



SELECTED DATA ON EMPLOYER  
HEALTH INSURANCE COVERAGE  
AND THE UNINSURED

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October 2000

From: *Employer Health Benefits 2000 Annual Survey*, Kaiser Family Foundation and Health Research and Educational Trust, September, 2000.

### Premium Increases

- From 1999 to 2000, United States employer-based insurance premiums rose by 8.3% (compared to a 4.8% increase from 1998 to 1999). Small employers were hardest hit by these increases. The increase in premiums for small employers (3-199 workers) was 10.3%. The increase for employers with 200 to 999 employees was 8.0%.

### Premium Growth Rates

- This year's increases are part of an upward trend in premium growth rates over the last 4 years. Last year's increase for small employers was 6.9% (compared to this year's 10.3%).

### Choice

- In 2000, 50% of all covered workers (firm size 3 and more) had a choice among at least 3 health insurance options, although these workers represented only 4% of all employers. Fifteen percent of covered workers had a choice between 2 options, representing 6% of all employers, and 35% had only one option, representing 90% of all employers. These figures have remained relatively stable over the past 4 years.
- The overall percentages of employers offering one, two, or three options are heavily influenced by the practices of small employers (because there are more of them than large employers). Among employers offering coverage, the percentage offering one, two, and three choices differs markedly when small employers are compared to "large" employers. Among small employers (3 to 199 workers) offering coverage, 91% offered only one choice, 6% offered two choices, and 3% offered three or more choices. In contrast, among large employers (1,000 to 4,999 workers) offering coverage, 32% offered one choice, 23% offered two choices, and 45% offered three or more choices.

### Worker Share of Premium

- Despite rising premiums (an overall increase from 1999 to 2000 of 8.3%), workers' monthly contributions toward coverage have dropped since 1999. The average worker pays \$28 per month for single coverage (compared to \$35 in 1999) and \$138 for family coverage (compared to \$145 in 1999).<sup>1</sup> This dynamic indicates that employers are not passing along premium increases to their employees. In fact, they are actually decreasing the percentage of total premium that employees are required to pay.

### Firms Offering and Not Offering Coverage

- The percentage of firms offering health benefits has generally risen since 1996. However, small employers continue to lag behind larger employers. In 2000, health benefits were

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<sup>1</sup> In 2000, the average total monthly premium for single HMO coverage was \$181. For family coverage, the average was \$487.

offered by: 60% of the smallest firms (3-9 workers); 79% of firms with 10-24 workers; 87% of firms with 25-49 workers; 97% of firms with 50-199 workers; and, 99% of firms with 200 or more workers.

- Sixty-seven percent of all small firms (3-199 workers) offered health benefits in 2000, but those with predominantly low-wage workforces were less likely to offer benefits than their higher-wage counterparts. Among small firms in which less than 35% of the workforce earned less than \$20,000 per year, 85% offered health benefits. Among those in which 35% or more of the workforce earned less than \$20,000 per year, only 35% offered health benefits.
- Seventy-six percent of small firms (3-199 workers) not offering health benefits cited “high premiums” as a very important reason for not doing so.

#### Employer Attitudes

- Despite much discussion in policy circles about the shift toward defined contribution, only 7% of all firms (3 or more workers) indicated that they were “very likely” to switch to a defined contribution strategy in the next five years. Fifty-one percent said that they were “very unlikely” to make such a switch.
- Employers were also asked whether they were likely to continue offering health benefits if it became possible for individual workers to receive the same tax write-off for health insurance premiums as is available to employers. Sixty-three percent of all firms (3 or more workers) offering insurance said they were “very likely” to continue to offer health benefits in these circumstances.

**From:** Fronstin, P., "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1999 Current Population Survey," Employee Benefit Research Institute Issue Brief 217, January 2000.

