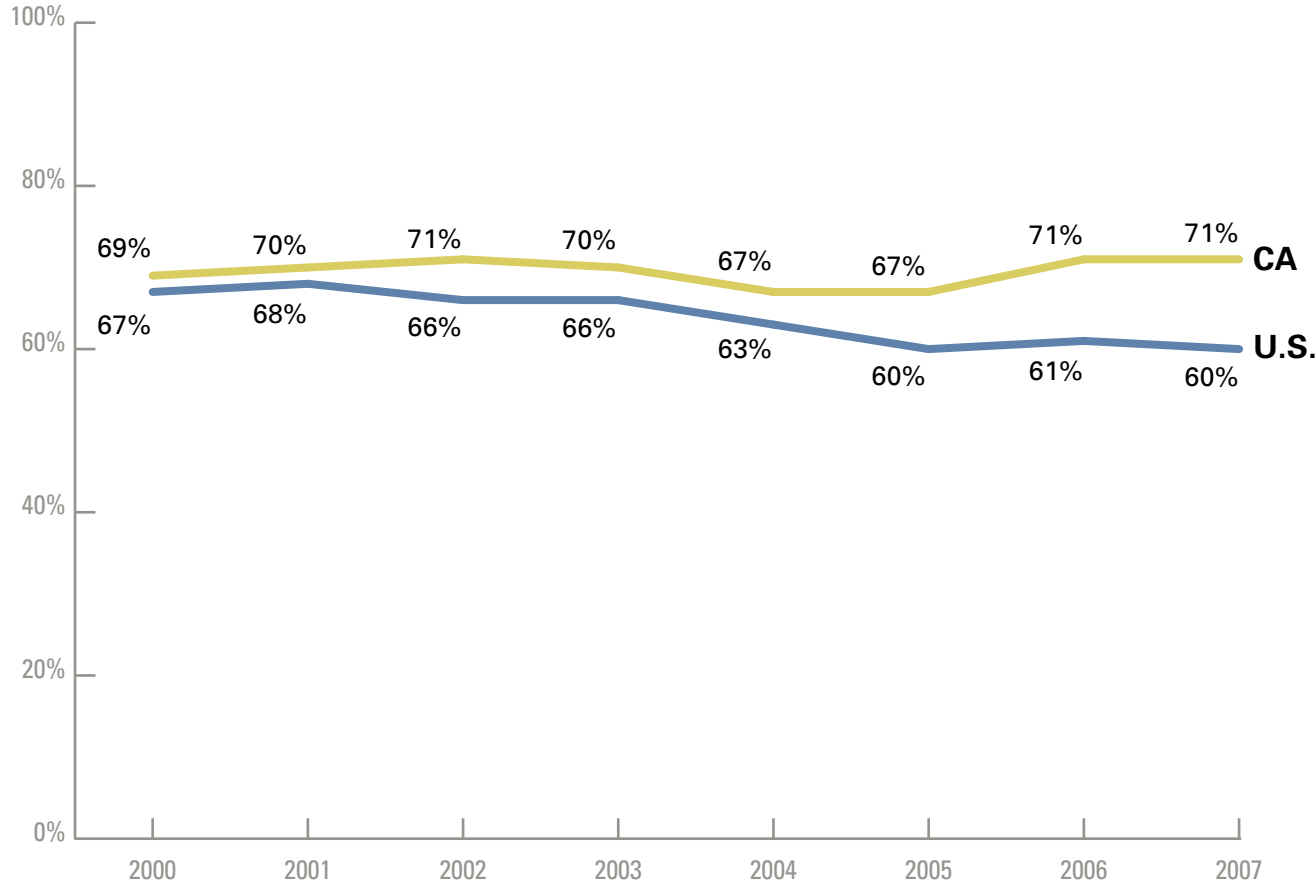
In 2007, small employers with 3 to 49 employees represented 90 percent of employers in California; however, employees in small firms represented just 27 percent of workers and 25 percent of covered workers.



Note: Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

Employers Offering Coverage, California vs. U.S., 2000 to 2007*



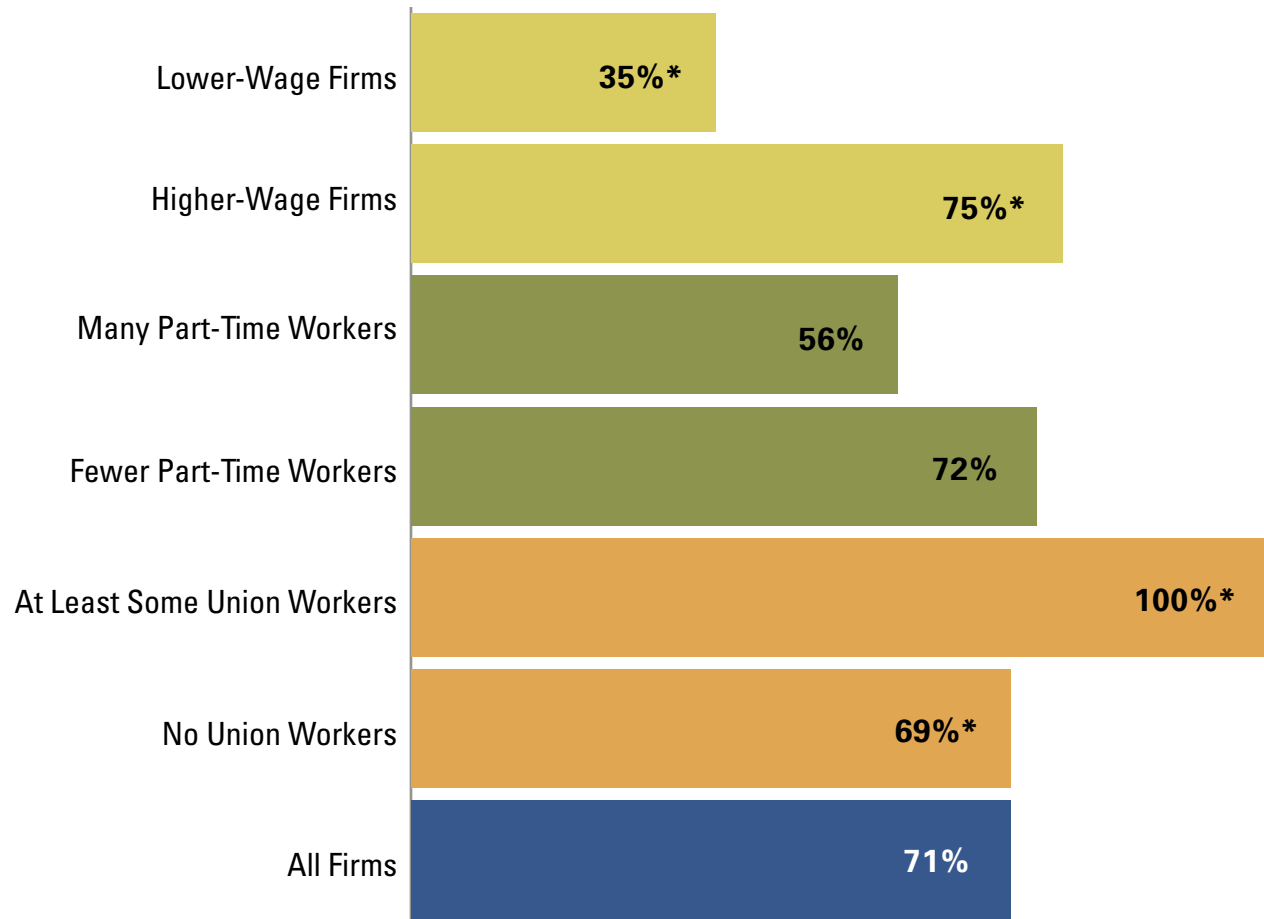
*Tests found no statistically different estimates from the previous year.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; 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*; and Kaiser/HRET *Employer Health Benefits Survey: 2000–2007*.

Employer Health Benefits Coverage Availability

A higher percentage of California employers offered coverage in 2007 than nationally.

Employers Offering Coverage, by Firm Characteristics, 2007



*Estimate is statistically different from All Firms.

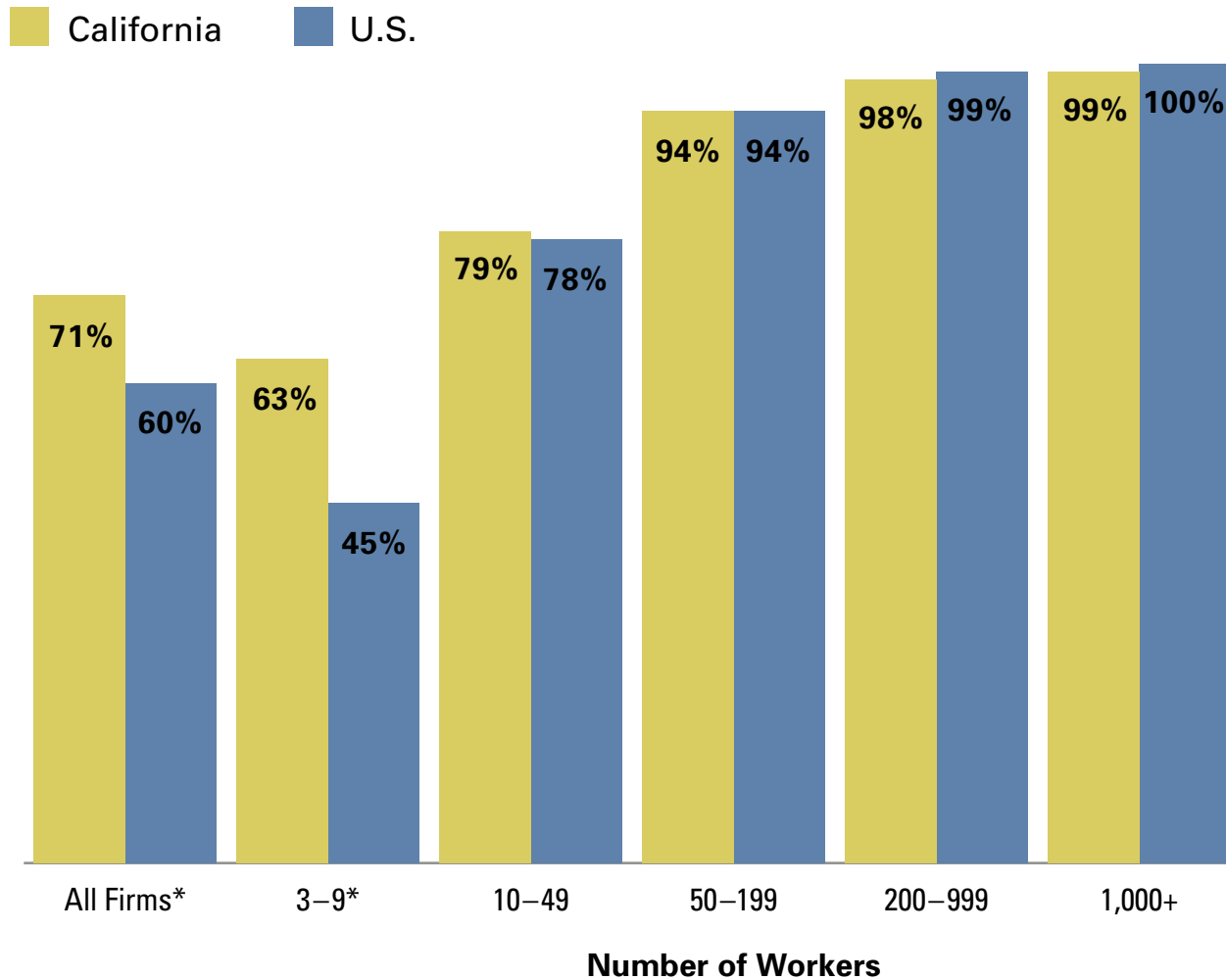
Notes: Lower-wage firms are defined as 35 percent or more of the workforce earning \$21,000 or less per year. "Many part-time workers" are defined as 35 percent or more of the workforce working part-time, according to employer definition.

Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

Employer Health Benefits Coverage Availability

The probability of firms offering coverage varied widely by firm characteristics. Only 35 percent of lower-wage California firms offered health benefits in 2007, versus 75 percent of higher-wage firms.

Employers Offering Coverage, by Firm Size, California vs. U.S., 2007



Employer Health Benefits Coverage Availability

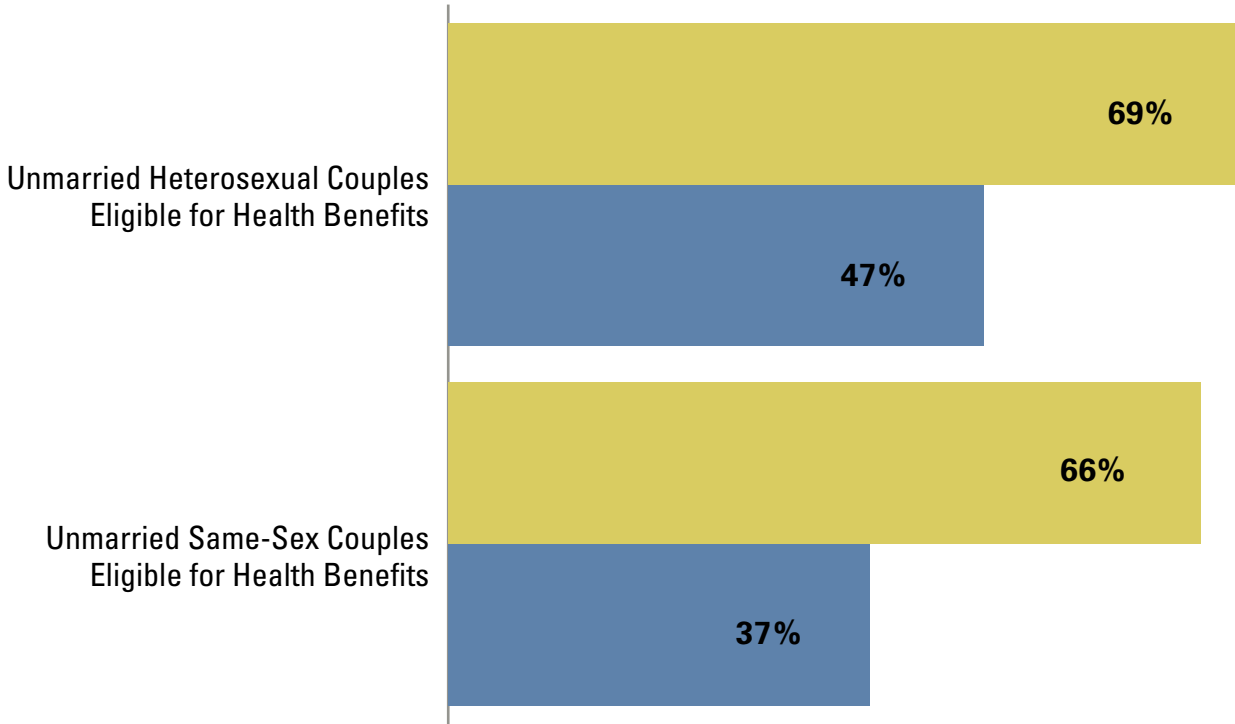
Sixty-three percent of California's smaller companies (3 to 9 workers) provided coverage in 2007, a rate significantly higher than nationally. Offer rates for all other firm sizes were comparable in California and the nation.

*Estimate is statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Employers Offering Coverage to Domestic Partners, California vs. U.S., 2007*

California
U.S.



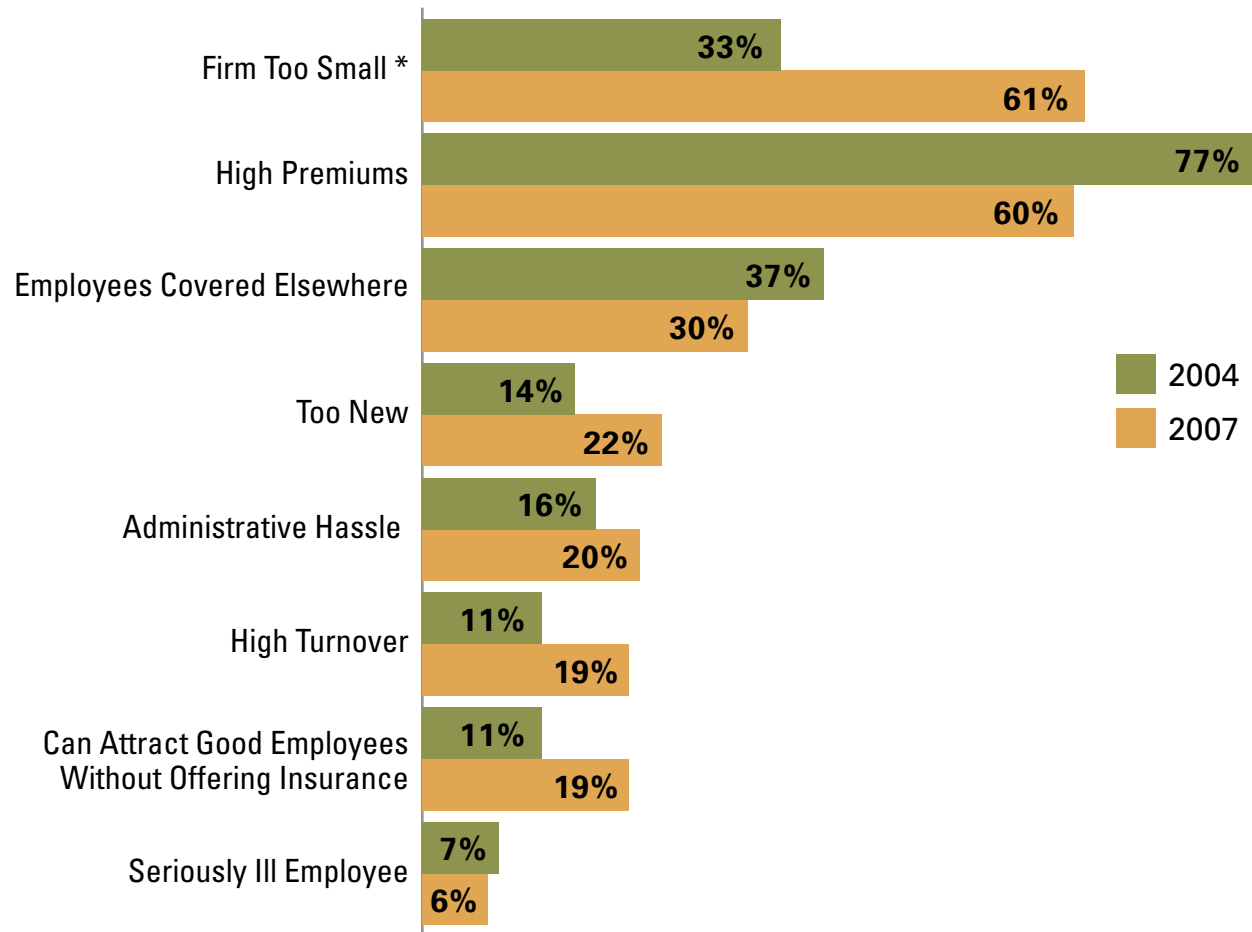
Employer Health Benefits Coverage Availability

Nearly seven of every ten firms in California offered health benefits to same-sex domestic partners in 2007, almost double the national rate.

