

II. Employer-Sponsored Health Plans

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A. Employer Health Insurance Benefits

1. Offer and Take-Up Rates by Firm Size

While a majority of Californians get their health insurance coverage through their employers, the problem of obtaining coverage for employees in small firms persists, despite the state's booming economy. The rates at which firms in California offered health insurance benefits to their employees in 1999 varied by both firm size and industry. Fewer than half (41%) of the smallest firms (3 to 9 employees) in California offered any health benefits to their employees (Exhibit 45), and 77% of all firms operating in the state are in this size category (see Appendix E, page 131).

The larger the firm, the more likely it was to offer its employees health benefits. We estimate that 62% of small firms with 10 to 50 employees offered their employees health benefits. Among mid-size and large firms with more than 50 employees, 94% offered their employees health benefits. This finding is particularly disturbing, since among all large firms in the U.S., 99% offered employees coverage.

Exhibit 45: Health Insurance Offering and Acceptance Rates by Firm Size, California, 1999

Firm Size	Percentage of Firms Offering Coverage	Percentage of Eligible Employees Accepting Coverage Offer	Number of Firms in California (% of Total)
3 to 9	41%	87%	539,034 (77.4%)
10 to 50	62%	82%	129,635 (18.6%)
51 to 999	94%	86%	26,397 (3.8%)
1,000 or more	94%	87%	1,668 (0.2%)

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

The rates at which employees accepted coverage when offered did not vary much by firm size. Consistently, 86% to 87% of employees in the smallest firms (3-9) and mid-size to large firms (51 or more employees) accepted coverage when it was offered by their employers. Employees in firms with 10-50 workers had slightly lower rates of accepting coverage, with 82% accepting it when offered.

FEWER THAN HALF OF SMALL FIRMS IN CALIFORNIA OFFERED EMPLOYEES HEALTH INSURANCE BENEFITS

EVEN THE LARGEST FIRMS IN CALIFORNIA WERE LESS LIKELY TO OFFER COVERAGE THAN ALL LARGE FIRMS IN THE U.S.

WORKERS IN THE WHOLESALE AND RETAIL INDUSTRIES WERE LEAST LIKELY TO BE OFFERED COVERAGE AND TO ACCEPT COVERAGE WHEN OFFERED

2. Offer and Take-Up Rates by Industry

We observed less variability in offer rates by industry, with the lowest rates occurring in firms in the wholesale and retail industries (67%) (Exhibit 46). In all other industries, offer rates ranged from 77% (in construction, agriculture, and mining) to 81% (in manufacturing, transportation, communications, and utilities). We did observe some variability in employees' take-up rates by industry, with 90% of employees accepting coverage when offered in manufacturing, transportation, communications, and utilities firms, and only 80% accepting coverage when offered in wholesale and retail firms. Thus, not only are employees in wholesale and retail firms less likely to be offered coverage, they are also significantly less likely to accept coverage when it is offered.

Exhibit 46: Percentage of Employees Offered Coverage by Industry, California, 1999

Industry	Percentage of Employees Offered Coverage	Percentage of Eligible Employees Accepting Coverage
<i>Manufacturing/ transportation/communications/utilities</i>	81%	90%
<i>Service</i>	80%	86%
<i>Financial/ health care/ high technology</i>	78%	87%
<i>Construction /agriculture/mining</i>	77%	84%
<i>Wholesale/ retail</i>	67%	80%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