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- In 1998, **43.9 million** non-elderly Americans, or **18.4%** of the non-elderly population, were uninsured.
- Among *all* adults aged 18 to 64, **19.7% (32.8 million)** were uninsured.
- Among *working* adults aged 18 to 64, **18.1% (24.7 million)** were uninsured.
- The percentage of uninsured workers aged 18 to 64 in private firms generally decreases as firm size increases. In private firms, the percent of workers uninsured was:
  - 24.7% (3.1 million) among firms of one (self-employed);
  - 33.9% (5.1 million) in firms with 10 or fewer workers;
  - 27.5% (3.1 million) in firms with 10 to 24 workers;
  - 21.3% (3.4 million) in firms with 25 to 99 workers;
  - 16.1% (2.7 million) in firms with 100 to 499 workers;
  - 12.4% (0.8 million) in firms with 500 to 999 workers;
  - 12.7% (5.0 million) in firms with 1,000 or more workers.
- The country's 24.7 million uninsured workers (aged 18 to 64) are unevenly distributed across firm size/type. Of uninsured workers, 40.9% (10.1 million) worked for the smallest or the largest firms; 5.1 million uninsured workers were employed by private firms with fewer than 10 workers. Another 5.0 million were employed by private firms with 1,000 or more workers. The remaining 14.6 million uninsured workers were self-employed, worked for public employers, or worked for private firms with 10 to 999 workers. (See Figures 1 and 2.)
- Among all children aged 0 to 17, **15.4% (11.1 million)** were uninsured in 1998.
- Among uninsured children aged 0 to 17, 12.7% had a parent or family head employed full-year, full-time; 20.6% had a parent or family head employed full-year, part time; 28.2% had a parent or family head that was not working.

**From:** Fronstin, P. and R. Helman, “Small Employers and Health Benefits: Findings from the 2000 Small Employer Health Benefits Survey,” Employee Benefit Research Institute Issue Brief #226 and Special Report SR 35, October 2000.<sup>2</sup>

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- Twenty-nine percent of uninsured small employers (2 to 50 workers) said they “did not know” what employee-only coverage might cost.<sup>3</sup> Twenty-three percent said they believed employee-only coverage cost \$300 or more per month. Another 11% believed employee-only coverage cost \$200 to \$299 per month. Only 23% were close to the mark, indicating their belief that employee-only coverage would cost \$100 to \$199 per month.
- Eighty-seven percent of currently uninsured employers with 2-9 workers said they had not offered health insurance in the past five years. However, 28% of uninsured employers with 2-9 workers said they had contacted someone during that period of time to learn about health insurance options. Among uninsured firms with 10-24 workers, 82% had not offered health insurance in the past five years, but 40% had contacted someone to learn about health insurance options.
- Among small employers (2 to 50 workers) who had contacted someone in the past year to learn about health insurance options, 56% contacted an agent/broker, 31% contacted a health plan directly, 8% contacted a trade group or business association, and 3% contacted a purchasing alliance.

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<sup>2</sup> Survey respondents were representative of all non-governmental employers in the U.S. with 2 to 50 workers. The survey was administered in May and June, 2000.

<sup>3</sup> In this section, “uninsured small employer” refers to a small employer not offering employee health benefits at the time of the survey.

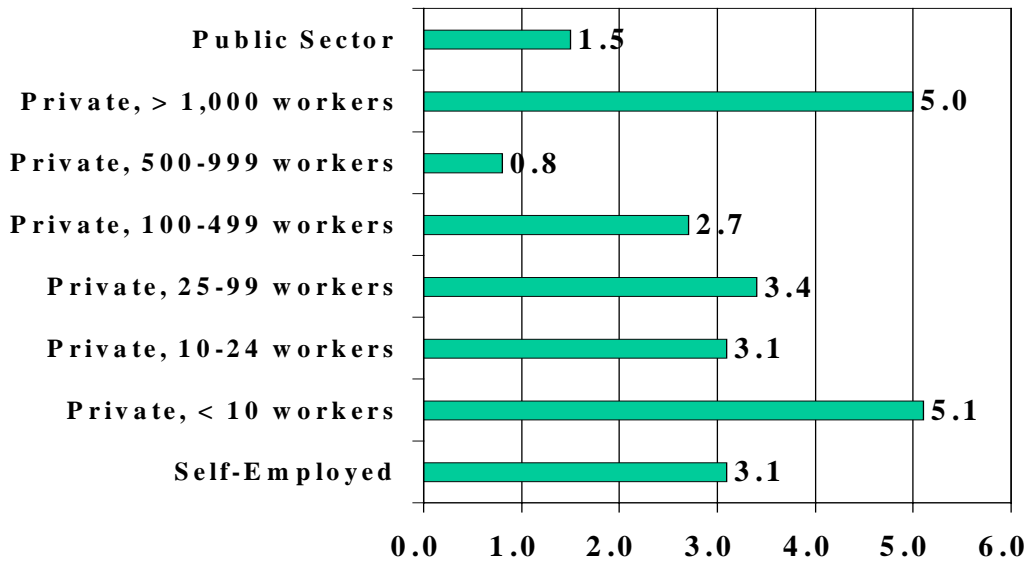
**From:** Long, S., and M. Susan Marquis, "Stability and Variation in Employment-Based Health Insurance Coverage, 1993-1997," *Health Affairs* V18, N6 (November/December 1999).