*Estimate is statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Firms Reporting “Very Important” Reasons to Not Offer Coverage, 2004 and 2007



Employer Health Benefits Coverage Availability

Sixty-one percent of California employers in 2007 cited being “too small” as the primary reason for not offering coverage. In 2004, only 33 percent of employers cited that as a reason.

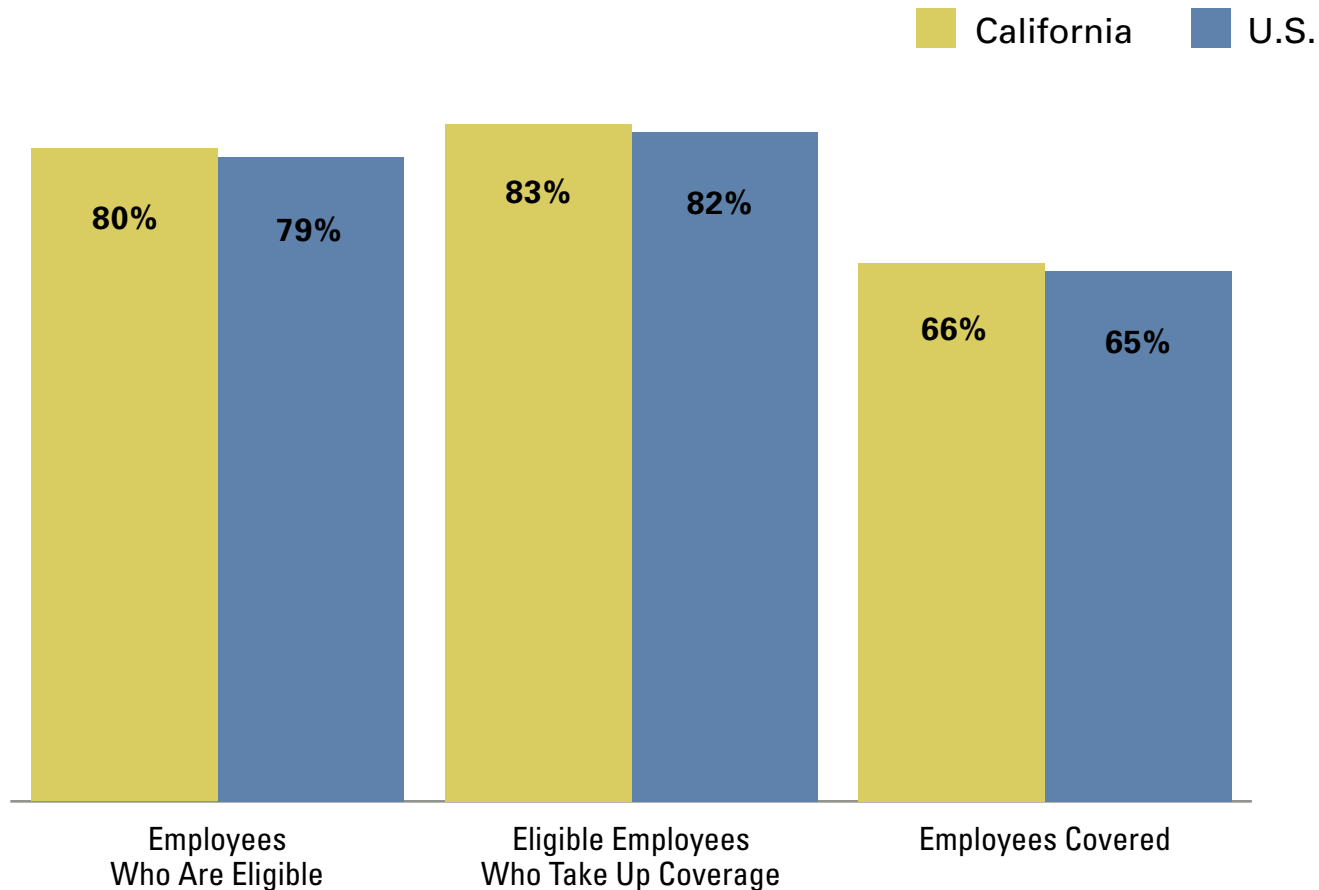
High premiums were also frequently given as a “very important” reason for not offering coverage.

*Estimates are statistically different between 2004 and 2007.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and CHCF/HRET *California Employer Health Benefits Survey: 2004*.

Employee Eligibility, Take-Up Rates, and Coverage, California vs. U.S., 2007*

Within Firms Offering Coverage...



Employer Health Benefits Coverage Availability

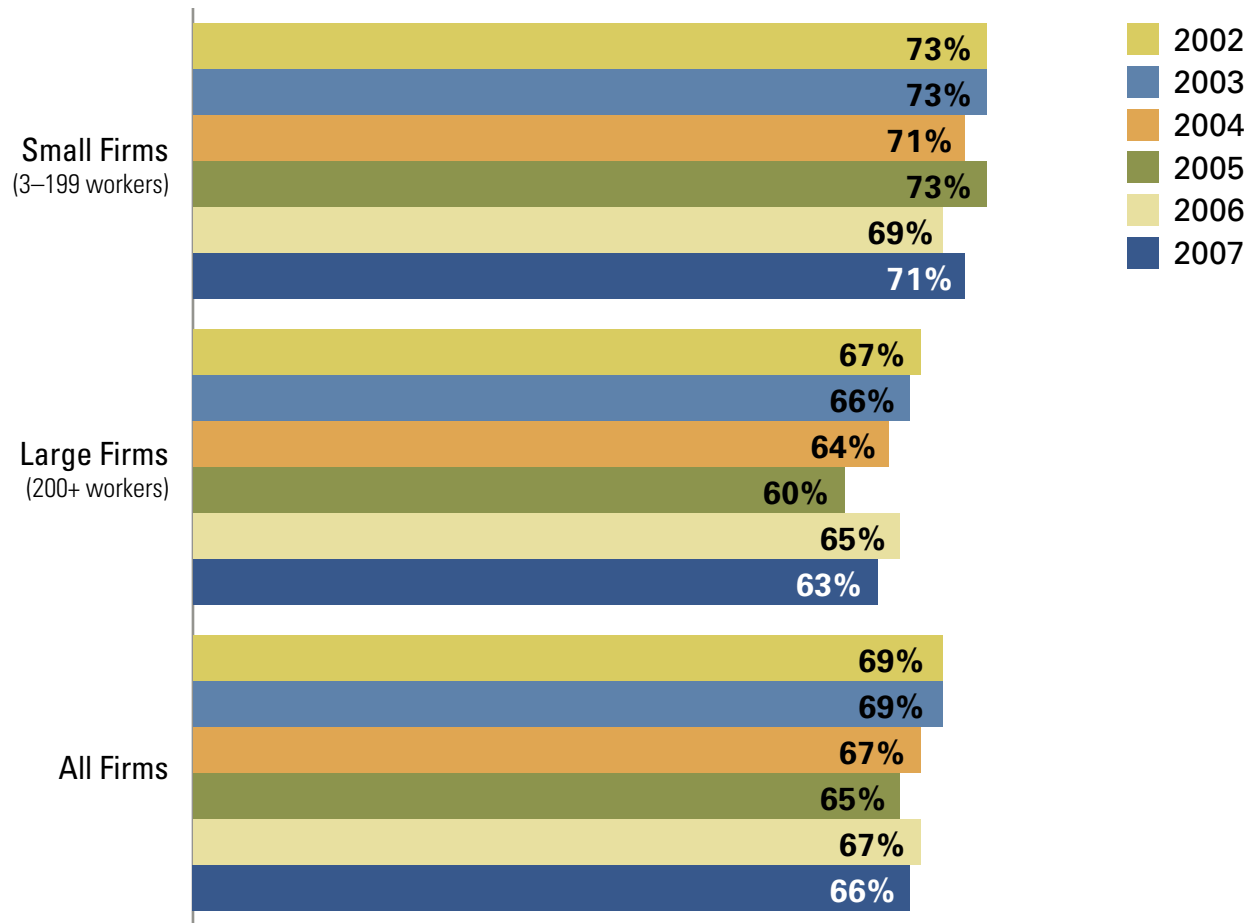
Eighty percent of California employees working in firms offering coverage were eligible for health benefits, and 83 percent of those elected to enroll.

Overall, 66 percent of employees working in California firms that offered health insurance in 2007 received coverage from that firm.

*Tests found no statistically different estimates between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Insurance Coverage Rates, by Firm Size, 2002 to 2007*



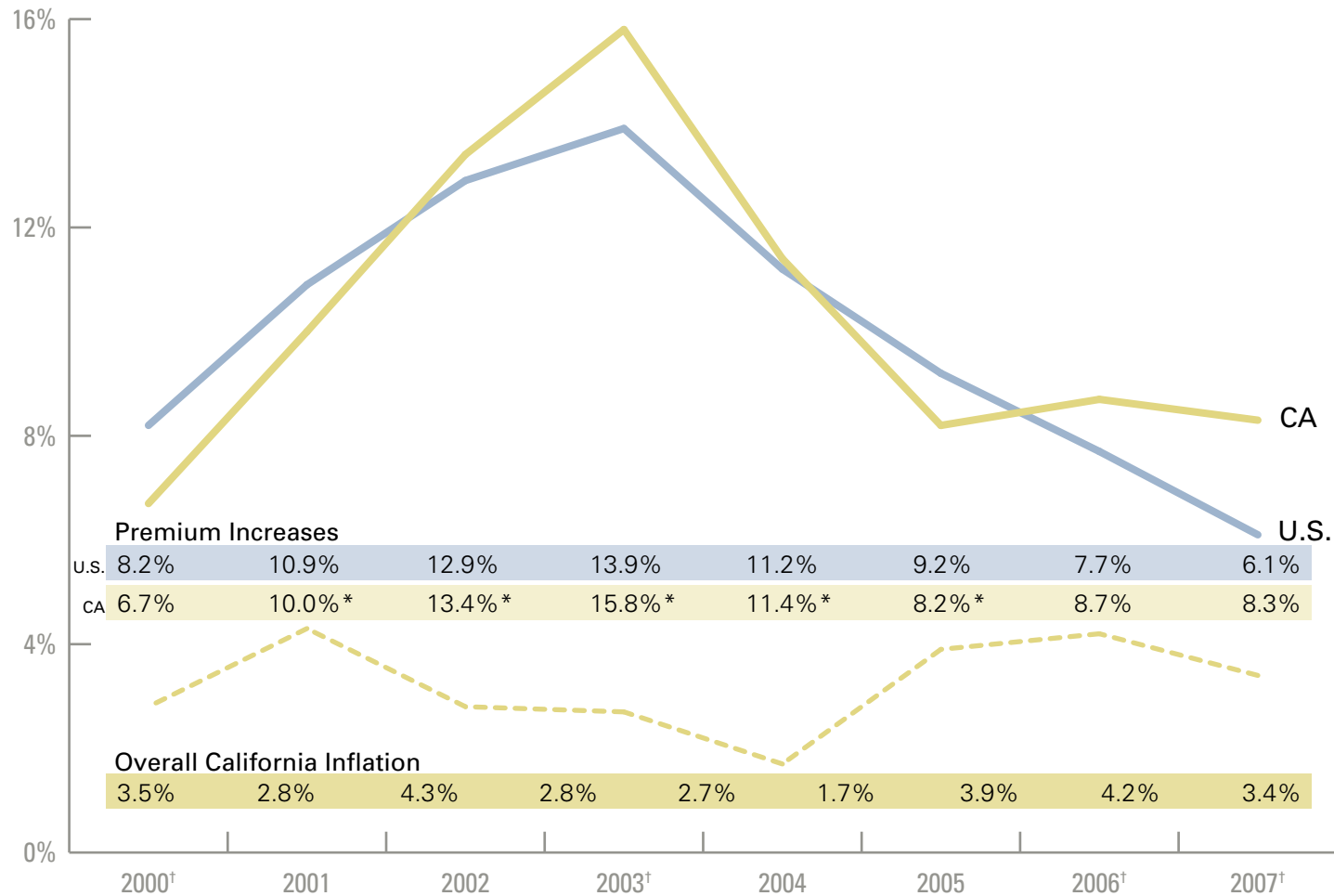
Employer Health Benefits Coverage Availability

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.

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

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *Survey of Employer-Sponsored Health Benefits: 2005-2006*; CHCF/HRET *Survey of Employer-Sponsored Health Benefits: 2004*; and Kaiser/HRET *Surveys of Employer-Sponsored Health Benefits: 2002-2003*.

Premium Increases Compared to Inflation, California vs. U.S., 2000 to 2007



Employer Health Benefits Costs

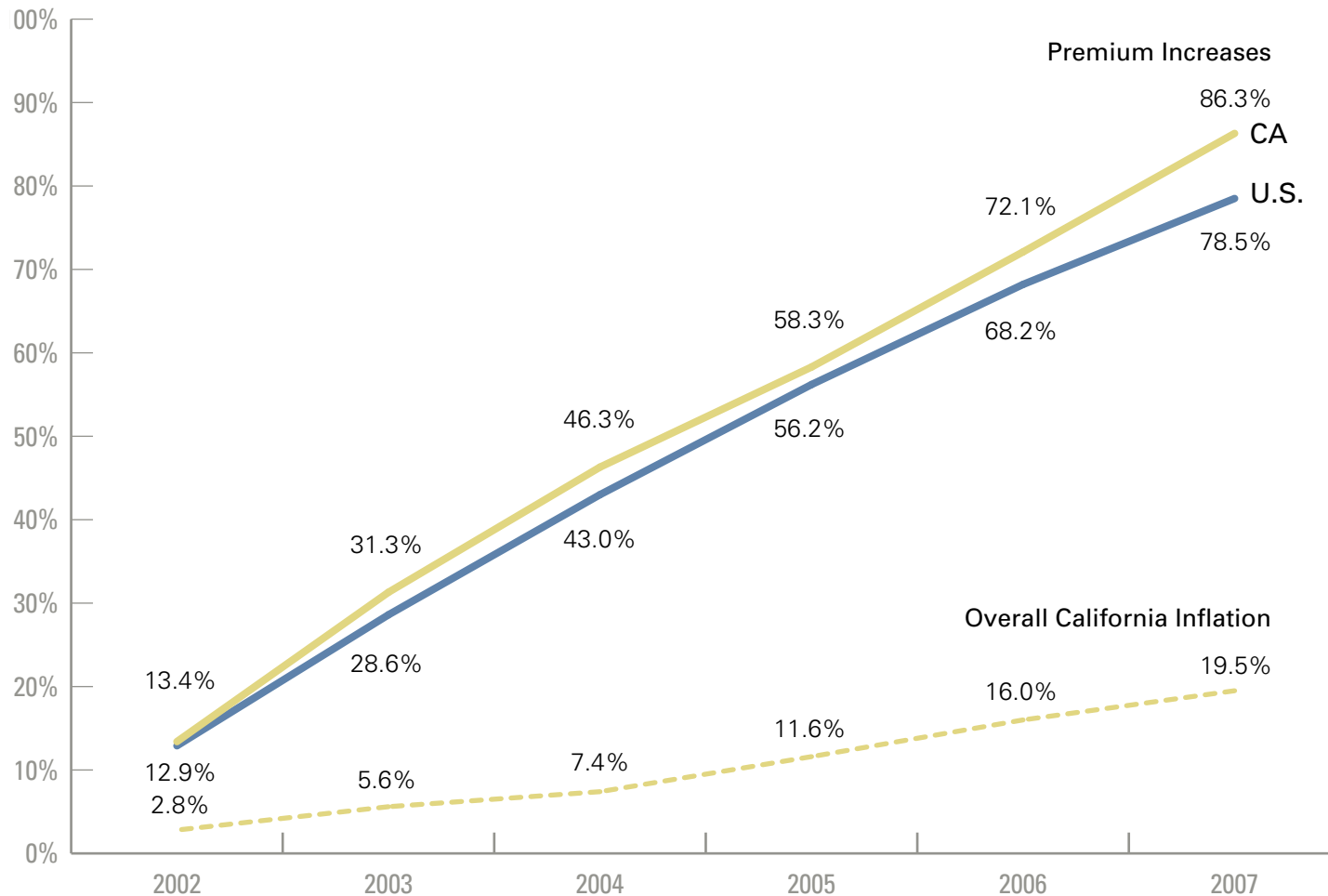
Premium increases in California in 2007 (8.3 percent) were more than double the California inflation rate of 3.4 percent, and higher than the national increase of 6.1 percent.

*Estimates are statistically different from the previous year shown.

†Estimates are statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; 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) 1999–2007.

Cumulative Premium Increases Compared to Inflation, California vs. U.S., 2002 to 2007

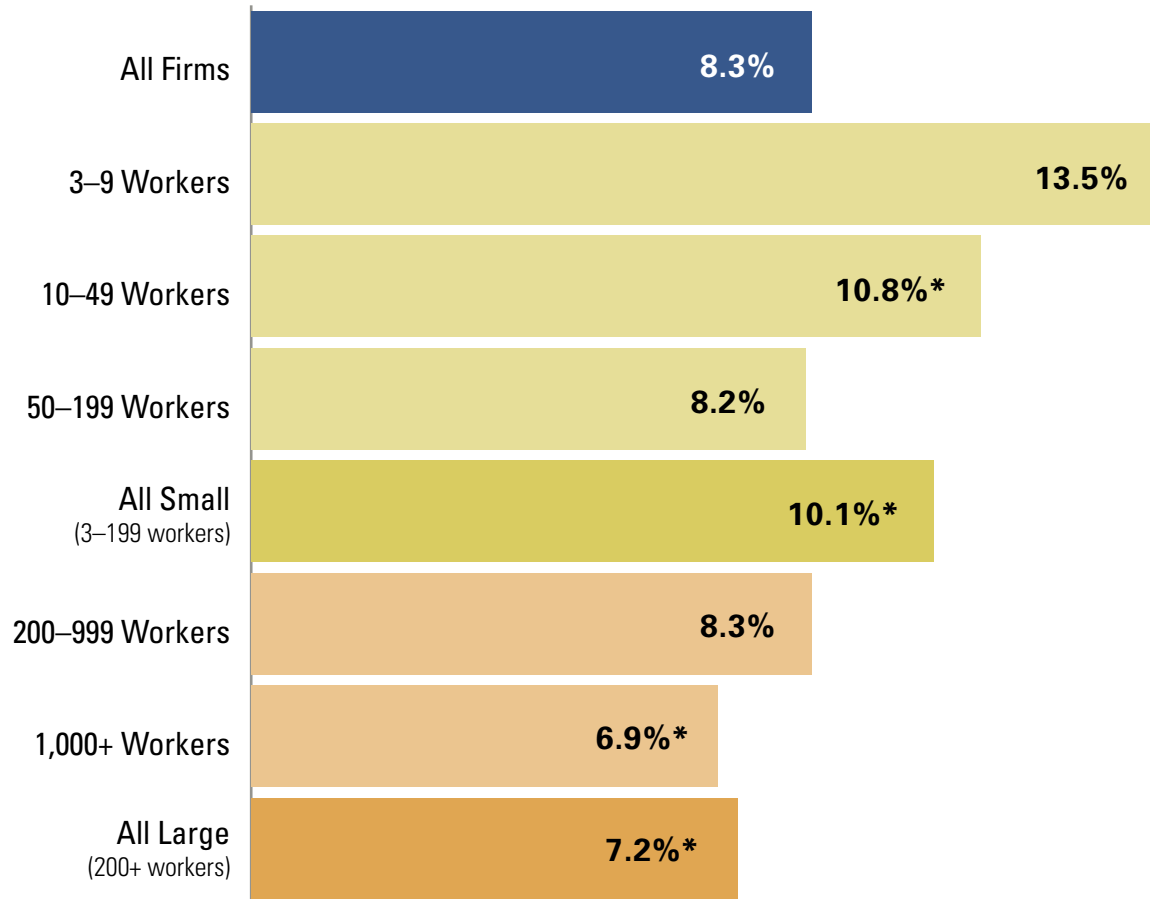


Employer Health Benefits Costs

Health insurance premiums in California have increased at a far greater rate (86.3 percent) than overall California inflation (19.5 percent) since 2002. The cumulative increase has been greater in California than the nation.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; 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) 2002–2007.