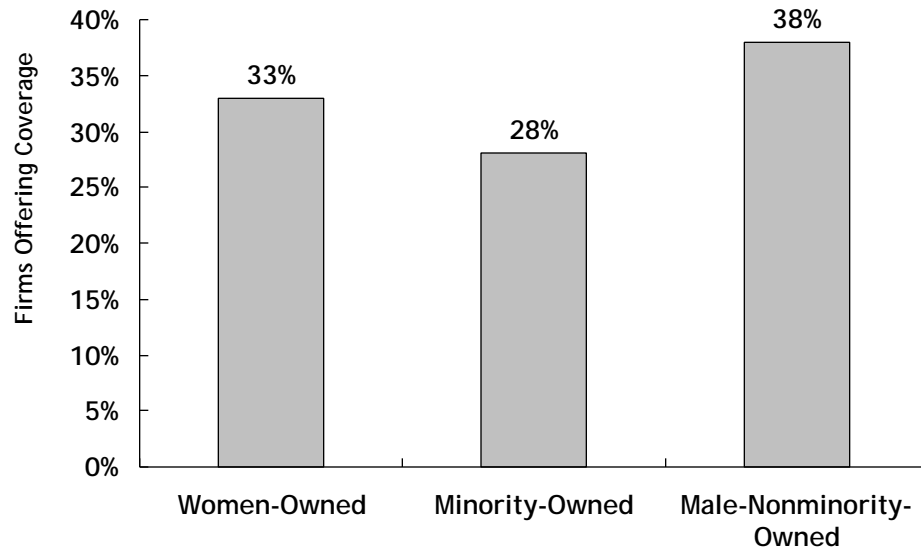
One possible explanation for the lower offer and take-up rates in the retail and wholesale industries is their relatively high proportion of low-wage workers. Among wholesale and retail firms in California, 35% or more of the workers in more than half of the firms are in low-wage jobs.

3. Offer Rates By Employer Gender, Ethnicity, and by Union Status

We were interested in learning if women- or minority-owned firms behave differently than male-nonminority-owned firms in offering their employees health insurance benefits. Exhibit 47 presents the offer rates for women-owned and minority-owned firms compared to male-nonminority-owned firms. We found that women-owned firms offered coverage to their employees at lower rates than male-nonminority-owned firms (33% vs. 38%, respectively). However, an even smaller proportion of minority-owned firms (28%) offered their employees health benefits. One possible explanation of this finding is that a higher proportion of women and minority-owned firms are small firms. While this is true – 98% of women- and minority-owned firms employ 50 or fewer workers, compared to 95% of male-nonminority owned firms – these differences are not likely to account for the five to ten percentage point differences observed in offer rates.

LESS THAN 30% OF MINORITY-OWNED FIRMS OFFERED HEALTH BENEFITS TO THEIR EMPLOYEES

Exhibit 47: Percentage of Small Firms (3 to 50 Workers) That Offer Coverage by Ownership, California, 1999



Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

Having unionized workers is also strongly associated with the probability that a firm will offer its employees health benefits and that employees will accept coverage when offered. Exhibit 48 presents the percentage of firms with and without unionized workers that offer coverage and their employees' corresponding take-up rates. More than three-quarters of firms (77%) with unionized workers offer their employees health benefits, compared to only 37% of non-unionized firms. More than 90% of employees in firms with unionized workers accept coverage when offered, compared to 83% of workers in non-unionized firms. Clearly, the presence of a union greatly increases the likelihood that workers will be offered health benefits and will accept coverage when offered.

Exhibit 48: Percentage of Firms with Unionized Workers Offering Coverage and Employee Take-Up Rates, California, 1999

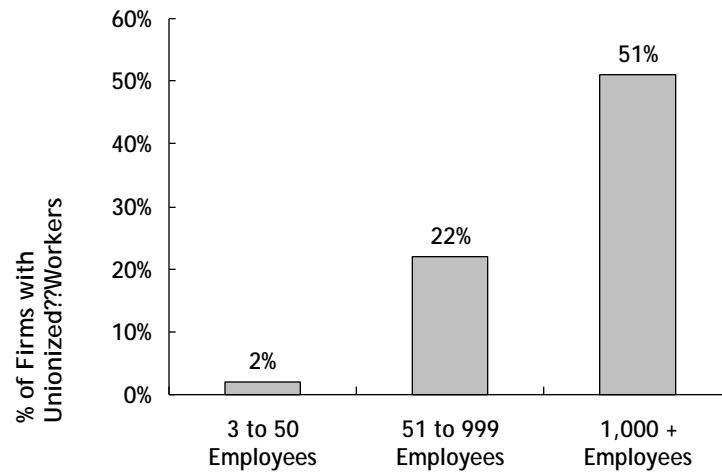
77% OF FIRMS WITH UNIONIZED WORKERS OFFERED EMPLOYEES HEALTH BENEFITS

Firm Has Unionized Workers	% Firms Offering Coverage	% Employees Accepting Coverage
Yes	77%	91%
No	37%	83%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

Firm size and unionized workers are strongly related, as presented in Exhibit 49. Only 2% of small firms (50 or fewer employees) have any unionized workers, compared to 22% of mid-size firms (51-999), and 51% of large firms (1,000 or more employees). The larger the firm, the more likely it is to have a unionized workforce and the more likely it is to offer health benefits.