Fronstin, P., Employee Benefits Research Institute analysis of special supplements to the Current Population Survey, May 1988, April 1993, and February, 1997, Presented to the Institute for Health Policy Solutions Conference "*Coordinating Children's Health Insurance Programs with Employer-Based Coverage*," October 5, 1999, Washington, D.C.

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- Using employer survey data, Long and Marquis reported that the proportion of all employees covered through their own employer was relatively stable between 1993 and 1997, rising slightly from 58% in 1993 to 60% in 1997. (See Table 1 = "coverage rate.")
- Using population data, Fronstin reported a slight decrease in the proportion of employees covered through their own employer for the same time period, from 63% in 1993 to 62% in 1997. Taken together, the Long and Marquis and the Fronstin data indicate that, overall, the percentage of workers covered by their own employer-based health insurance did not change significantly during this time period.
- Changes in the percentage of employees covered by their own employer-based insurance were also relatively stable between 1993 and 1997 when the data were divided by smaller firms (fewer than 100 workers) and larger firms (100 or more workers). (See Figures 3 and 4.) However, the rate of coverage is made up of a number of factors: the percent of employees working in firms that offer coverage (sponsorship rate), the percent of employees eligible for employer-based coverage (offer rate or eligibility rate), and the percent of employees accepting such coverage when they are eligible (take-up rate). Among smaller employers, although coverage rates did not change very much during the time period, and sponsorship rates actually increased, employee take-up rates decreased, from 78% in 1993 to 75% in 1997. (See Figure 4.)
- In contrast, Long and Marquis found that the overall take-up rates had increased from 1993 to 1997, with increases of: 3% for firms with fewer than 50 employees, 4% for firms with 50 to 499 employees, and 1% for firms with more than 500 employees. (See Table 1.) Despite across-the-board increases in take-up rates, however, such rates remained lower for smaller employers than for larger ones. In 1997, among firms with fewer than 50 workers, 83% accepted employer-based insurance when it was offered. Among firms with 500 or more workers, the take-up rate was 89% in 1997.

Figure 1: Number of Uninsured Workers, Aged 18-64, by Firm Size/Type (in millions), U.S., 1998

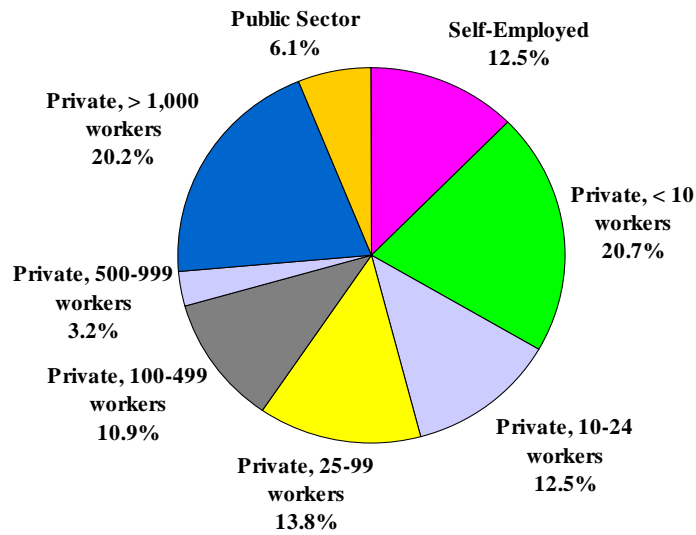


Total Uninsured Workers Aged 18-64 = 24.7 million

Source: Fronstin, P., "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1999 Current Population Survey," Employee Benefit Research Institute Issue Brief 217, January 2000.

**Figure 2: Distribution of All Uninsured Workers, Aged 18-64, by Firm Type/Size, U.S., 1998**

Total Uninsured Workers = 24.7 million



**Source:** Fronstin, P., "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1999 Current Population Survey," Employee Benefit Research Institute Issue Brief 217, January 2000.

**Table 1: Employer-Sponsored Health Insurance Coverage, 1993 and 1997: Sponsorship, Eligibility, and Participation**

	Year	Firm Size (Number of Workers)			
		Fewer than 50	50-499	500 or More	All
Sponsorship Rate	1993	57%	92%	99%	84%
	1997	55%	93%	99%	83%
Eligibility Rate	1993	81%	80%	84%	82%
	1997	82%	80%	86%	84%
Take-up Rate	1993	80%	82%	88%	85%
	1997	83%	86%	89%	87%
Coverage Rate	1993	37%	60%	73%	58%
	1997	38%	63%	76%	60%

Sponsorship Rate = Percent of workers in firms that offer insurance for at least some workers.