Increase in Premiums, by Firm Size, 2007



*Estimate is statistically different from All Firms.

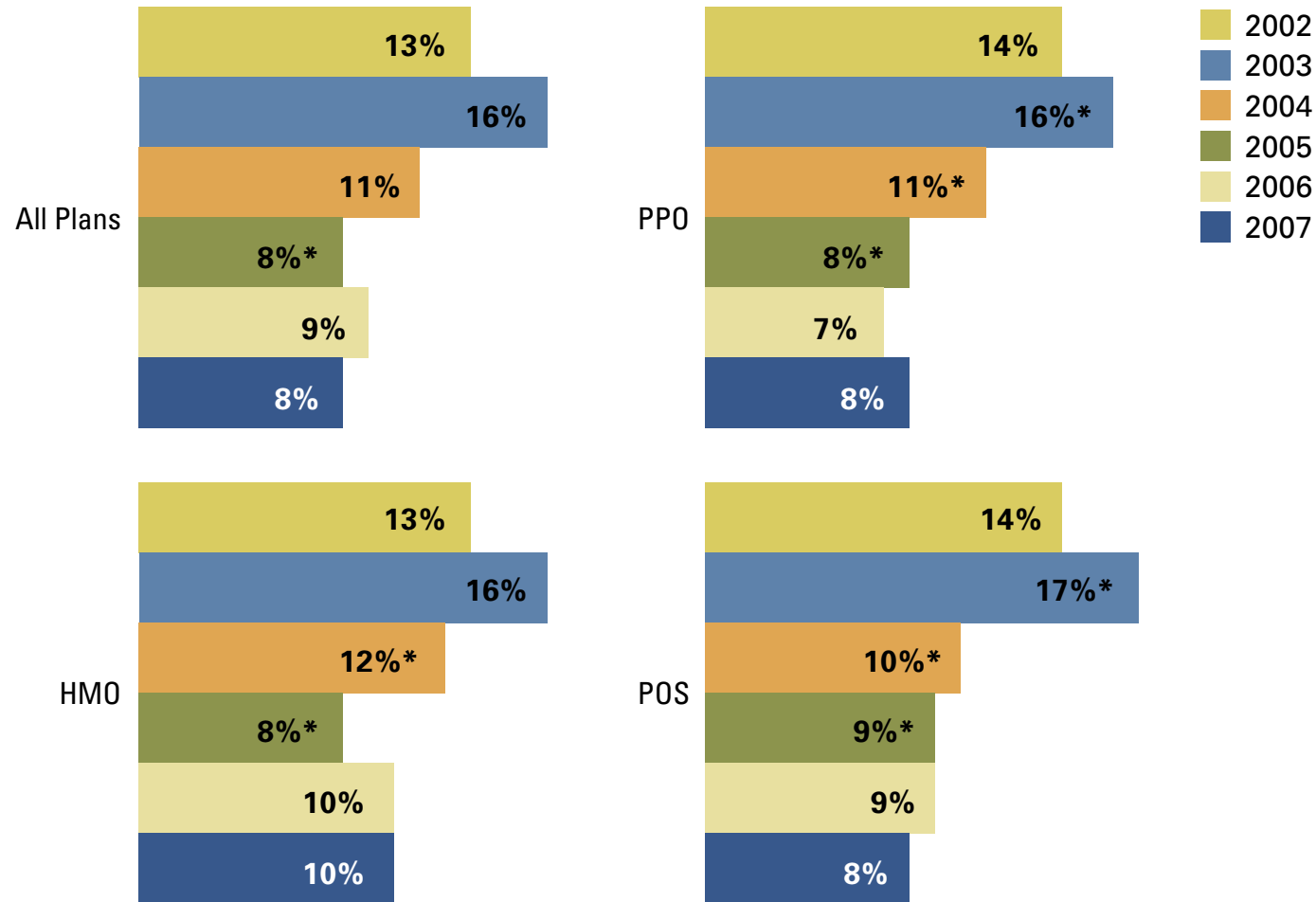
Note: Data are weighted by covered workers.

Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

Employer Health Benefits Costs

Premium increases were greater for small California employers than for large employers in 2007: small firms (3 to 199 workers) experienced average premium increases of 10.1 percent, compared with 7.2 percent for large firms (200 or more workers).

Increase in Premiums from Previous Year, by Plan Type, 2002 to 2007



*Estimates are statistically different from the previous year shown.

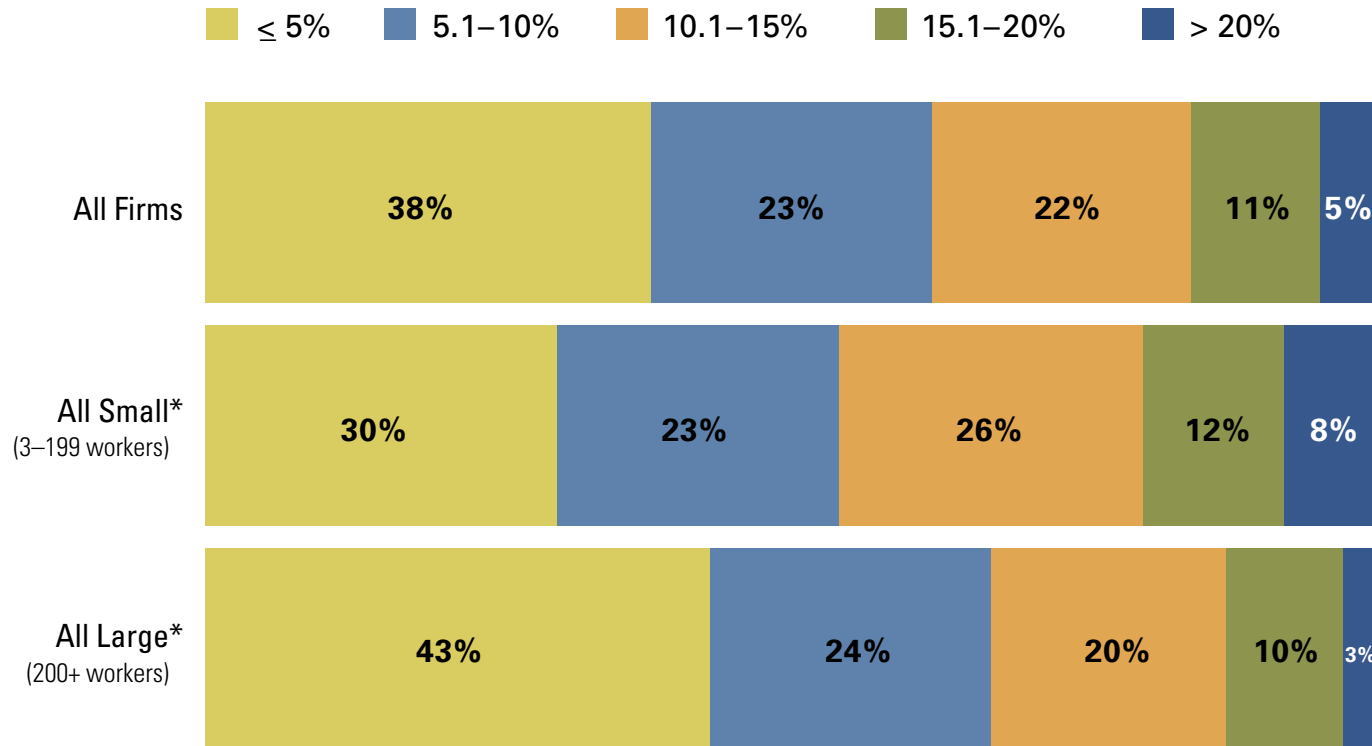
Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four. Data are weighted by covered workers.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; and Kaiser/HRET *California Employer Health Benefits Survey: 2002–2003*.

Employer Health Benefits Costs

Health insurance premium increases for all plan types changed little from 2006 to 2007. HMO premiums increased the most at 10 percent, while PPO and POS premiums increased 8 percent.

Premium Increase Percentage, by Firm Size, 2007



*Tests found no statistically different distributions from All Firms.
Note: Numbers may not add to 100 percent due to rounding.

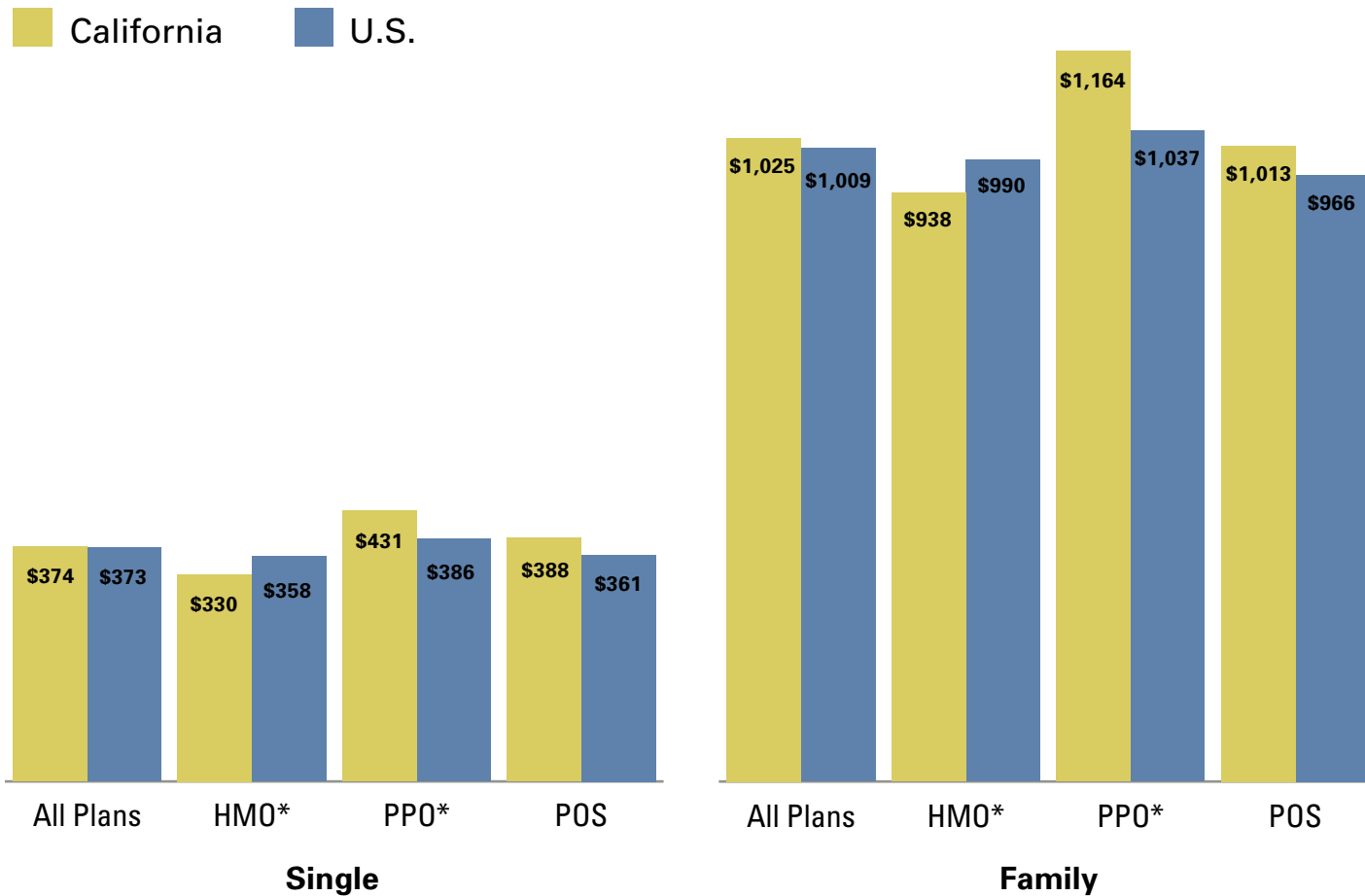
Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

Employer Health Benefits Costs

The majority of workers (61 percent) were employed in firms that had a premium increase less than or equal to 10 percent from 2006 to 2007.

Small firms were more likely to experience large premium increases; 20 percent of small firm employees worked in companies that had a premium increase greater than 15 percent, compared with only 13 percent of employees working for large firms.

Average Monthly Premiums, by Plan Type, California vs. U.S., 2007



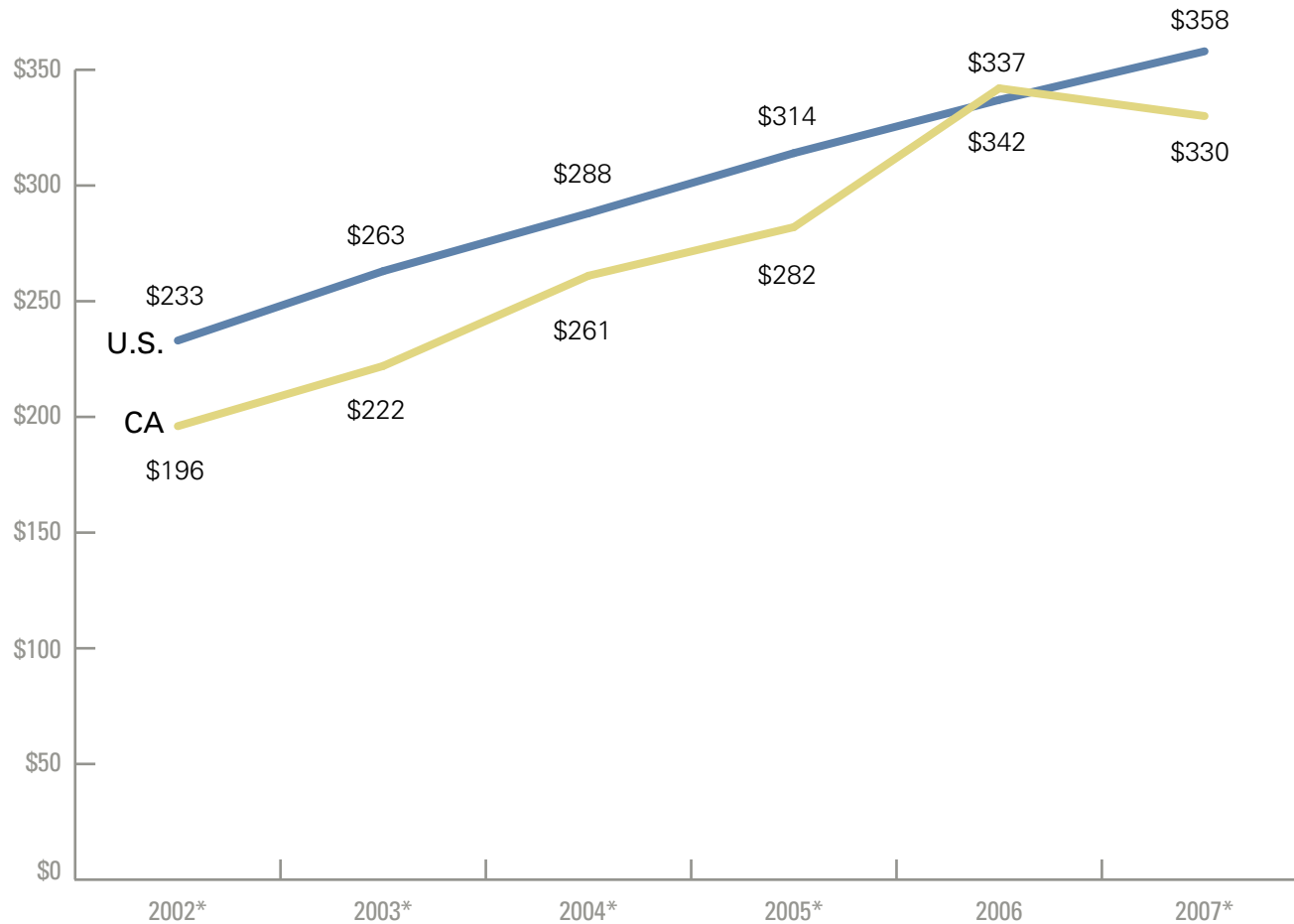
Employer Health Benefits Costs

Premiums for all plans in California were generally comparable to premiums nationally. California PPOs were more costly and HMOs slightly less costly than the nation.

*Estimates are statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Average Monthly HMO Premiums, Single Coverage, California vs. U.S., 2002 to 2007



*Estimates are statistically different between California and the United States.

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 11 for results.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; 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*; Kaiser/HRET *Employer Health Benefits Survey: 2002-2007*.

Employer Health Benefits Costs

With the exception of 2006, HMO premiums for single coverage from 2002 to 2007 were, on average, significantly less expensive in California than the nation.