Exhibit 49: Percentage of Firms with Unionized Workers by Firm Size, California, 1999



Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

4. Coverage for Dependents and Part-Time Workers

NEARLY ALL FIRMS THAT OFFERED EMPLOYEE COVERAGE ALSO OFFERED COVERAGE TO DEPENDENTS

Almost all firms that offered health benefits to employees also offered health benefits to dependents. All firms with 1,000 or more employees that offered coverage, also offered dependent coverage (Exhibit 50). Between 96% and 97% of small (3-50) and mid-size firms (51-999) that offered coverage, also offered dependent coverage.

However, the probability that firms offered coverage to part-time workers is directly related to the size of the firm. Only 15% of small firms offered health insurance coverage to part-time workers, compared with 65% of large firms. Overall, fewer than half of firms offered benefits to part-time workers.

FEWER THAN HALF OF FIRMS THAT OFFER EMPLOYEE COVERAGE EXTEND BENEFITS TO PART-TIME WORKERS

Exhibit 50: Percentage of Firms Offering Coverage for Dependents or for Part-Time Employment in Firms Offering Health Insurance, California, 1999

Size of Firms Offering Health Coverage	Percentage of Firms	
	Offered Dependent Coverage	Offered Part-Time Employee Coverage
<i>Small firms (3 to 50 employees)</i>	96%	15%
<i>Mid-size firms (51 to 999 employees)</i>	97%	44%
<i>Large firms (1,000 or more employees)</i>	100%	65%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

MOST FIRMS THAT DID NOT OFFER COVERAGE CITED THE HIGH COST OF PREMIUMS AS AN IMPORTANT REASON

5. Reasons Firms Do Not Offer Employee Health Benefits

Not surprisingly, the most common reason that small employers gave for their decision not to offer their employees health benefits was the high cost of premiums (Exhibit 51). Over half (51%) of the smallest firms (3 to 9 employees) also reported they were able to attract employees without offering coverage and that most of their employees were covered elsewhere. Over half (61%) of small firms with 10 to 50 employees also reported that they can attract employees without offering coverage, and nearly four-fifths (77%) cited high turnover rates in their firms as another important reason they do not offer their employees health benefits.

Exhibit 51: Reported Reasons Small Firms Do Not Offer Coverage, California, 1999

Reasons for Not Offering Coverage	Percentage of Firms Rating Somewhat Important or Very Important	
	3 to 9 Employees	10 to 50 Employees
<i>Premiums are too high</i>	77%	80%
<i>Can attract employees without offering coverage</i>	51%	61%
<i>Employees are covered elsewhere</i>	59%	39%
<i>Turnover too high</i>	25%	77%
<i>Administrative hassle</i>	30%	42%
<i>Firm too new</i>	6%	24%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

The relative importance of different reasons that firms gave for not offering coverage varies by industry (Exhibit 52). Of the firms in the construction, agriculture, and mining industries that did not offer coverage, nearly all (98%) cited high premium costs as an important reason, while 40% indicated that being able to attract employees without offering benefits was an important reason. High turnover among employees was also cited by more than half (51%) of these firms as an important reason for not offering health benefits. In sharp contrast, fewer than half (46%) of the financial, health care, and high technology firms that did not offer coverage cited high premium costs as an important reason. In fact, the only reason for not offering coverage cited as being important by more than half (53%) of these firms was that they could attract employees without offering health benefits.

To conclude, the most common reason given by firms for not offering their employees health benefits is the high cost of the premium. The second and third most common reasons given by firms for not offering coverage are that their employees are covered elsewhere and they can attract employees without offering coverage. Without introducing strong economic incentives for small employers to offer coverage and/or subsidies for low-wage workers to help them purchase coverage, little

progress will be made in increasing access to health insurance for employees in firms that do not presently offer health benefits.