Eligibility Rate = In firms that sponsor insurance, percent of workers eligible for coverage.

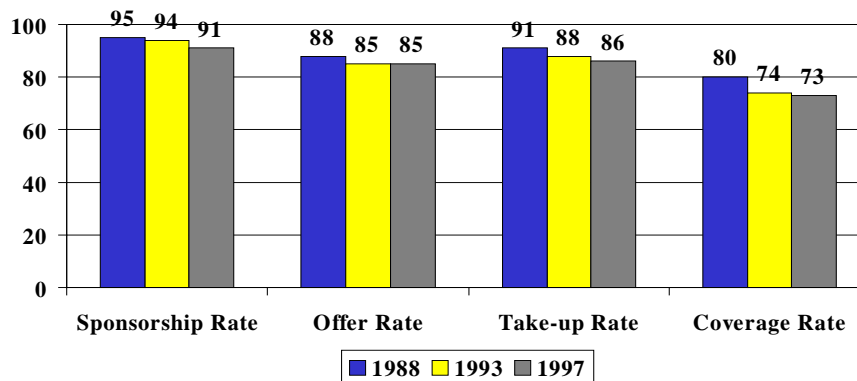
Take-up Rate = Among workers eligible for coverage, percent who enroll.

Coverage Rate = Percent of total workforce enrolled in their own employer's health insurance coverage.

Source: Long, S., and M.S. Marquis, "Stability and Variation in Employment-Based Health Insurance Coverage, 1993 to 1997," Health Affairs V18 N6 (November/December, 1999).

**Figure 3: Employment-Based Health Insurance Sponsorship, Offer, Take-up, and Coverage Rates Among Wage and Salary Workers Ages 18-64**

Firms with 100 or More Employees



Sponsorship Rate = Percent of employees in firms that offer insurance to at least some employees.

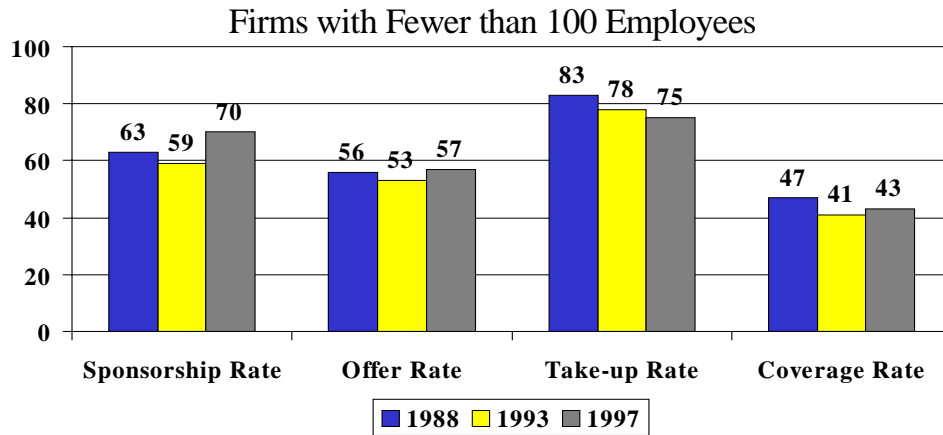
Offer Rate = Percent of employees being offered health insurance by the employer (i.e., percent of employees eligible).

Take-up Rate = Among workers offered/eligible for coverage, percent who enroll.

Coverage Rate = Percent of total workforce enrolled in their own employer's health insurance coverage.

Source: Employee Benefit Research Institute analysis of special supplements to the CPS, March 1988, April 1993, and February 1997, Presented to the Institute for Health Policy Solutions October 1999 conference, Washington, D.C.

Figure 4: Employment-Based Health Insurance Sponsorship, Offer, Take-up, and Coverage Rates Among Wage and Salary Workers Ages 18-64



Sponsorship Rate = Percent of employees in firms that offer insurance to at least some employees.

Offer Rate = Percent of employees being offered health insurance by the employer (i.e., percent of employees eligible).

Take-up Rate = Among workers offered/eligible for coverage, percent who enroll.

Coverage Rate = Percent of total workforce enrolled in their own employer's health insurance coverage.

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