Average Annual Worker and Employer Contributions, California vs. U.S., 2007

■ Worker Contribution ■ Employer Contribution

Single

	Worker Contribution	Employer Contribution	Total
CA	\$561*	\$3,921	\$4,482
U.S.	\$694*	\$3,785	\$4,479

Family

	Worker Contribution	Employer Contribution	Total
CA	\$3,103	\$9,194	\$12,297
U.S.	\$3,281	\$8,824	\$12,106

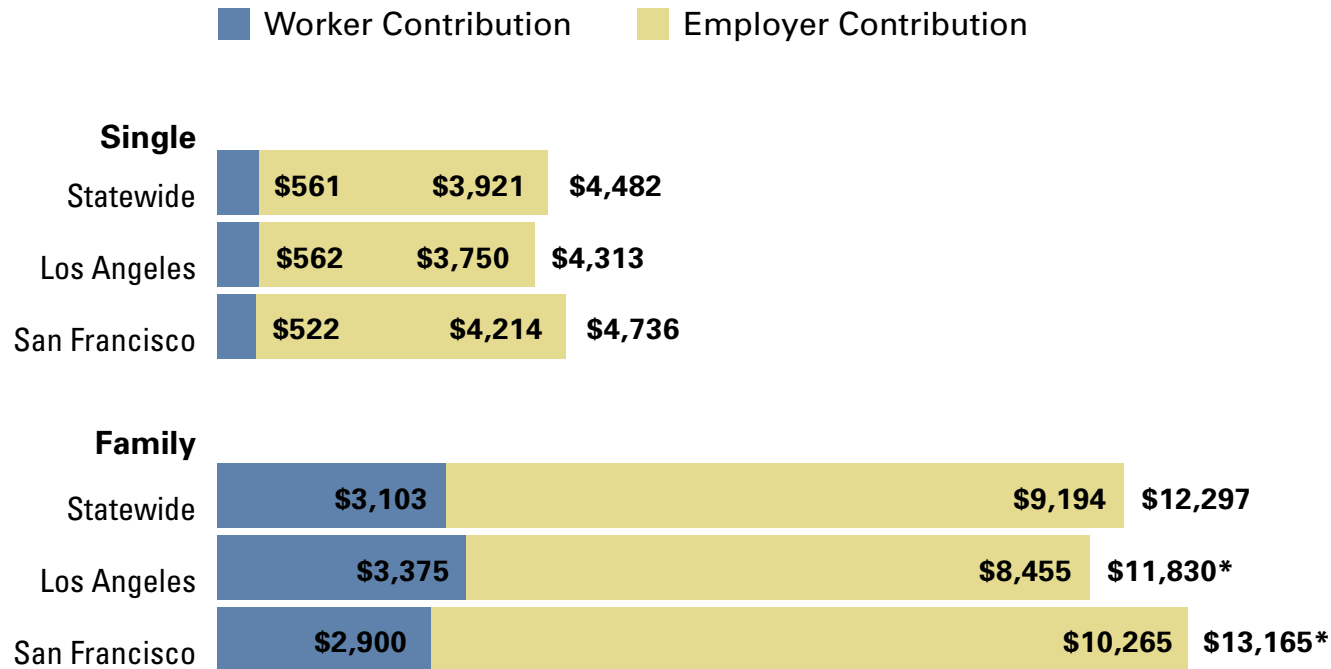
*Estimates are statistically different between California and the United States, within coverage type.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Employer Health Benefits Costs

On average, workers in California contributed \$561 annually for single coverage and \$3,103 for family coverage in 2007. Workers in California contributed less to premiums for single and family coverage than did workers nationally.

Average Annual Worker and Employer Contributions, by Region, 2007



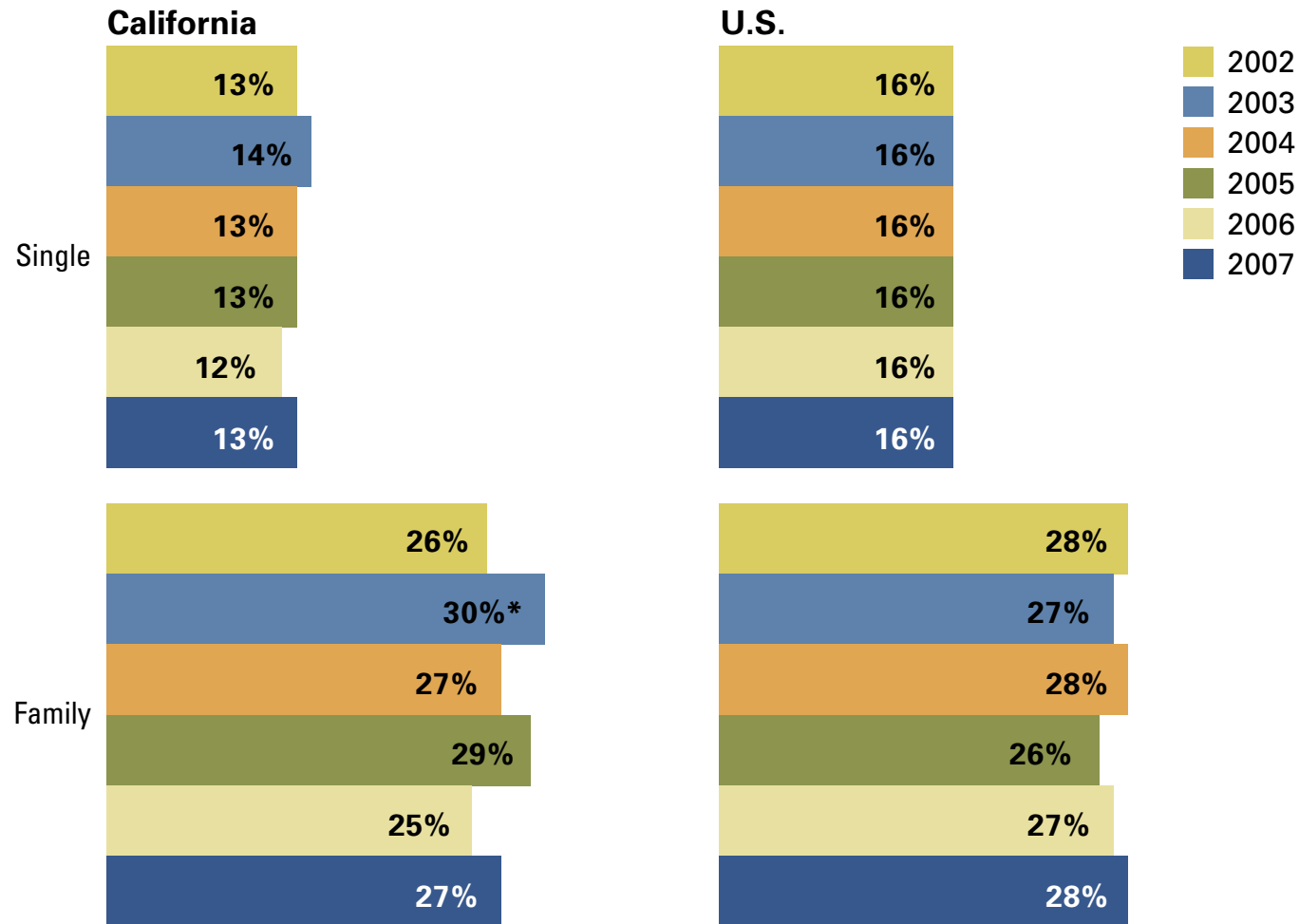
Employer Health Benefits Costs

California employers contributed significantly more towards premiums for family coverage in the San Francisco region than in the Los Angeles region (\$10,265 vs. \$8,455).

*Total annual premium estimate is statistically different between Los Angeles and San Francisco regions within coverage type.

Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

Share of Premiums Paid by Workers, California vs. U.S., 2002 to 2007



*Estimate is statistically different from previous year shown.

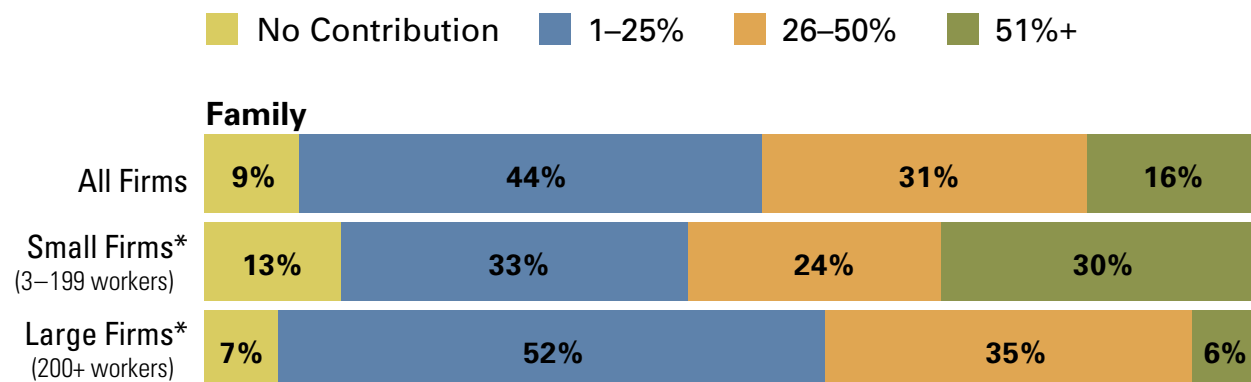
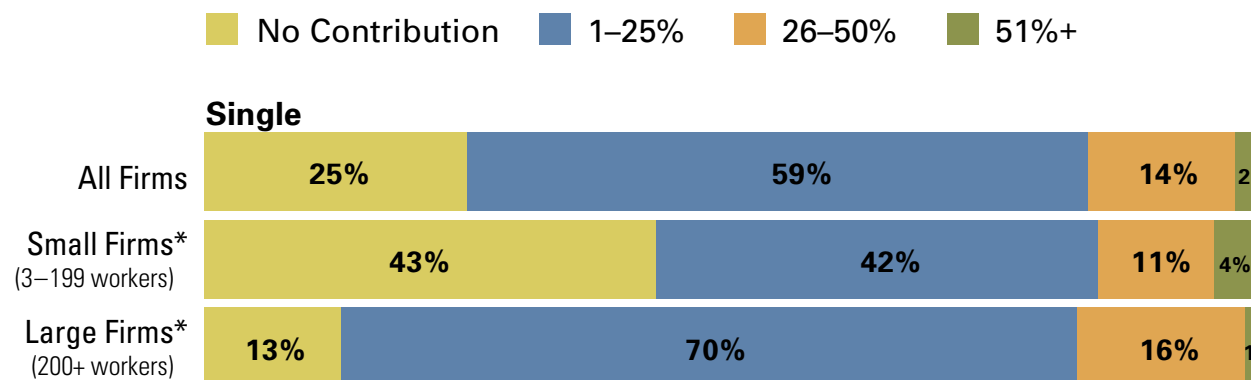
Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; and Kaiser/HRET *Employer Health Benefits Survey: 2002–2007*.

Employer Health Benefits Costs

California workers' average share of the premium for single and family coverage has remained stable since 2002.

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

Worker Contribution to Monthly Premium, by Firm Size, 2007



*Distribution is statistically different from All Firms.

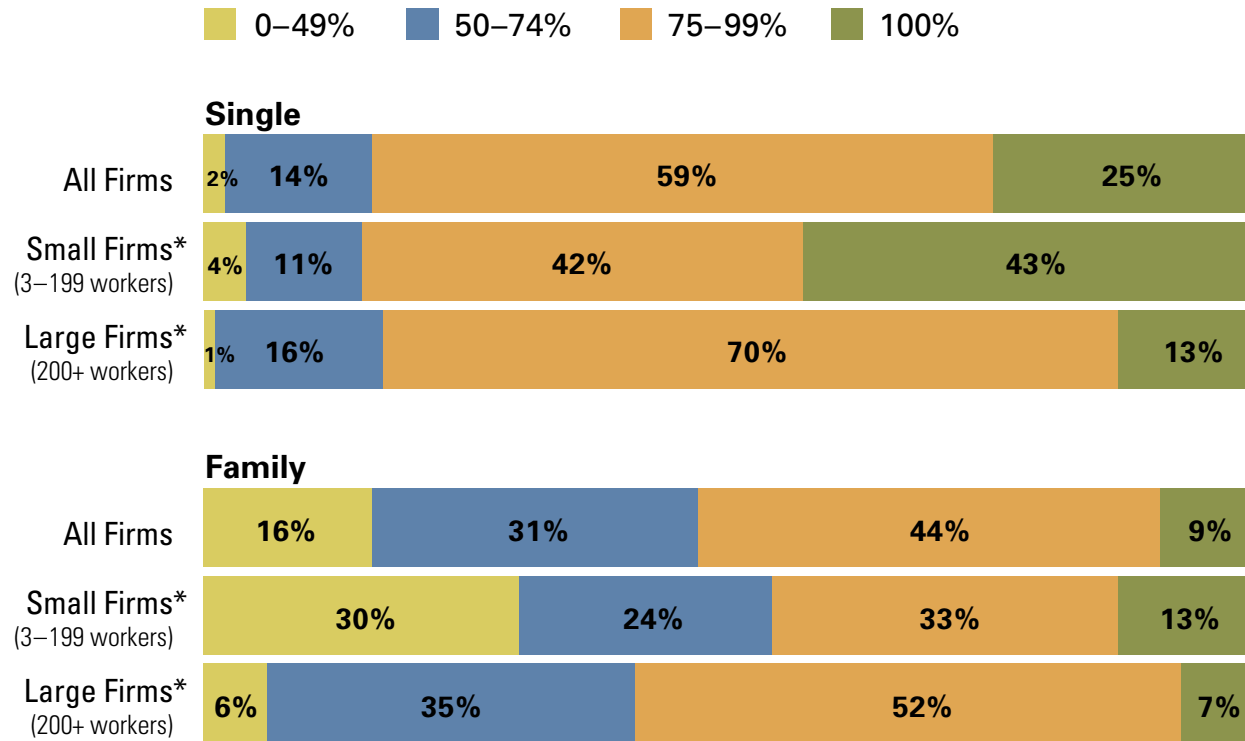
Note: Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

Employer Health Benefits Costs

While small firms were far more likely to pay the full premium for single coverage (43 percent) than were large firms (13 percent), workers in small firms were also more likely to pay a large share of the premium for family coverage. Thirty percent of workers in small firms paid over half of the premium for family coverage, versus just 6 percent in large firms.

Employer Share of Premium, by Firm Size, 2007



*Distribution is statistically different from All Firms.

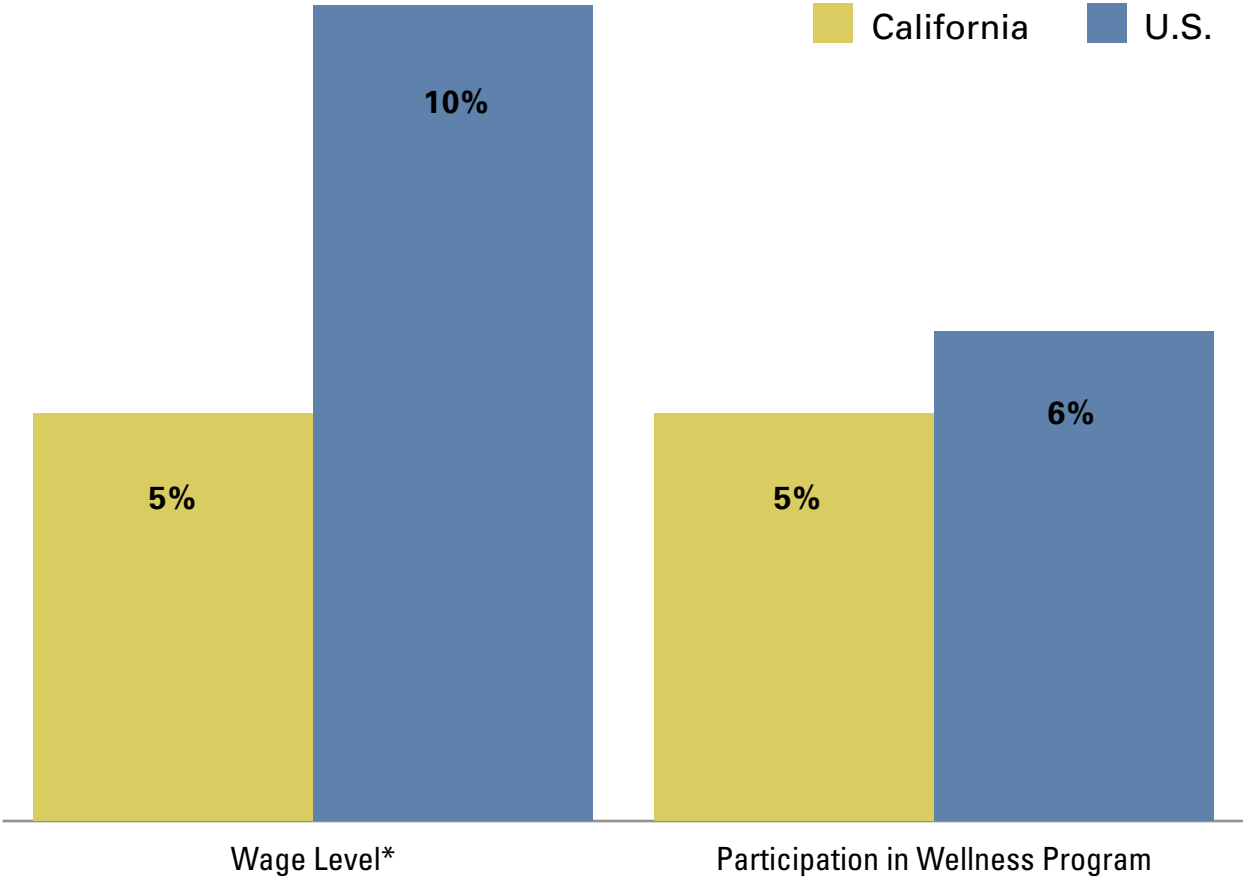
Note: Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

Employer Health Benefits Costs

In 2007, twenty-five percent of covered California employees worked for firms that paid the full premium for single coverage.

Employees Working in Firms that Vary Premium Contributions, by Reason, California vs. U.S., 2007



*Estimates are statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

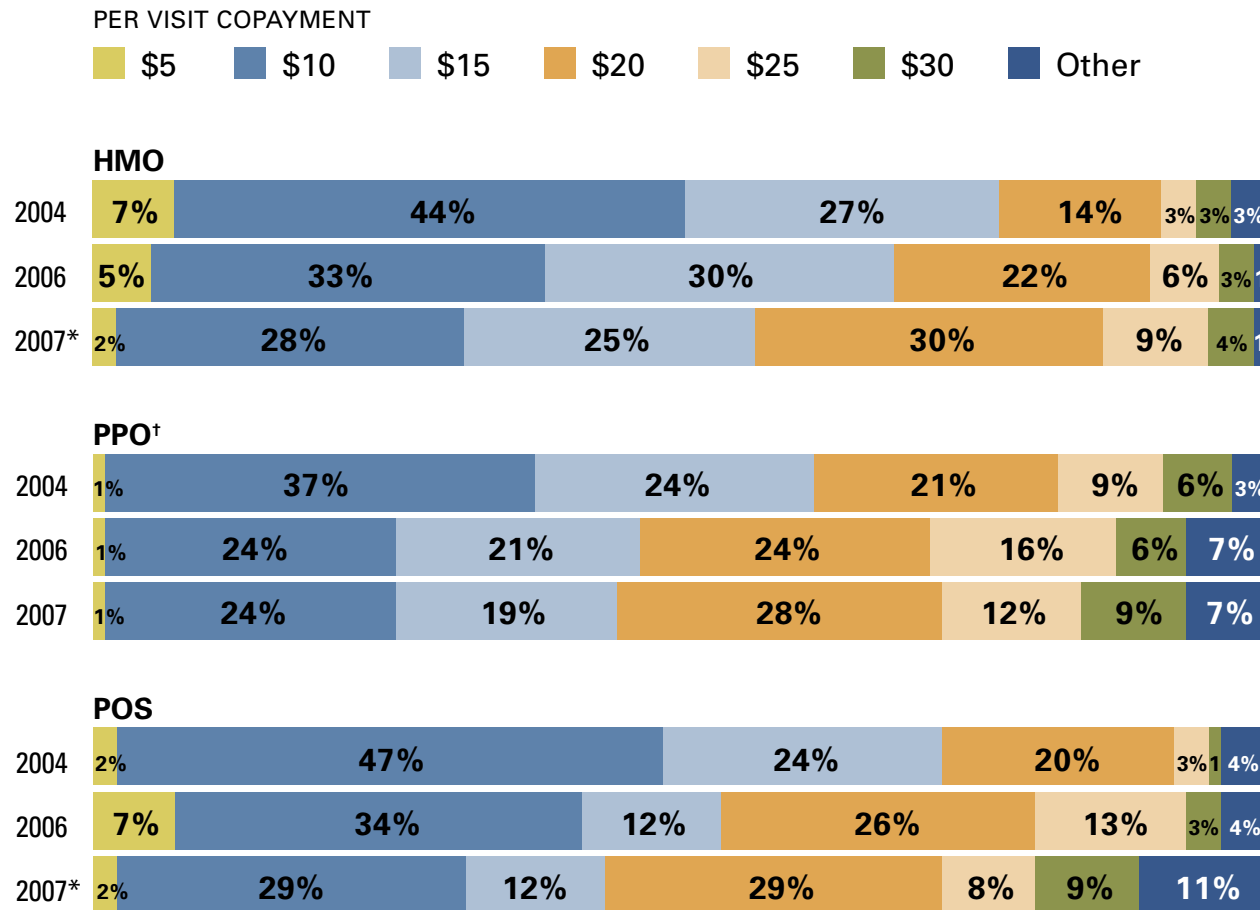
Employer Health Benefits Costs

Five percent of California employees worked in firms that varied their employees' premium contributions based on wage level or participation in a wellness program.