Exhibit 52: Reasons for Not Offering Coverage by Industry, California, 1999

Reasons for Not Offering Coverage	Percentage of Firms Rating "Somewhat Important" or "Very Important"				
	Construction/ Agriculture/ Mining	Manufacturing/ Transportation/ Utilities/ Communications	Wholesale/ Retail	Service	Financial/ Health Care/ High Technology
<i>Premiums are too high</i>	98%	81%	87%	80%	46%
<i>Can attract employees without offering coverage</i>	40%	61%	54%	53%	53%
<i>Employees are covered elsewhere</i>	63%	58%	58%	57%	46%
<i>Firm can't qualify for group coverage</i>	37%	35%	49%	34%	40%
<i>Turnover too high</i>	51%	29%	35%	26%	31%
<i>Administrative hassle</i>	49%	38%	32%	30%	24%
<i>Firm too new</i>	2%	27%	7%	6%	10%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

MANY FIRMS THAT DID NOT OFFER COVERAGE REPORTED THAT THEIR EMPLOYEES WERE COVERED ELSEWHERE

Between 43% and 63% of all firms that did not offer coverage, regardless of industry, reported that their employees were covered elsewhere. The inability to qualify for group coverage was also cited as an important reason for not offering coverage by more than one-third of all firms, regardless of industry. While part of this finding may be explained by underwriting practices by industry, it is not likely that this is the primary explanation. Since most firms that did not offer coverage were small firms, many small employers may simply be unaware of the state and federal laws that guarantee the issuance and renewal of health insurance coverage to all small firms with 2 to 50 employees.

The reasons small firms did not offer coverage also varied by ownership status (Exhibit 53). Firms owned by women were more likely to cite high premiums, high turnover, their ability to attract employees without offering coverage, inability to qualify for group coverage, and administrative hassles as important reasons for not offering their employees benefits as compared to firms owned by nonminority men. Minority-owned firms were more likely to cite their newness as a reason for not offering coverage, compared to women-owned and male-nonminority-owned firms. Firms owned by nonminority men were most likely to cite the fact that their employees are covered elsewhere and much less likely to say they could attract employees without offering coverage as important reasons for not offering coverage compared to women- and minority-owned firms.

Exhibit 53: Reasons for Not Offering Coverage in Small Firms (3 to 50 Workers) by Ownership, California, 1999

Reasons for Not Offering Coverage	Percentage of Small Firms Rating "Somewhat Important" or "Very Important"		
	Owned by Women	Owned by Minorities	Owned by Nonminority Men
<i>Premium are too high</i>	89%	78%	74%
<i>Can attract employees without offering coverage</i>	71%	67%	42%
<i>Turnover too high</i>	69%	32%	25%
<i>Firm can't qualify for group coverage</i>	65%	57%	26%
<i>Administrative hassle</i>	60%	39%	20%
<i>Employees are covered elsewhere</i>	51%	51%	61%
<i>Firm too new</i>	6%	18%	5%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

B. Factors Influencing Employer Choice of Health Plans

Although the cost of health plans remains the factor that most firms consider important in choosing which health plan(s) to offer their employees, we were also interested in the extent to which employers were aware of efforts by the National Committee on Quality Assurance (NCQA) to assess and assure quality, and of the Health Plan and Employer Data and Information Set (HEDIS) that has been developed to assess health plan performance and measure the quality of care. Exhibit 54 presents employers' familiarity with NCQA and HEDIS.

The larger the firm, the more likely the firm is to be familiar with these quality initiatives. However, even among the largest firms in California (more than 1000 employees), only half were familiar with NCQA and 36% were familiar with HEDIS. Among smaller firms, awareness was much lower, with only 7% of small firms reporting any familiarity with NCQA and only 8% reporting any familiarity with HEDIS. It seems reasonable to assume that if employers are not even aware of these quality initiatives, they are not using this quality information in selecting which health plans to offer their employees.

THE HIGH COST OF PREMIUMS REMAINED THE MOST IMPORTANT REASON FIRMS GAVE FOR NOT OFFERING EMPLOYEE BENEFITS

LESS THAN HALF OF ALL FIRMS WERE FAMILIAR WITH NCQA OR HEDIS

Exhibit 54: Percentage of Firms Offering Coverage That Are Familiar with NCOA and HEDIS, by Firm Size, California, 1999

Size of Firm	Familiar with NCOA	Familiar with HEDIS
<i>Small Firms (3 to 50)</i>	7%	8%
<i>Mid-size Firms (51 to 999)</i>	24%	10%
<i>Large Firms (1,000 or more)</i>	50%	36%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

We did, however, observe differences by ownership in the importance of different variables employers consider in deciding which health plans to offer their employees. Exhibit 55 presents the characteristics of health plans that women- and minority-owned firms considered very important compared to male-nonminority-owned firms. The health plan characteristics cited by more than 75% of the women-owned firms as being very important include the ease of making appointments and the number of physicians in the plan. More than 80% of the minority-owned firms also cited ease of making appointments as very important, compared to only 51% of male-nonminority-owned firms. Other health plan characteristics that were rated as very important by minority-owned firms include access to specialists (76%) and the range of benefits offered (71%), compared to only 56% and 52% of male-nonminority-owned firms, respectively. The characteristic rated as being very important by the highest proportion of male-nonminority-owned firms was the cost of the health plan (70%), in contrast to only 54% of women-owned firms and 64% of minority-owned firms that considered costs very important.

It is interesting to note that indicators of increased access to care are most often cited as important in choosing plans for women- and minority-owned firms, while covered benefits were also an important factor for minority-owned firms. In contrast, cost is the most important factor for male-nonminority-owned firms, with access and benefits cited as important by only about half of male-nonminority-owned firms.

WOMEN-AND
MINORITY-OWNED
FIRMS CONSIDERED
FACTORS OTHER THAN
COSTS WHEN
CHOOSING HEALTH
COVERAGE FOR THEIR
EMPLOYEES

Exhibit 55: Characteristics of Health Plans That Firms Consider to Be Very Important When Deciding with Whom to Contract, by Ownership, California, 1999

Characteristics of Health Plan	Women-Owned	Minority-Owned	Male-Nonminority-Owned
<i>Number of physicians</i>	77%	64%	54%
<i>Cost of the plan</i>	54%	64%	70%
<i>Ease of making appointments</i>	78%	82%	51%
<i>Access to specialists</i>	58%	76%	56%
<i>Range of benefit options</i>	44%	71%	52%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

The importance of different reasons for selecting health plans also varied depending on whether or not the firm had unionized workers (Exhibit 56). Firms with unionized workers were more likely to cite the following factors as important reasons for selecting a health plan compared to firms without unionized workers: number of physicians offered by the plan, reputation and credentials of doctors, cost of the plan, and accuracy and speed of claims payment. However, firms without unionized workers were more likely to consider the following factors important in selecting a health plan for their employees compared to firms with unionized workers: ease of access to specialists, range of benefit options available, ease of making appointments, NCQA accreditation, and HEDIS data and information.

Exhibit 56: Factors Firms Consider Very Important When Selecting a Health Insurance Plan, in Firms with and without Unionized Workers, California, 1999

Factors Firms Consider Very Important When Selecting a Health Insurance Plan	Firms with Unionized Workers	Firms without Unionized Workers
<i>Cost of the plan</i>	80%	65%
<i>Reputation and credentials of doctors</i>	76%	66%
<i>Measurable employer satisfaction with plan</i>	67%	65%
<i>Number of physicians offered by plan</i>	67%	59%
<i>Accuracy and speed of claims payment</i>	61%	57%
<i>Ease of access to specialists</i>	56%	60%
<i>Range of benefit options available</i>	36%	54%
<i>Ease of appointment making</i>	30%	61%
<i>NCQA accreditation</i>	28%	53%
<i>HEDIS data and information</i>	7%	48%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

MOST EMPLOYEES ARE OFFERED HEALTH COVERAGE THROUGH AN HMO

C. Employee Choice of Health Plans

The type of health plan that employers providing coverage are most likely to offer their employees, regardless of firm size, is an HMO plan, with the probability of covered workers being offered at least one HMO increasing from 54% in small firms to 82% in large firms (Exhibit 57). The proportion of covered workers who are offered PPO coverage is also related to size, with approximately one-third (32%) of workers in small firms offered a PPO and between 61% and 69% of workers in larger firms (over 50 employees) offered a PPO. Workers are less likely to be offered a POS plan than HMOs and PPOs. The likelihood that an employee is offered a POS plan increases with firm size, from 34% of workers in small firms to 56% of workers in large firms. Very few employees are offered an indemnity health insurance plan – only 2% of employees in small firms, 8% of employees in mid-size firms, and 16% of employees in large firms.