Workers with Specified Office Visit Copayments, by Plan Type, 2004 to 2007

Employer Health Benefits Benefits and Cost Sharing

Copayments for office visits remained fairly stable for PPO plans in 2007, while HMO and POS plan copayments increased from 2006 to 2007.



*Distribution is statistically different from previous year shown.

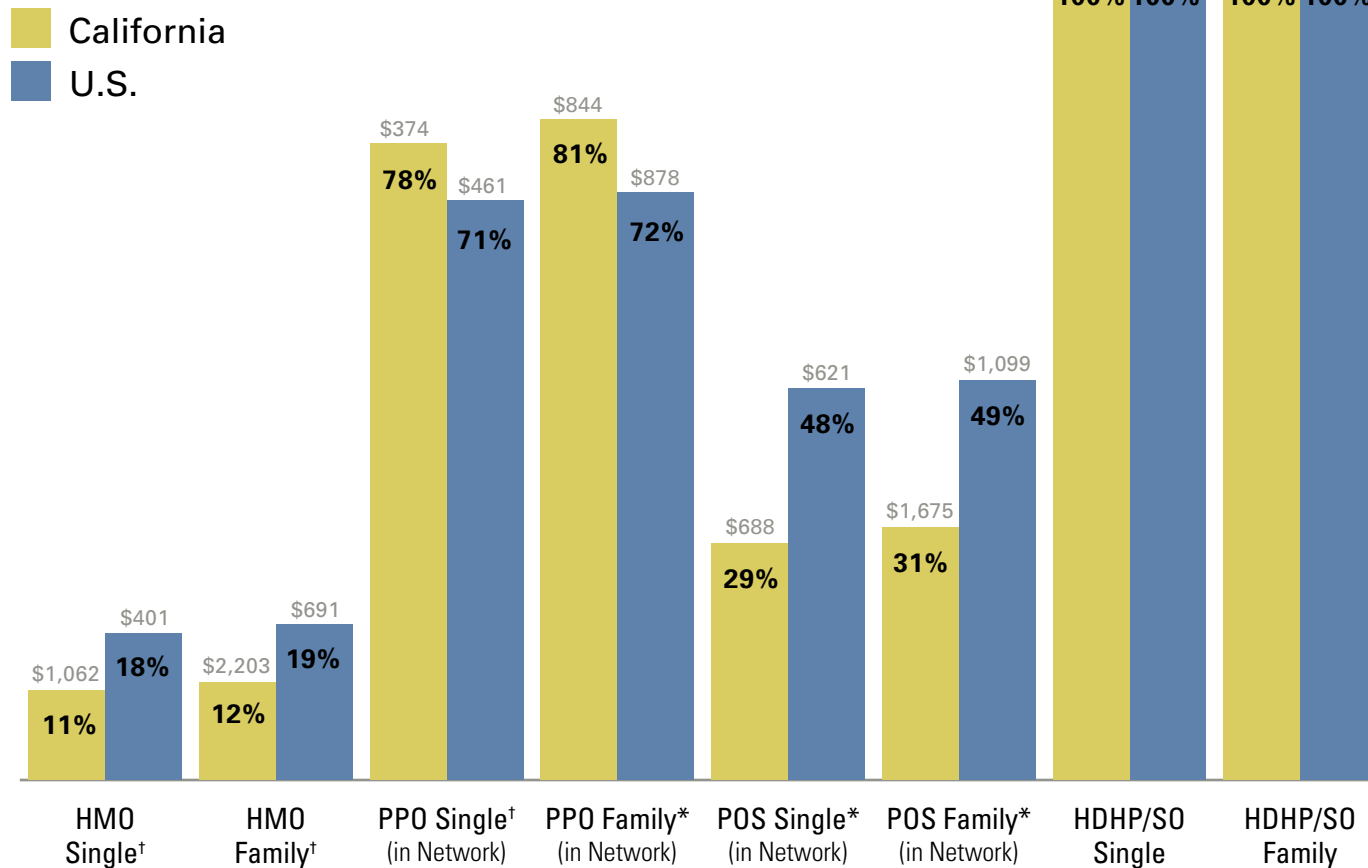
†Seventy-seven percent of covered workers in PPOs have copayments rather than coinsurance for office visits, versus virtually all workers in HMOs and POS plans.

Note: Numbers may not add to 100 percent due to rounding.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; and CHCF/HRET *California Employer Health Benefits Survey: 2004*.

Workers with Annual Deductible, by Plan Type, California vs. U.S., 2007

Share of Workers and Deductible Amount



*Percentages are significantly different between California and the United States.

†Estimated deductibles are significantly different between California and the United States.

Notes: HDHP/SO is high-deductible health plan with savings option. Numbers may not add to 100 percent due to rounding.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

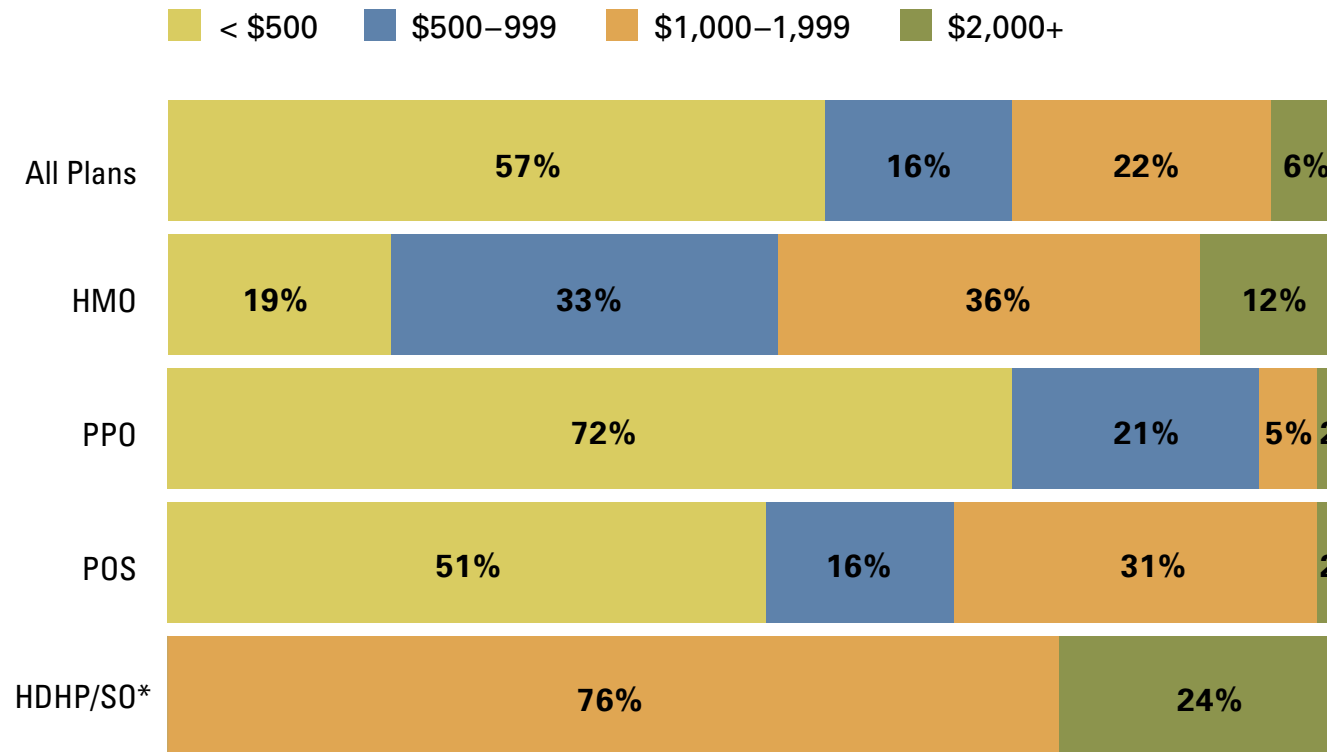
Employer Health Benefits Benefits and Cost Sharing

California workers in PPO plans were much more likely to have a general annual deductible than workers in HMO and POS plans.

Deductibles averaged \$374 for PPO single coverage and \$844 for PPO family coverage. Average deductibles in HMO plans were higher than in PPOs, but very few workers in these plans have deductibles.

Deductible for Single Coverage, by Plan Type, 2007

Percentage of Workers with Specified Deductible Ranges



*Distribution is statistically different from All Plans.

Notes: HDHP/SO is high-deductible health plan with savings option. Numbers may not add to 100 percent due to rounding.

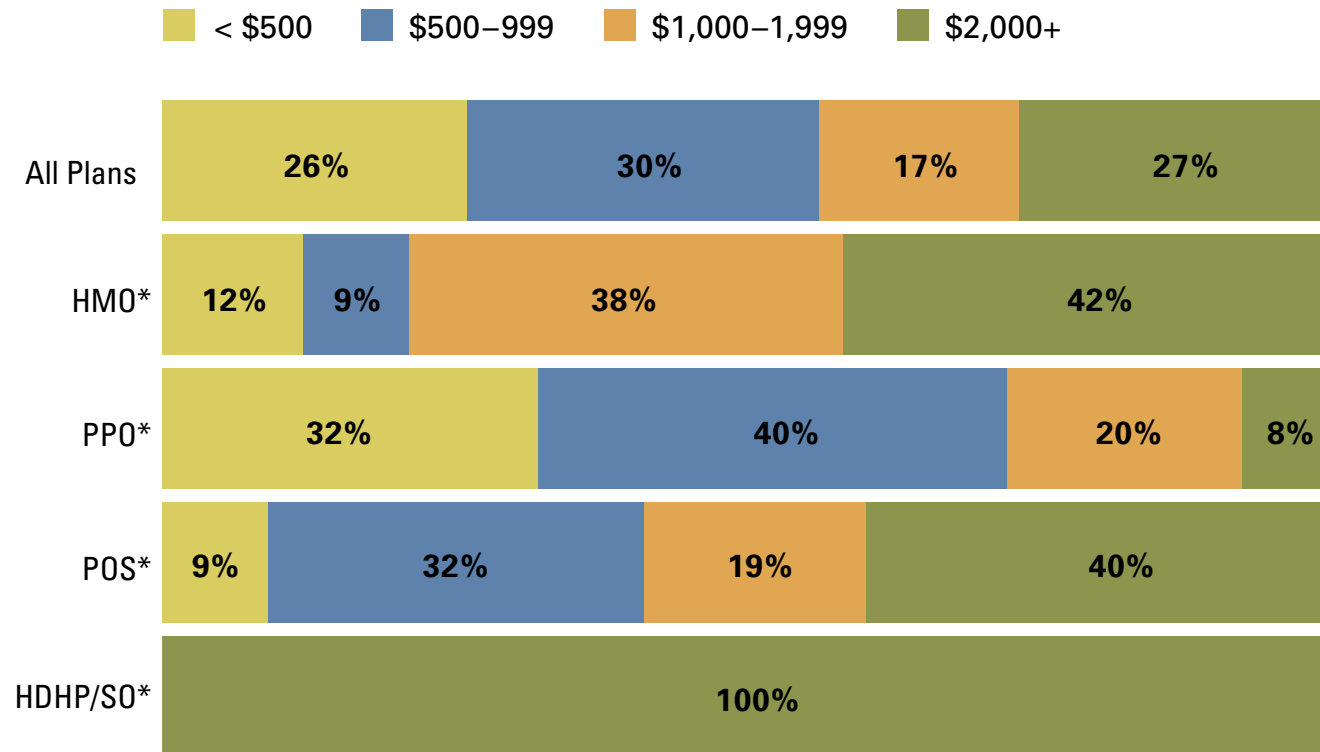
Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

Employer Health Benefits Benefits and Cost Sharing

Among California workers with a deductible, four out of seven (57 percent) worked for firms that had a general annual deductible of less than \$500 for single coverage, while 28 percent had a deductible of \$1,000 or more.

Deductible for Family Coverage, by Plan Type, 2007

Percentage of Workers with Specified Deductible Ranges



*Distribution is statistically different from All Plans.

Notes: HDHP/SO is high-deductible health plan with savings option. Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

Employer Health Benefits Benefits and Cost Sharing

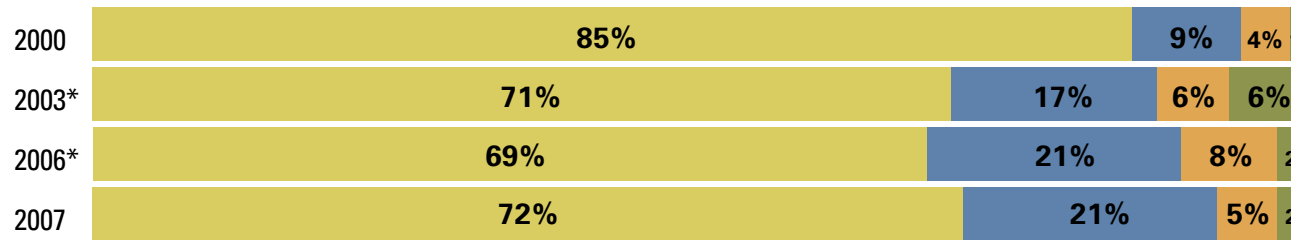
Among California workers with a deductible, the majority (56 percent) of employees worked for firms that had a general annual deductible of less than \$1,000 for family coverage, while 27 percent of workers faced an annual deductible of \$2,000 or more for family coverage.

Deductible for Single PPO Coverage, California vs. U.S., 2000 to 2007

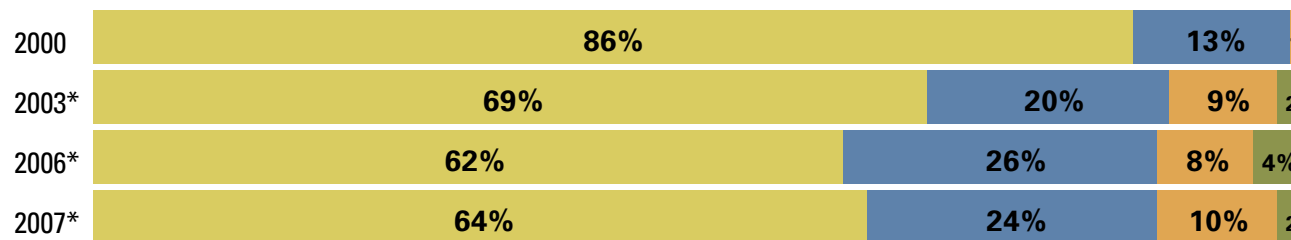
Percentage of Workers with Specified Deductible Ranges

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

California



United States



*Distribution is statistically different from previous year shown.

Note: Numbers may not add to 100 percent due to rounding.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2006*; Kaiser/HRET *California Employer Health Benefits Survey: 2000, 2003*; Kaiser/HRET *Employer Health Benefits Survey: 2000–2007*.

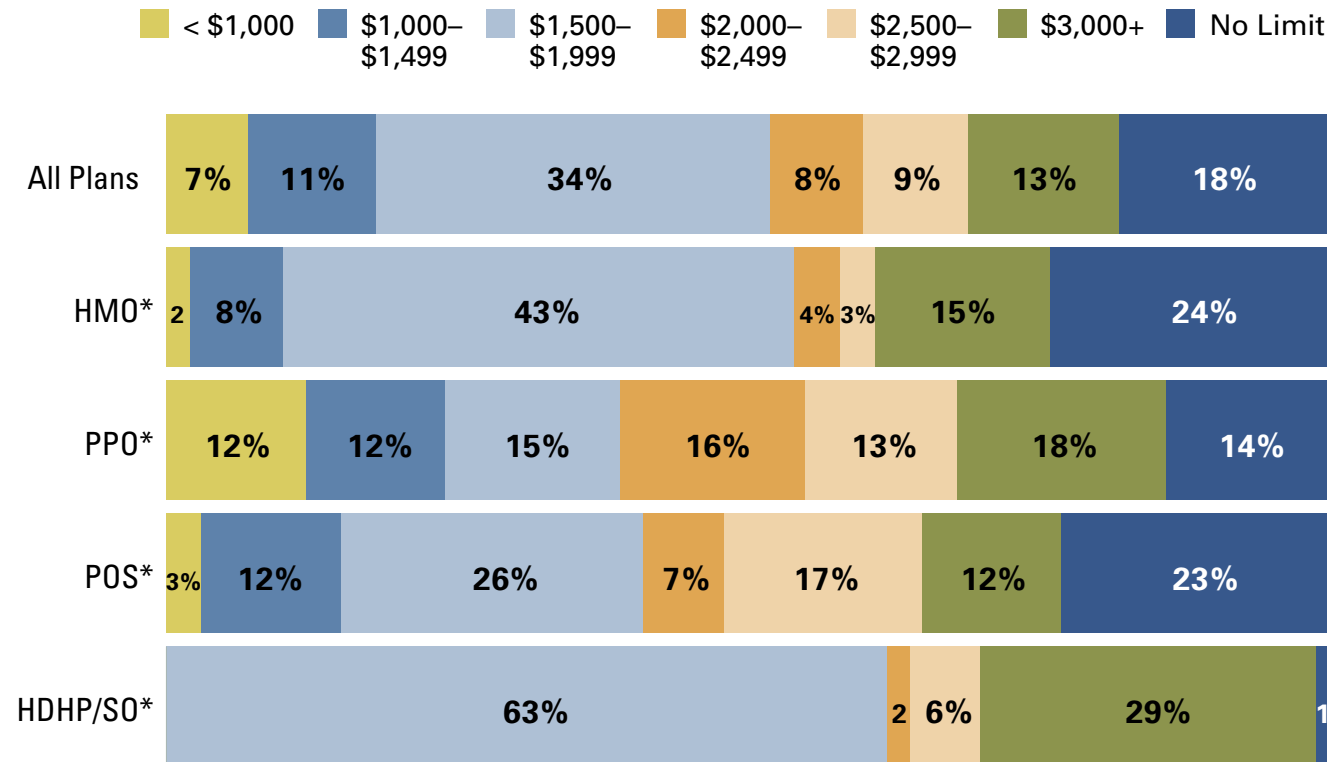
Employer Health Benefits Benefits and Cost Sharing

Since 2000, a significant share of California workers have experienced increases in deductibles for PPO coverage.