Exhibit 57: Percentage of Covered Workers with a Choice of Plan Types by Firm Size, California, 1999

Firm Size	HMO	PPO	POS	Indemnity
<i>Small firms (3 to 50 employees)</i>	54%	32%	34%	2%
<i>Mid-size firms (51 to 999 employees)</i>	73%	69%	37%	8%
<i>Large firms (1,000 or more employees)</i>	82%	61%	56%	16%

FEW EMPLOYEES ARE OFFERED THE CHOICE OF A TRADITIONAL INDEMNITY HEALTH INSURANCE PLAN

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

Having a choice of health plans is important to consumers and is associated with greater satisfaction with one's health plan. However, the vast majority (70%) of workers in small firms that offer coverage are offered only one plan (Exhibit 58). This is much less true among larger firms. Among mid-size firms that offer coverage, 36% of employees are offered the choice of two plans and 47% are offered a choice of three or more plans. The degree of health plan choice is greatest for employees in large firms, where 75% are offered a choice of three or more plans. Fewer than 10% of workers in large firms that offer coverage are offered no choice of health plans.

Exhibit 58: Percentage of Covered Workers with a Choice of Health Plans by Firm Size, California, 1999

Firm Size	Percentage of Covered Employees Offered a Choice of Plans			Total
	1 Plan	2 Plans	3 or More Plans	
<i>Small firms (3 to 50 employees)</i>	70%	18%	12%	100%
<i>Mid-size firms (51 to 999 employees)</i>	16%	36%	47%	100%
<i>Large firms (1,000 or more employees)</i>	9%	16%	75%	100%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

MOST FIRMS THAT PROVIDE HMO OR PPO COVERAGE OFFER THE CHOICE OF ONLY ONE HMO OR PPO

The majority of employees in small firms that provide HMO coverage are offered only one HMO (83%) (data not shown). Among employees in mid-size firms, 28% are offered a choice of two HMOs and 19% are offered a choice of three or more. Among employees in large firms, 27% are offered the choice of two HMOs and more than half (55%) are offered the choice of three or more. Among the firms that offer a PPO, only larger firms offer their employees the choice of more than one PPO, with 19% of employees in mid-size firms and 32% in large firms offered the choice of two or more. Experience suggests that employees who are only offered one plan are less likely to be satisfied with their health plan than employees who are offered two or more options. Satisfaction with health plans in small firms might be increased if small employers offered a choice of plans.

The two purchasing groups serving small firms (2 to 50 employees) in California – Pacific Health Advantage run by the Pacific Business Group on Health (PBGH) and California Choice – offer employees in participating firms the choice of 17 and 12 plans, respectively. Without question, purchasing groups provide employees with much greater choice than any individual small firm could arrange on its own (see Section IV. Purchasing Groups, page 79).

Another aspect of choice that is important to consumers is having a choice of doctors. In HMO plans, members are restricted to the physicians in each plan's closed network of providers. Out-of-network care is not covered. In PPO and POS plans, enrollees may receive coverage for out-of-network care, but they usually face higher copayments and patient cost-sharing. In indemnity plans, enrollees are covered for services provided by any licensed health professional, with no restrictions or economic disincentives on their choice of provider.

ONLY ONE-THIRD OF SMALL FIRMS THAT OFFER COVERAGE PROVIDE EMPLOYEES WITH THE CHOICE OF A PPO OR INDEMNITY PLAN THAT WILL PAY FOR THEM TO GO TO ANY DOCTOR

Exhibit 59 examines the degree to which employees are offered a health plan that allows them a greater choice of providers. In small firms that offered coverage, more than one-third (38%) of covered employees are offer no plan that enables them to receive covered services outside of a closed network of health care providers.

Approximately one-quarter of covered workers, regardless of firm size, are offered a POS plan, but are not offered a PPO or indemnity plan. Only about one-third of workers in small firms are offered a PPO or indemnity plan, whereas more than two-thirds of workers in larger firms (more than 50 employees) are offered a PPO or indemnity plan. Thus, the larger the firm, the greater the likelihood that employees will be offered the choice of a plan that enables them to see doctors outside of a closed network of providers.

Exhibit 59: Percentage of Covered Employees Offered the Choice of Different Types of Health Plans by Firm Size, California, 1999

Firm Size	Percentage of Covered Employees Offered a Choice of Different Types of Health Plans			
	HMO Only	POS Offered, but Not Indemnity or PPO	PPO or Indemnity Offered	Total
<i>Small firms (3 to 50 employees)</i>	38%	28%	34%	100%
<i>Mid-size firms (51 to 999 employees)</i>	6%	23%	71%	100%
<i>Large firms (1,000 or more employees)</i>	3%	24%	73%	100%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

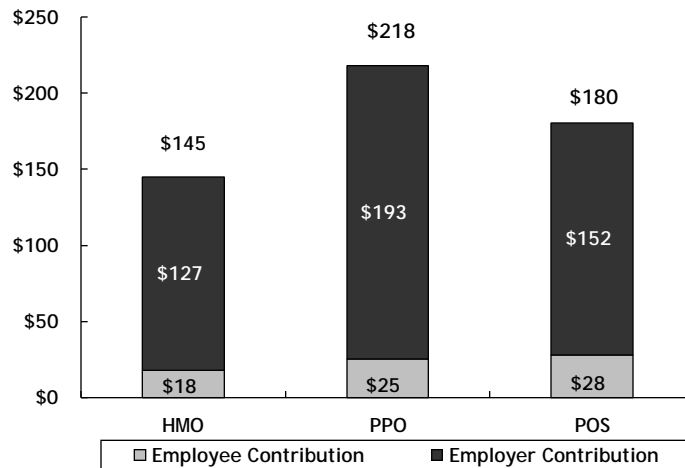
D. Premiums and Employee Contributions

Monthly premium costs and employee contributions vary considerably by the type of health plan offered. Exhibit 60 and Exhibit 61 show the average monthly cost of individual and family coverage, respectively, for HMO, PPO, and POS employer-sponsored plans. On average, HMOs continue to offer the lowest total monthly premiums for individual coverage (\$145), compared to \$180 for POS and \$218 for PPO plans, and for family coverage, with HMO monthly premiums averaging \$405, compared to \$479 for POS and \$555 for PPO plans.

HMOs HAVE THE LOWEST PREMIUMS AND PPOs HAVE THE MOST EXPENSIVE PREMIUMS FOR SINGLE EMPLOYEE AND FAMILY COVERAGE

THE AVERAGE MONTHLY EMPLOYEE CONTRIBUTION FOR HMO COVERAGE IS ONLY \$18 PER MONTH FOR INDIVIDUAL COVERAGE AND \$115 PER MONTH FOR FAMILY COVERAGE

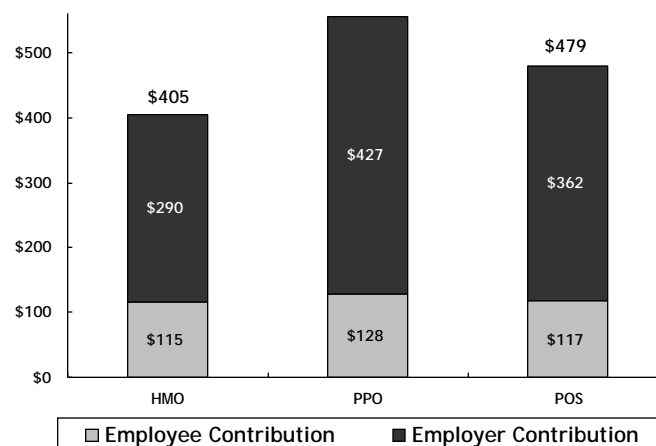
Exhibit 60: Premiums for Single Coverage, Employer and Employee Contributions, California, 1999



Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

Exhibit 61: Premiums for Family Coverage, Employer and Employee Contributions, California, 1999

THE AVERAGE MONTHLY EMPLOYEE CONTRIBUTION FOR PPO COVERAGE IS \$25 PER MONTH FOR INDIVIDUAL COVERAGE AND \$128 PER MONTH FOR FAMILY COVERAGE



Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

Employers heavily subsidize the costs of both single and family coverage. However, the employer share of premium is higher for single compared to family coverage. The employer contribution to the total monthly premium ranges from 88% of the cost for single coverage for HMOs and PPOs, to 84% for POS plans, and from 72% of the cost of family coverage for HMOs to 76-77% for PPO and POS plans.