Earlier surveys did not ask about deductibles for HMOs or POS plans.

Annual Out-of-Pocket Limits, Single Coverage, by Plan Type, 2007

Percentage of Workers with Specified Limit Ranges



*Distribution is statistically different from All Plans.

Notes: 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. Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

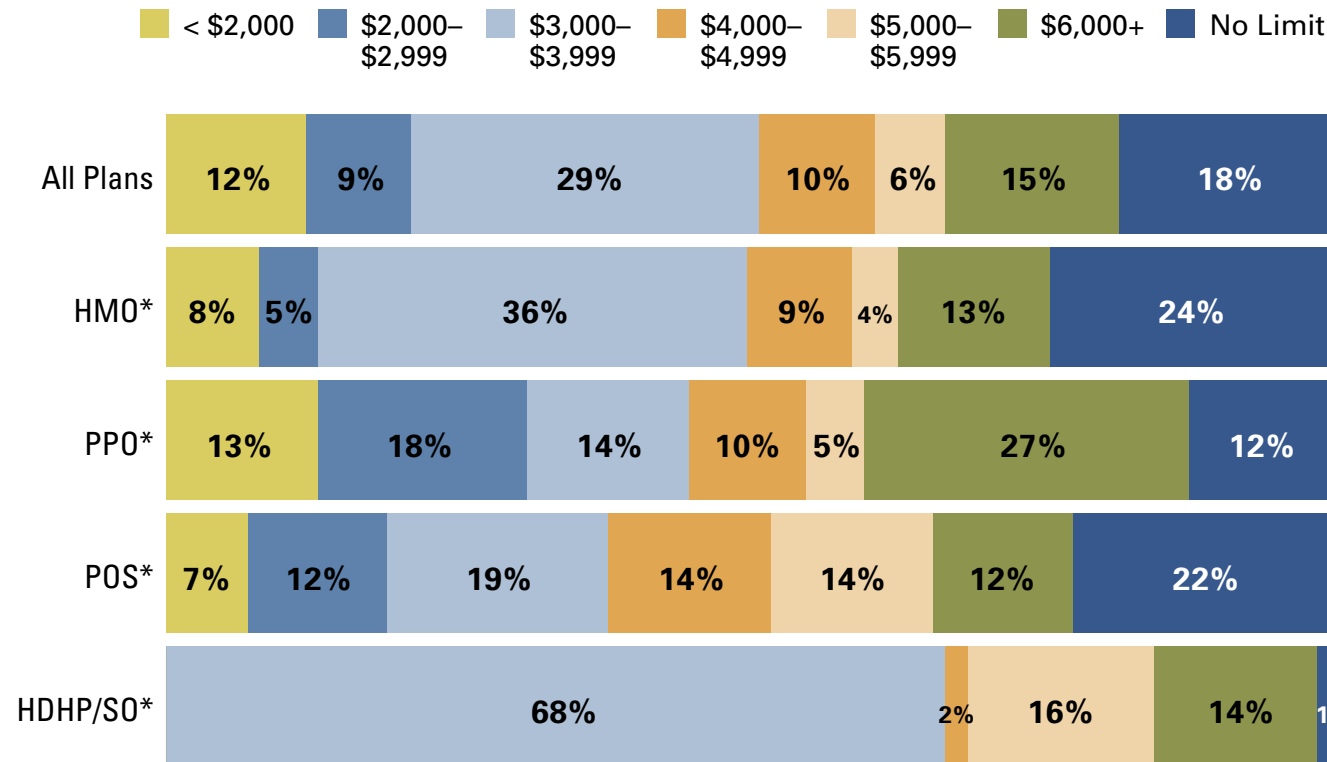
Employer Health Benefits Benefits and Cost Sharing

The majority of covered workers (82 percent) with single coverage had an annual out-of-pocket limit in their health plans. However, 30 percent of workers had a limit of \$2,000 or more.

Those in a high-deductible health plan with a savings option (HDHP/SO) were the most likely to have a limit of \$3,000 or more.

Annual Out-of-Pocket Limits, Family Coverage, 2007

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 it could in other plan types. Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

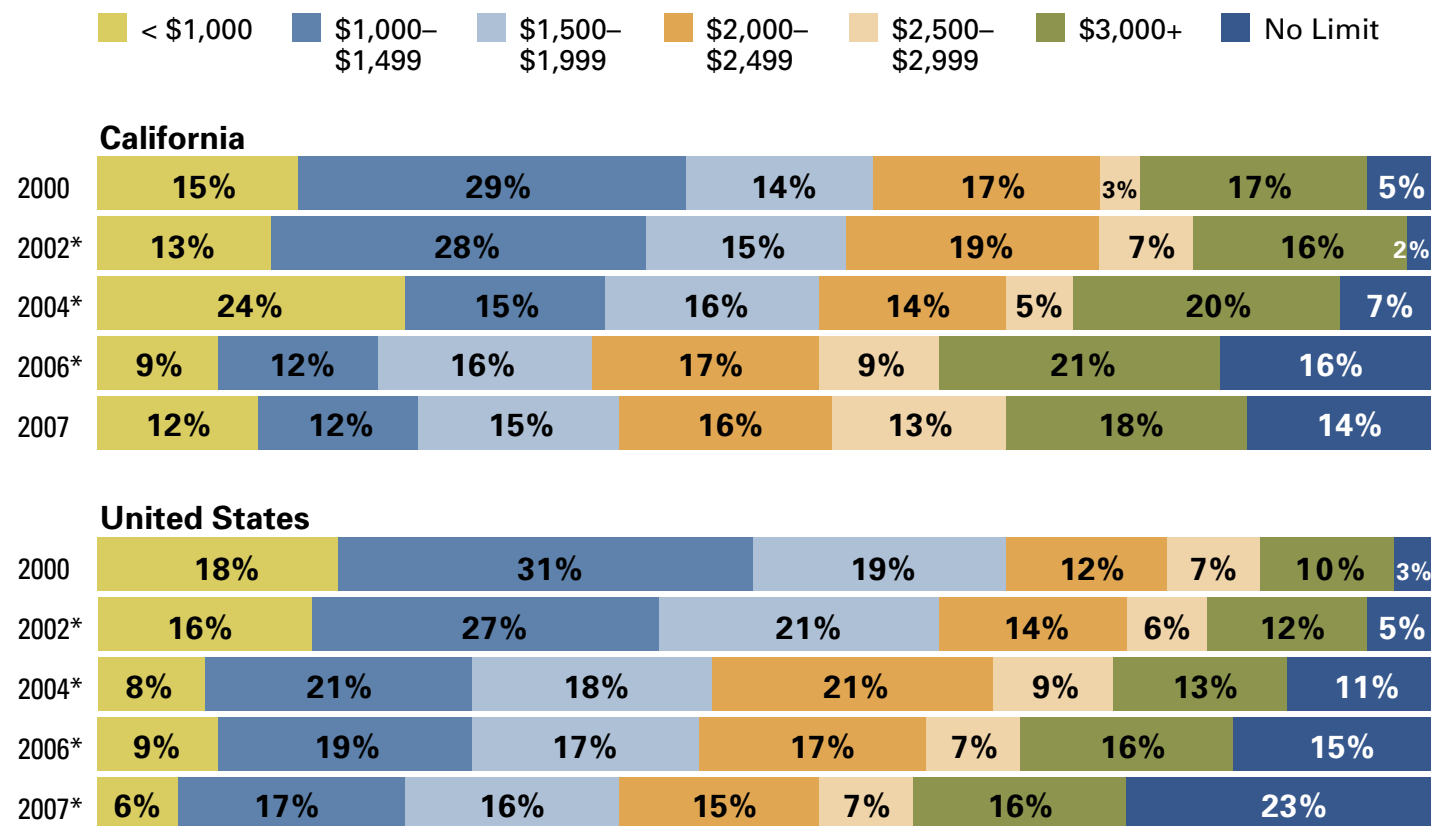
Employer Health Benefits Benefits and Cost Sharing

The majority of covered workers in California (82 percent) with family coverage also had an annual out-of-pocket limit in their health plans. Thirty-one percent of workers with family coverage had a limit of \$4,000 or more.

Workers in PPOs were most likely to have an out-of-pocket limit of \$6,000 or more.

Annual Out-of-Pocket Limits, Single PPO Coverage, California vs. U.S., 2000 to 2007

Percentage of Workers with Specified Limit Ranges



*Distribution is statistically different from previous year shown.
Note: Numbers may not add to 100 percent due to rounding.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; 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*; and Kaiser/HRET *Employer Health Benefits Survey: 2000–2007*.

Employer Health Benefits Benefits and Cost Sharing

The proportion of California workers in PPOs with an out-of-pocket limit of less than \$1,500 declined from 44 percent in 2000 to 24 percent in 2007.

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

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

Covered Workers with Hospital-Specific Cost Sharing, by Plan Type, 2007

PLAN TYPE	COPAYMENT PER ADMISSION	COINSURANCE	BOTH	CHARGE PER DAY
HMO	42%	4%*	2%	6%
PPO	21%	46%*	6%	4%
POS	43%	18%	5%	9%
HDHP/SO	7%*	82%*	3%	1%*
All Plans	35%	23%	4%	6%

Across All Plans:

Average Copay: \$214
 Average Coinsurance: 18%

*Estimate is statistically different from All Plans.

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

Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

Employer Health Benefits Benefits and Cost Sharing

Many covered workers in California (62 percent) faced a separate copayment, coinsurance, or both for each hospital admission, in addition to any general annual deductible.

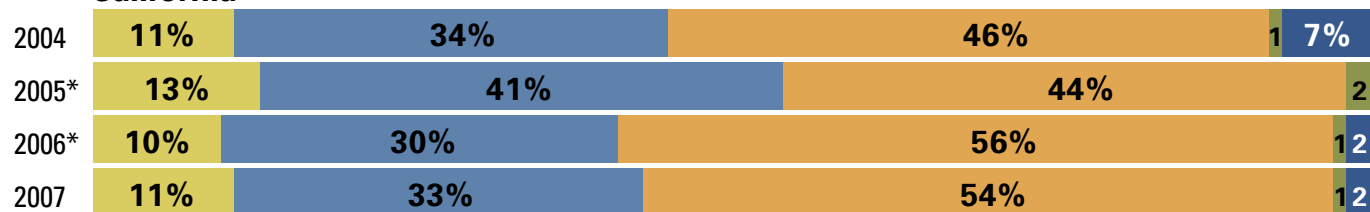
The most common was a copayment per admission (35 percent of covered workers), followed by coinsurance (23 percent).

Workers Facing Cost-Sharing Formulas for Prescription Drugs, 2004 to 2007

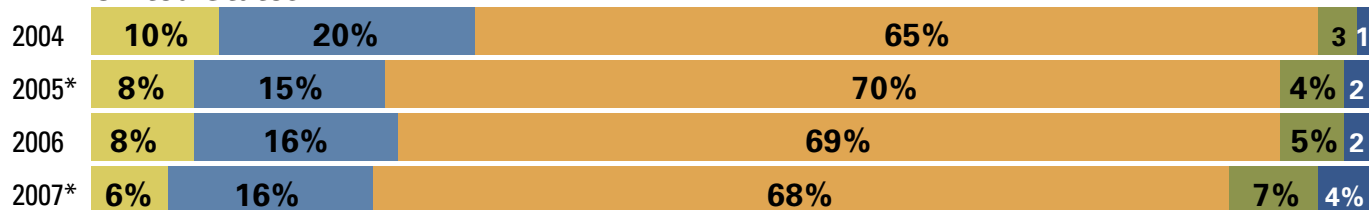
Cost-Sharing Formula

- 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



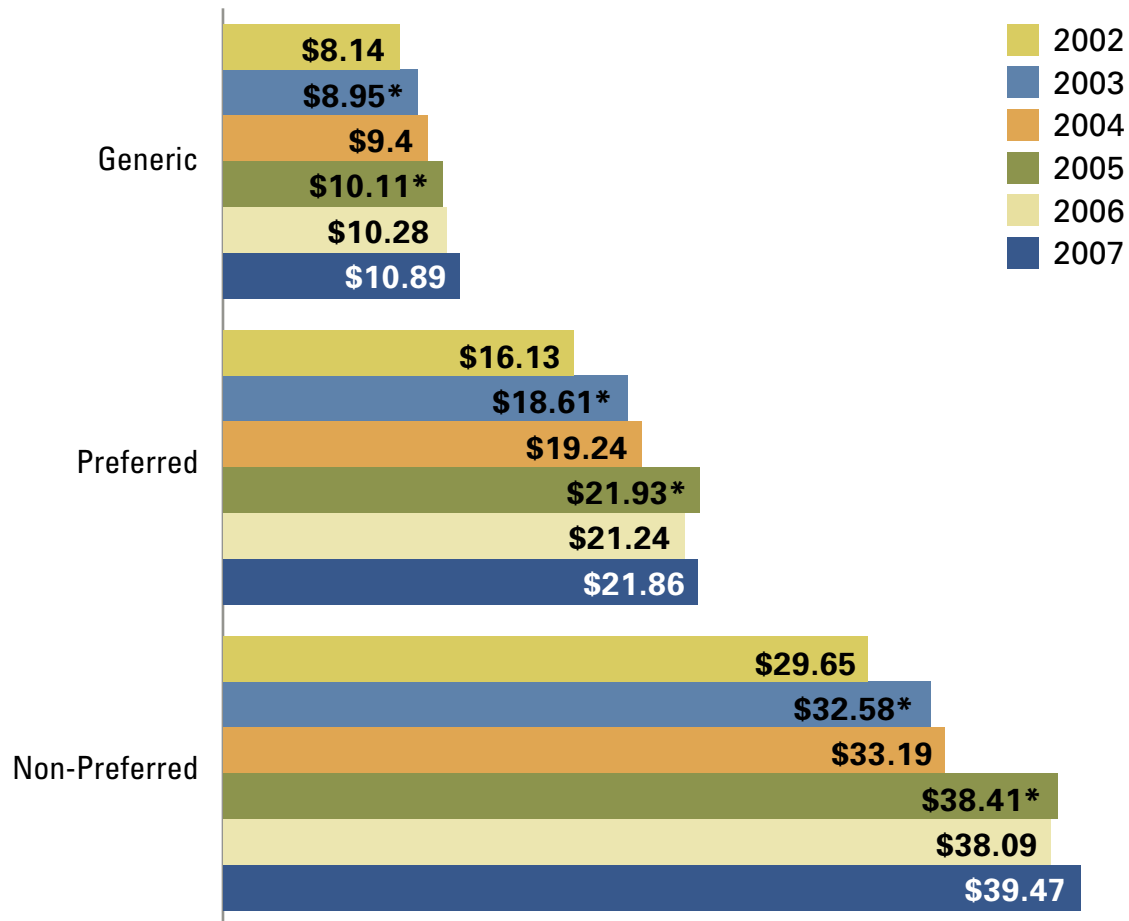
*Distribution is statistically different from previous year shown.
Note: Numbers may not add to 100 percent due to rounding.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; and Kaiser/HRET *Employer Health Benefits Survey: 2004–2007*.

Employer Health Benefits Benefits and Cost Sharing

Fifty-five percent of covered workers in California in 2007 were enrolled in a health plan that used a three or four tier cost-sharing formula. Nationally, in contrast, 75 percent of workers were enrolled in a plan that used a three or four tier cost-sharing formula.

Average Prescription Copayments, by Drug Type, 2002 to 2007



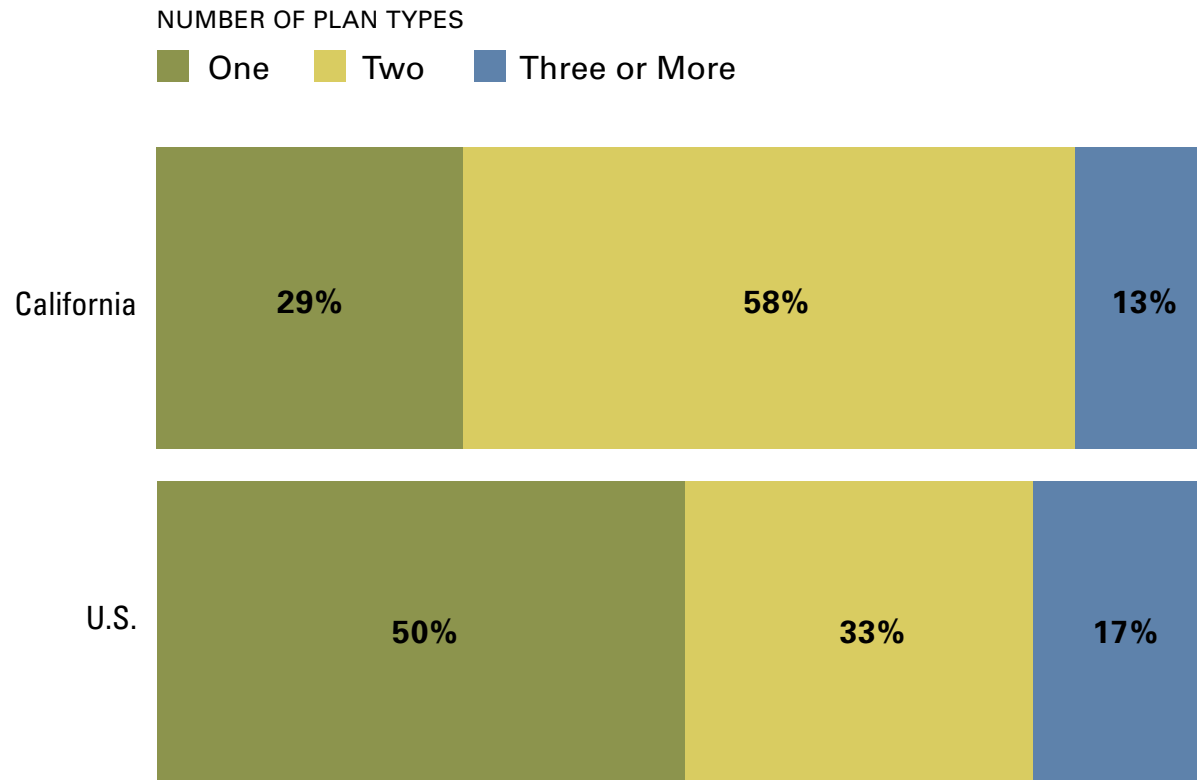
*Estimate is statistically different from previous year shown.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; and Kaiser/HRET *California Employer Health Benefits Survey: 2002–2003*.

Employer Health Benefits Benefits and Cost Sharing

Average copayments for generic drugs were about one-half what they were for preferred drugs, and only about one-fourth what they were for non-preferred drugs.

Covered Workers with a Choice of Plans, by Number of Types, California vs. U.S., 2007*



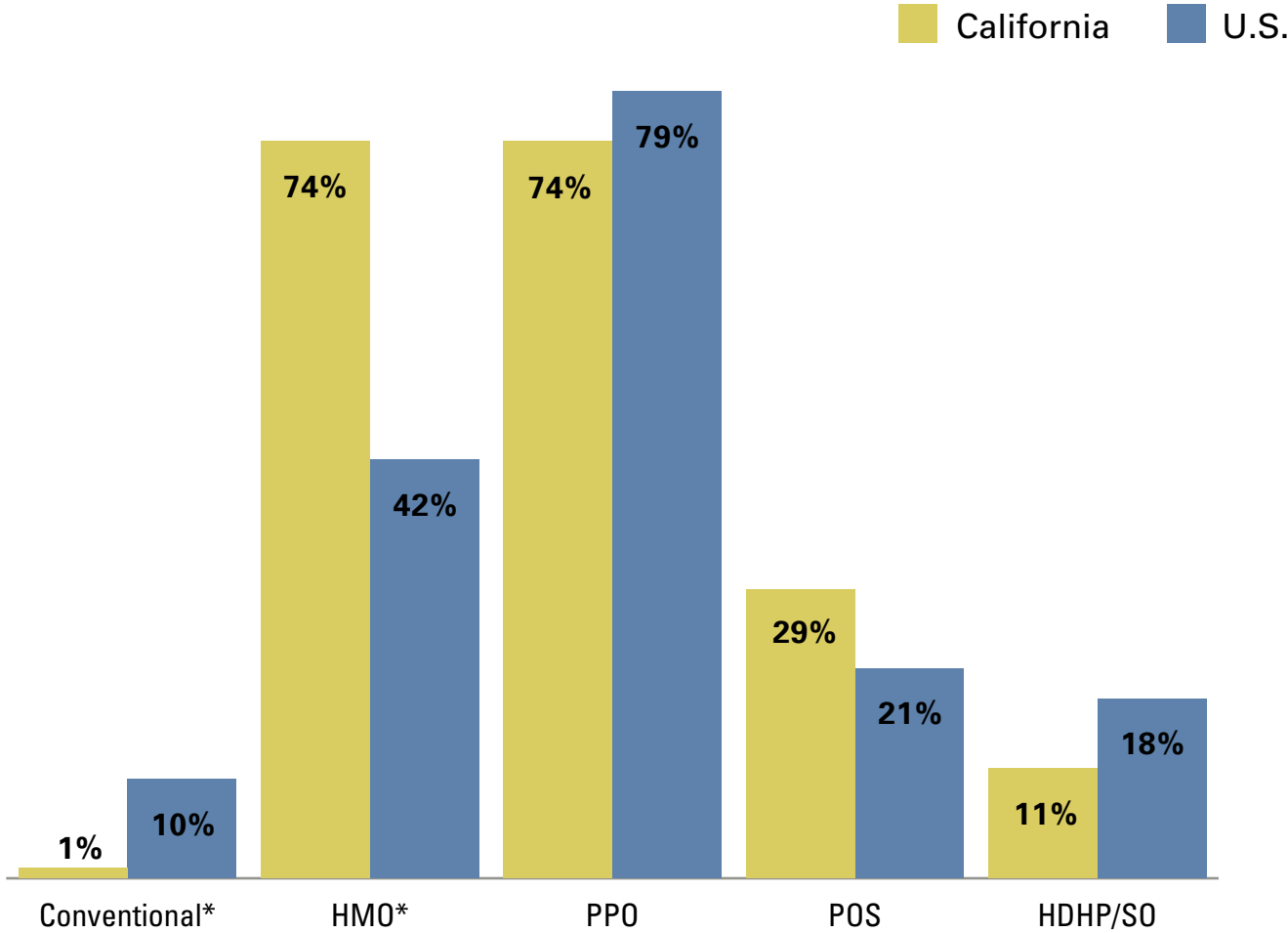
Employer Health Benefits Enrollment and Choice

Seventy-one percent of covered workers in California were offered a choice of more than one plan type, compared to 50 percent nationally.

*Notes: Distributions are statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Worker Choice of Health Plans, by Type, California vs. U.S., 2007



*Estimates are statistically different between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Employer Health Benefits Enrollment and Choice

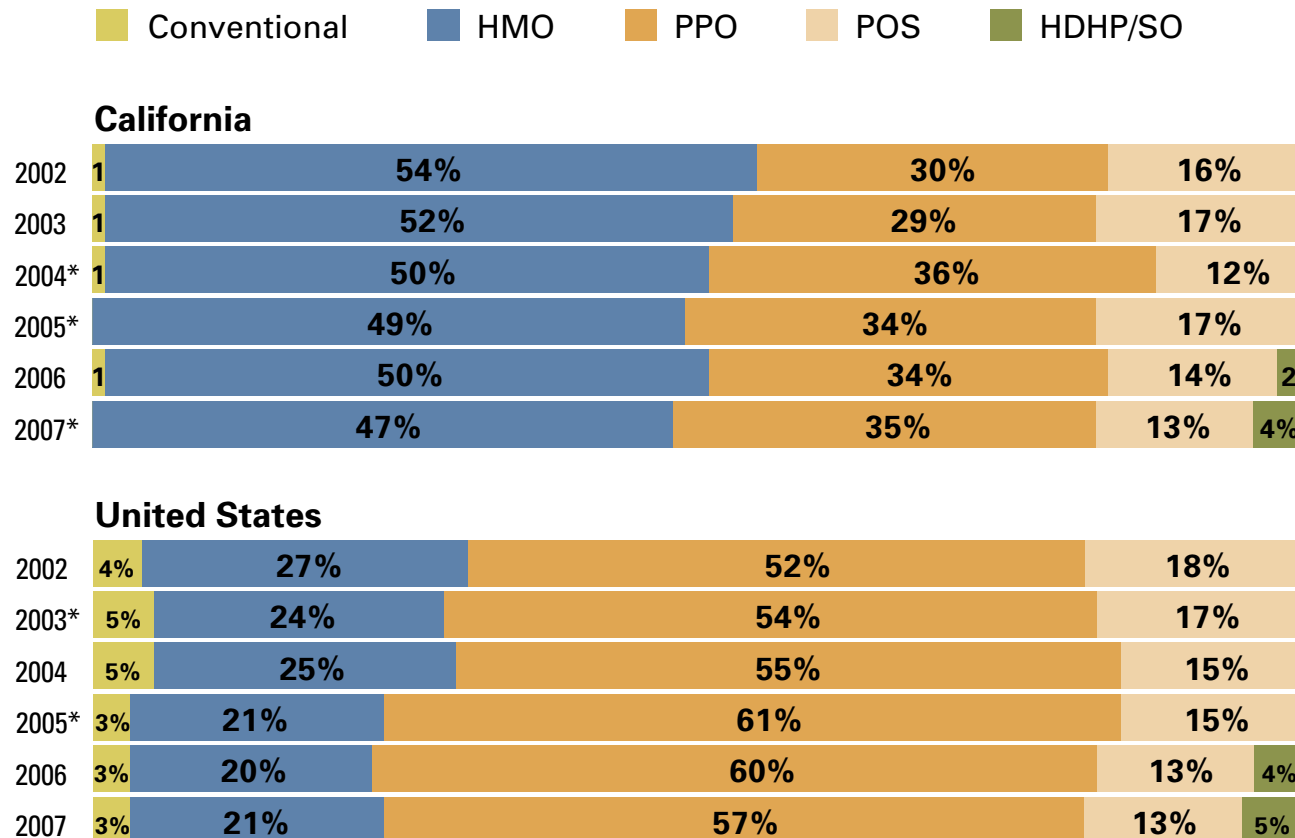
Seventy-four percent of covered workers in all firms in California could choose an HMO as a plan type option. In contrast, only 42 percent of covered workers nationally could choose an HMO.

Enrollment for Covered Workers, by Plan Type, California vs. U.S., 2002 to 2007

Employer Health Benefits Enrollment and Choice

The percentage of covered workers enrolled in HMOs in California was considerably higher than nationally. Conversely, enrollment in PPOs in 2007 remained far lower in California than nationally.

Enrollment in high-deductible plans with a savings option among California workers increased from 2 percent in 2006 to 4 percent in 2007, a level comparable to the proportion nationally.

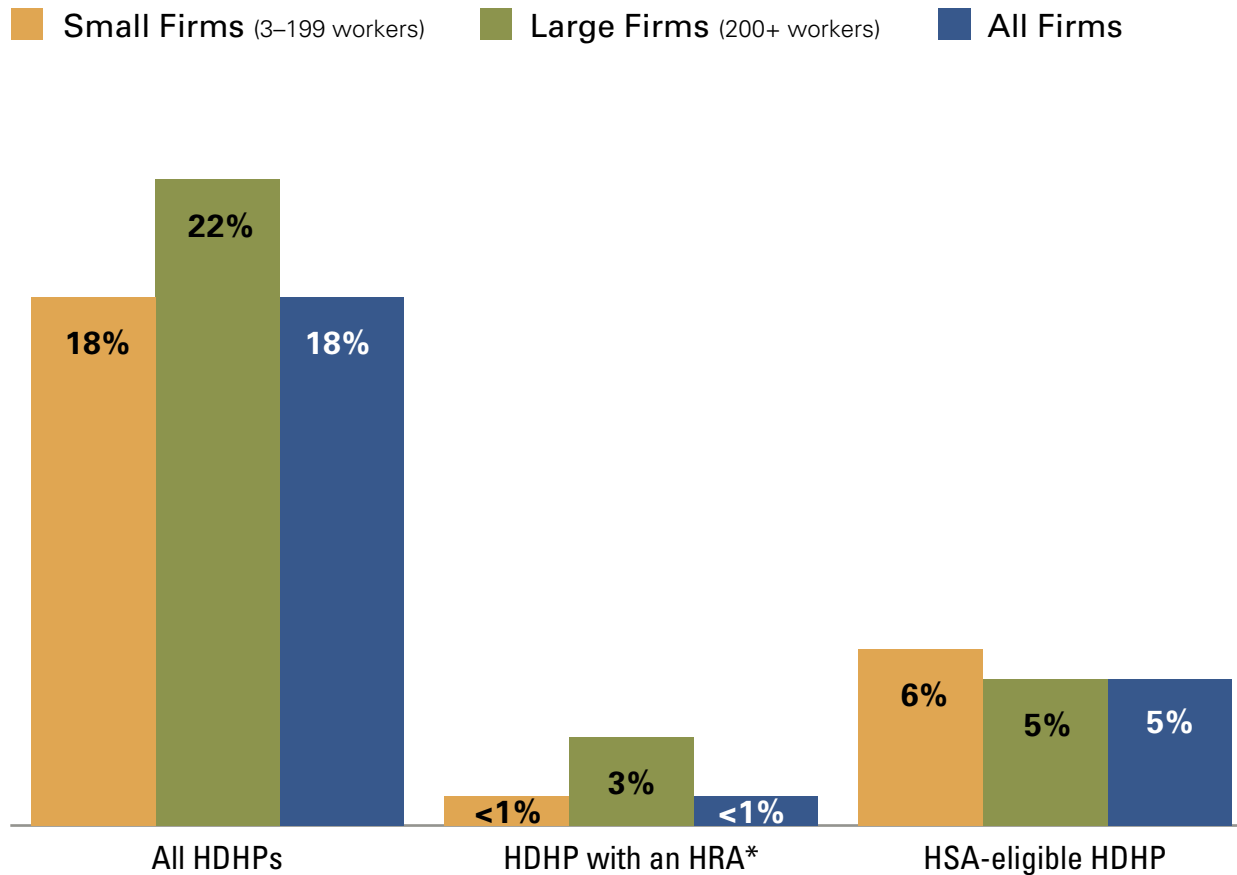


*Distribution is statistically different from previous year shown.

Notes: HDHP/SO is high-deductible health plan with savings option. Conventional plan enrollment in California in 2005 and 2007 was less than 1 percent. Due to the addition of HDHP in 2006, no test was conducted comparing 2006 with 2005. Numbers may not add to 100 percent due to rounding.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2002–2003*; and Kaiser/HRET *Employer Health Benefits Survey: 2002–2007*.

Firms Offering a High-Deductible Plan, by Firm Size, 2007



*Estimate is statistically different from All Firms.

Note: "All HDHPs" includes a high-deductible health plan (with a deductible of at least \$1,000 for single coverage, and at least \$2,000 for family coverage), subsets of this group—those offering HDHP with health reimbursement arrangement; or a health savings account-eligible HDHP—are shown separately.

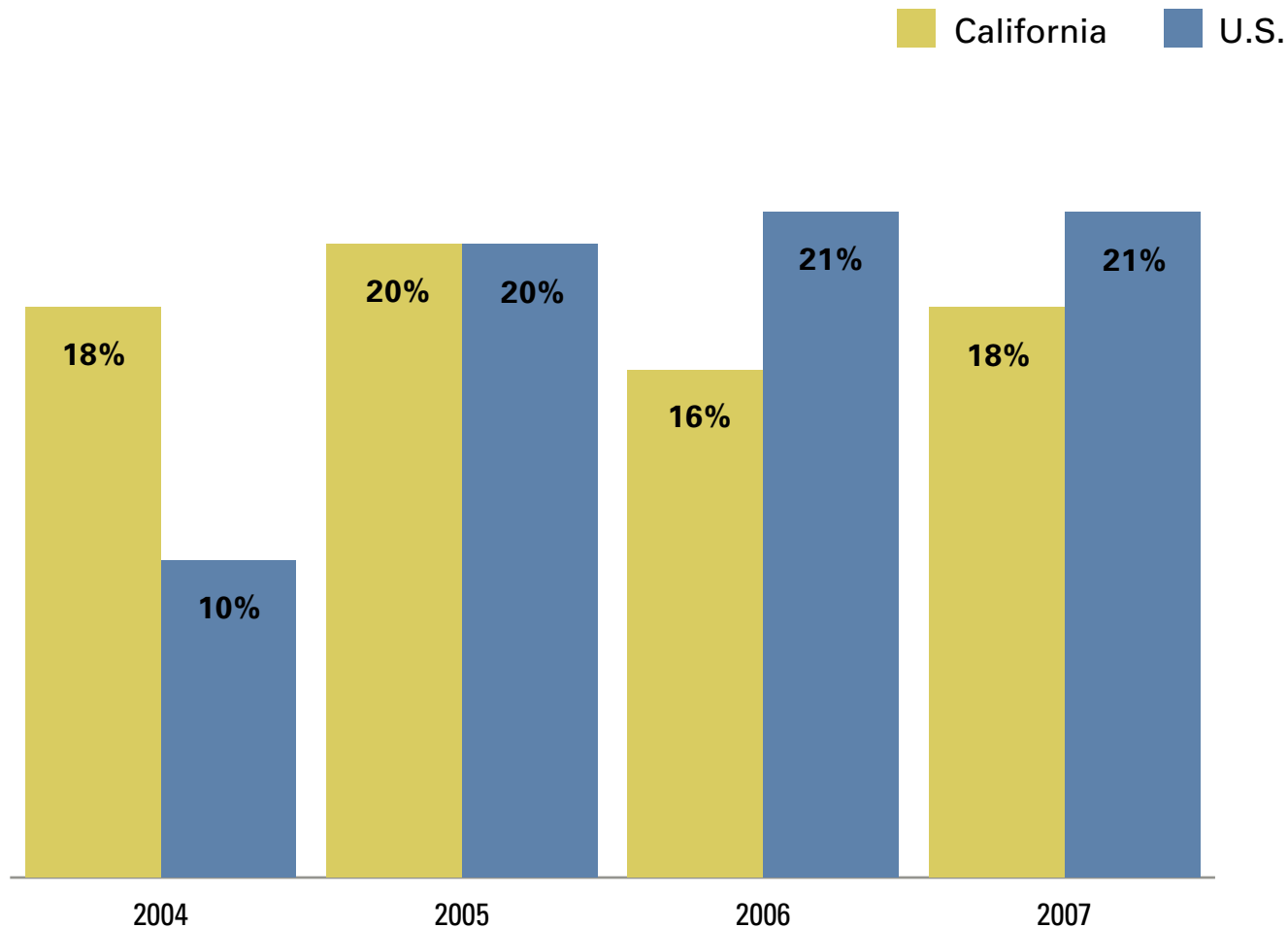
Source: CHCF/NORC California Employer Health Benefits Survey: 2007.

Employer Health Benefits Enrollment and Choice

Approximately 18 percent of all small firms offered an HDHP in 2007, compared to 22 percent of all large firms (200+ employees).

Less than 1 percent of firms offered an HDHP with an HRA, while 5 percent offered an HSA-eligible HDHP.

Firms Offering a High-Deductible* Plan, California vs. U.S., 2004 to 2007



Employer Health Benefits Enrollment and Choice

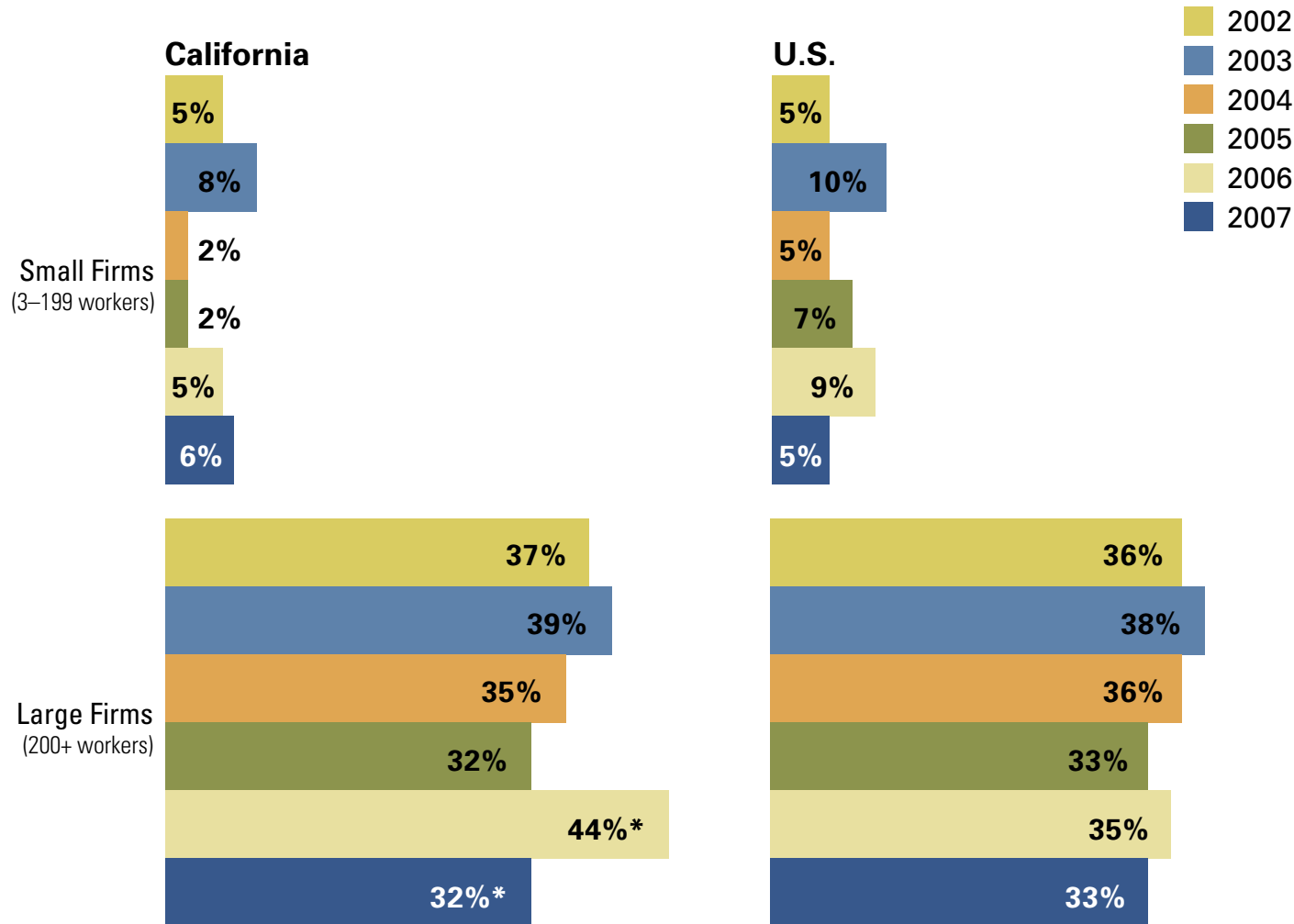
The percentage of California employers offered an HDHP has been fairly stable since 2004, whereas nationally, it has increased from 10 percent in 2004 to 21 percent in 2007.

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

Note: Tests found no statistically different estimates between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005–2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; and Kaiser/HRET *Employer Health Benefits Survey: 2004–2007*.

Firms Offering Retiree Health Benefits, California vs. U.S., 2002 to 2007



Employer Health Benefits Retiree Benefits

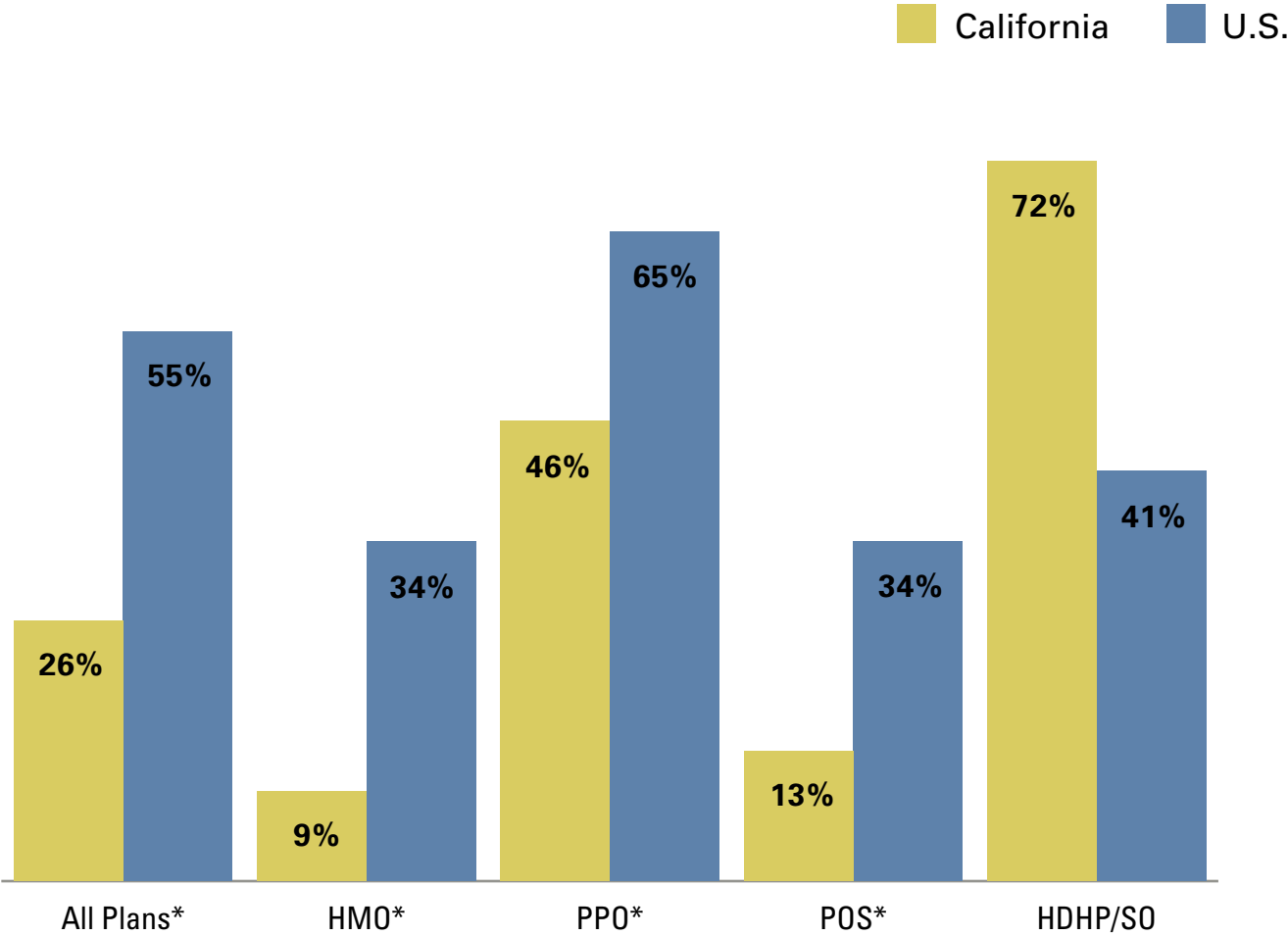
Thirty-two percent of California firms with 200 or more workers offered retiree coverage in 2007.

Small businesses (with 3 to 199 employees) were much less likely to offer health benefits to retirees than were larger firms (6 percent versus 32 percent in California, and 5 percent versus 33 percent nationally).

*Estimate is statistically different from previous year shown.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007*; CHCF/HSC *California Employer Health Benefits Survey: 2005-2006*; CHCF/HRET *California Employer Health Benefits Survey: 2004*; Kaiser/HRET *California Employer Health Benefits Survey: 2002-2003*; and Kaiser/HRET *Employer Health Benefits Survey: 2002-2007*.

Employees in Partly or Completely Self-Insured Plans, by Plan Type, 2007



Employer Health Benefits Employer Attitudes

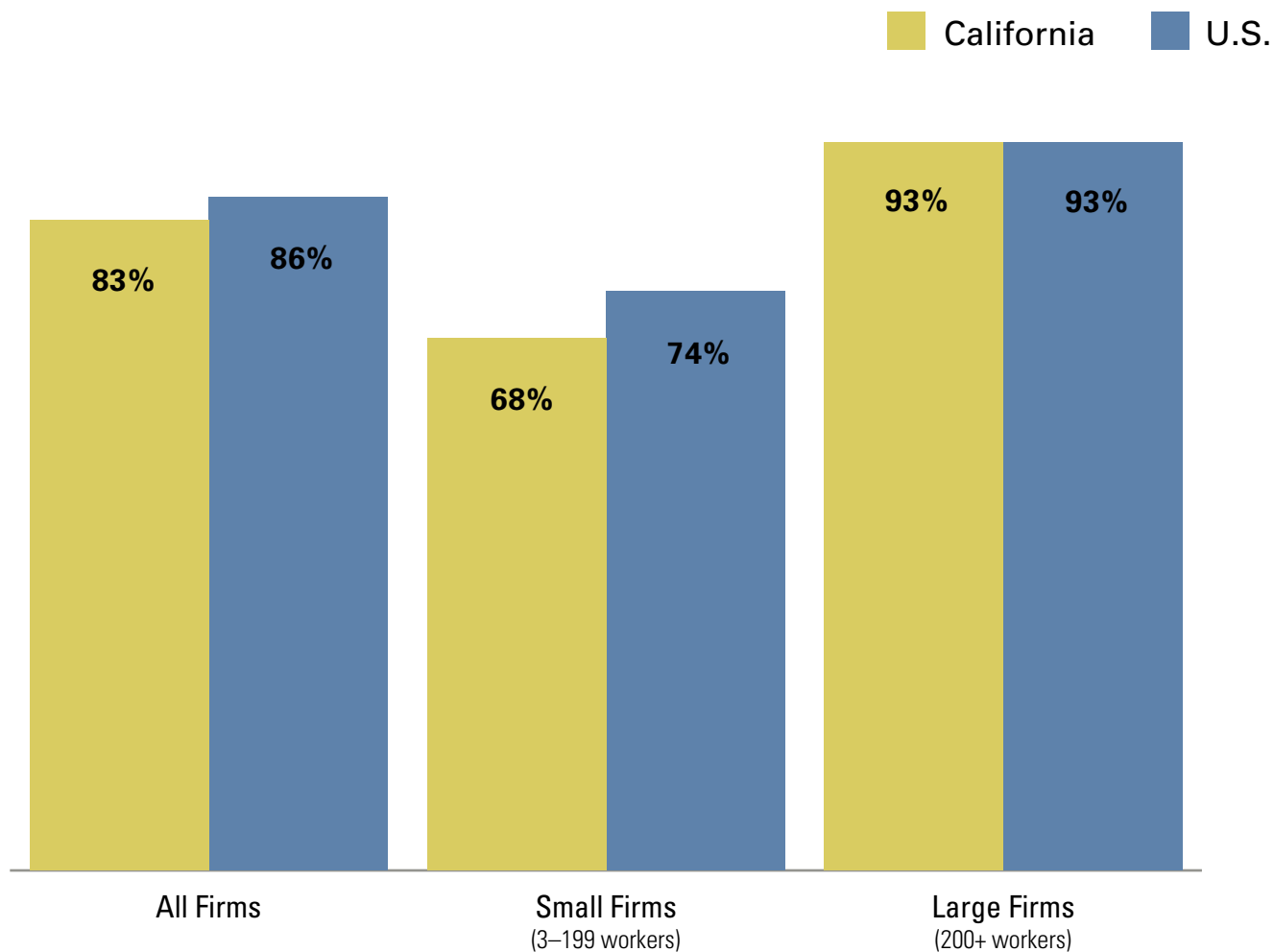
Twenty-six percent of Californians with employer-sponsored coverage were enrolled in a self-insured plan in 2007, compared with 55 percent nationally.

*Estimates are statistically different between California and the United States.

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

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Firms Allowing Employees to Pay for Premiums with Pre-tax Dollars, California vs. U.S., 2007*



Note: Tests found no statistically different estimates between California and the United States.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and Kaiser/HRET *Employer Health Benefits Survey: 2007*.

Employer Health Benefits Employer Attitudes

Among California firms offering health benefits, 83 percent of employees worked for firms that allowed employees to pay their share of health insurance premiums with pre-tax dollars in 2007, about the same as the national rate of 86 percent.

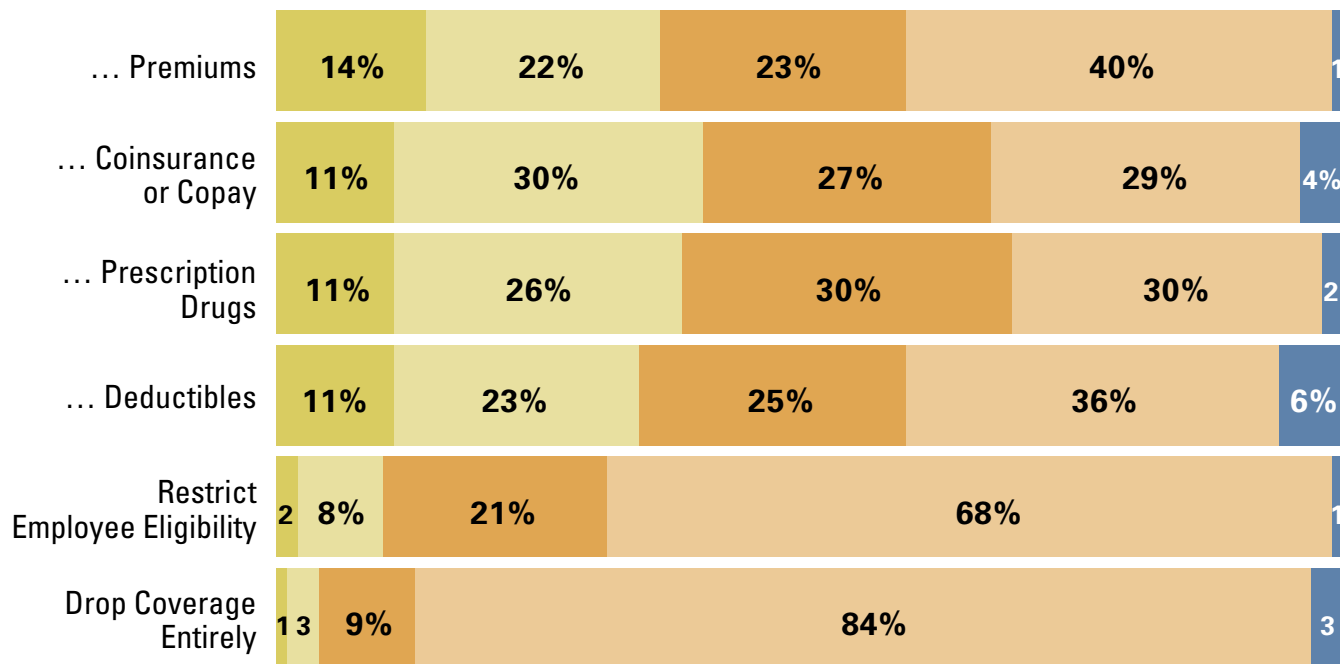
Workers in larger firms in California were more likely to be able to do so than workers in smaller firms.

Likelihood of Large Employers Making Select Changes in 2008

Likelihood

Very Somewhat Not Too Not at All Don't Know

Increase Amount Employees Pay for...



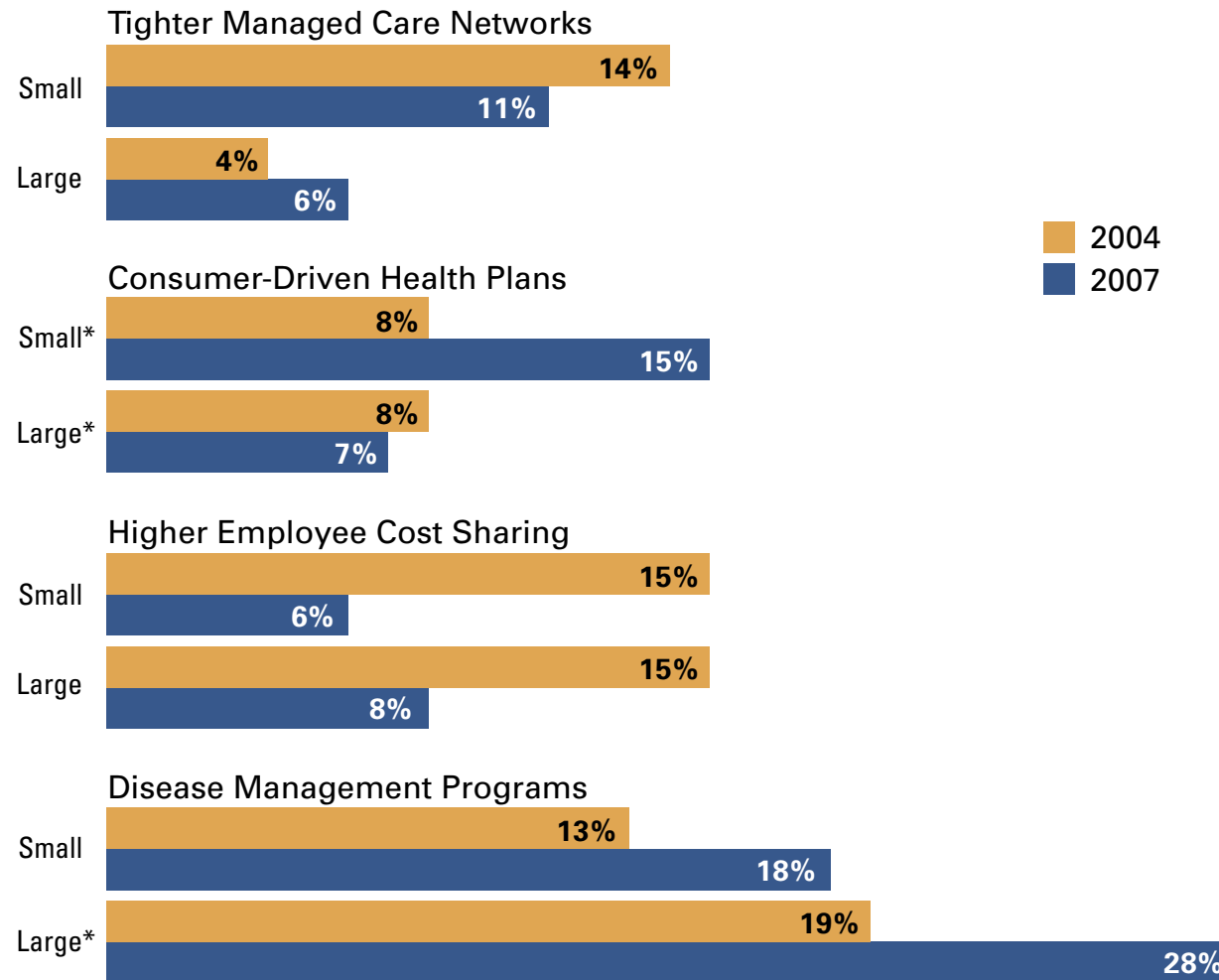
Note: Large employers defined as having 200 or more employees. Numbers may not add to 100 percent due to rounding.

Source: CHCF/NORC *California Employer Health Benefits Survey: 2007*.

Employer Health Benefits Employer Attitudes

Fourteen percent of large employers (200 or more workers) in California reported that they are very likely to increase the amount employees pay for health insurance premiums in 2008, with another 22 percent being “somewhat likely” to do so.

Opinion that Cost-Containment Strategies Were Very Effective, by Firm Size, 2004 and 2007



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

Note: Estimates are statistically different between 2004 and 2007. Small firms have 3 to 199 workers and large firms have 200 or more workers.

Sources: CHCF/NORC *California Employer Health Benefits Survey: 2007* and CHCF/HRET *California Employer Health Benefits Survey: 2004*.

Employer Health Benefits Employer Attitudes

Few California firms view current cost containment strategies as “very effective” in reducing premium increases.

Since 2004, fewer firms have viewed employee cost sharing and more firms have viewed disease management as promising cost-containment measures.

Methodology

The *California Employer Health Benefits Survey* is a joint product of the California HealthCare Foundation (CHCF) and the National Opinion Research Center (NORC). The survey was designed and analyzed by researchers at NORC and administered by National Research LLC (NR). The findings are based on a random sample of 805 interviews with employee benefit managers in private firms in California. NR conducted interviews from April to July 2007. 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 +/- 3.5 percent; for responses among employers with 3 to 199 workers is +/- 4.5 percent; and among employers with 200+ workers is +/- 5.3 percent. Some exhibits do not sum to 100 percent due to rounding effects.

The Kaiser Family Foundation sponsored this survey of California employers from 2000–2003. A similar employer survey was also conducted in 1999 in California, in conjunction with the Center for Health and Public Policy Studies at the University of California, Berkeley. The Health Research and Educational Trust (HRET) collaborated on these surveys from 1999–2004. The Center for Studying Health System Change collaborated on these surveys from 2005–2006.

This survey instrument is similar to 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's public use file, and are available on the Foundation'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 plan with a savings option (HDP/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 a hot-deck approach. 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, or subcategories versus all other firms (e.g., firms with 3 to 9 workers vs. all other firms). 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.

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.



PLEASE CLICK HERE
to give us your feedback.
Thank you.

Methodology, continued

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.

FOR MORE INFORMATION



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