The average employee's share of the monthly premium for single coverage is \$18 for HMOs, \$25 for PPOs, and \$28 for POS plans. For family coverage, the average employee's share of the monthly premium is \$115 for HMOs, \$117 for PPOs, and \$128 for PPOs.

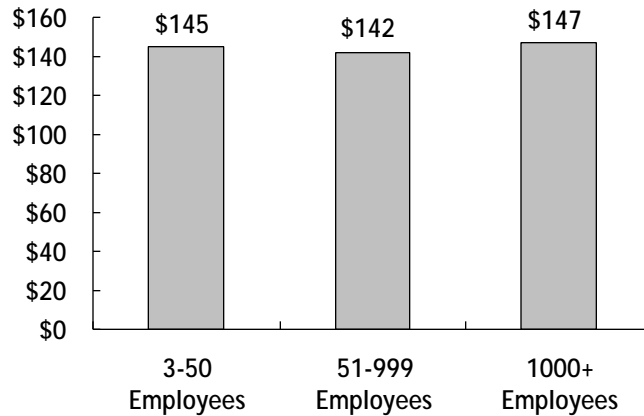
One possible reason small employers are less likely to offer coverage to their employees could be that the premium cost is higher than it is for larger firms.

EMPLOYERS HEAVILY SUBSIDIZE THE COST OF COVERAGE—UP TO 88% FOR INDIVIDUALS AND UP TO 77% FOR FAMILIES

THE AVERAGE MONTHLY PREMIUM COST OF AN EMPLOYER-SPONSORED HMO IS ABOUT \$145 PER MONTH, REGARDLESS OF THE SIZE OF THE FIRM

However, we found that, on average, this is not the case. Exhibit 62 presents the average monthly HMO premiums for single coverage by firm size in California in 1999. There is virtually no difference in the average HMO monthly premium for small, mid-size, and large firms.

Exhibit 62: HMO Monthly Premiums for Single Coverage by Firm Size, California, 1999



Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

E. Benefits Covered by Employer-Sponsored Health Plans

Nearly 100% of employees who receive their health insurance through an employer-sponsored plan, regardless of plan type, are covered for prenatal care, well baby care, mammography screening, as well as both outpatient and inpatient mental health services.

However, while most covered employees are offered outpatient mental health benefits, nearly all of these benefits come with restrictions on the maximum number of outpatient visits that are covered (Exhibit 63). HMOs are the most restrictive, with 59% of HMO employees covered for fewer than 21 visits per year. PPO plans are the least restrictive, with POS plans falling somewhere in between. Between 23% and 24% of employees in POS and PPO plans are allowed a maximum of 31 to 50 mental health visits per year. Among employees in PPOs, 6% are covered for more than 50 visits per year and 10% are covered for an unlimited number of visits. The recent passage of mental health parity legislation for severe mental illness in California is likely to have a significant impact on the imposition of visit maximums for mental health services by health plans (see Section VI. Policy Recommendations, page 107).

HMOs PLACE THE GREATEST RESTRICTIONS ON THE NUMBER OF COVERED MENTAL HEALTH VISITS

Exhibit 63: Percentage of Covered Employees with Coverage Limits on Outpatient Mental Health Visits by Plan Type, California, 1999

Maximum # of Outpatient Mental Health Visits	Percentage of Employees Covered with Limits on Outpatient Mental Health Benefits		
	HMO	POS	PPO
<21	59%	43%	32%
21-30	21%	22%	28%
31-50	12%	23%	24%
>50	1%	4%	6%
<i>Unlimited</i>	8%	9%	10%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

One of the areas where there has been consumer dissatisfaction with health plan coverage has been with family planning benefits, including access to contraceptives, abortion services, and fertility treatments. Exhibit 64 presents the proportion of employees covered through different types of health plans who had coverage for specific family planning services in 1999. As shown in this table, a substantial number of employers do not know if the health plans they offer to their employees cover these services. For those employees whose coverage is known, enrollees in HMOs are most likely to have coverage for oral contraceptives (86%), compared to only 74% of employees in POS plans. Approximately two-thirds of all employees in HMOs and POS plans are covered for all reversible contraceptives, whereas only 44% of employees in POS plans have this coverage. Coverage of abortion services also varies by plan type, with coverage most available to employees in PPOs (54%) and least available to employees in POS plans (48%). Less than one-third of all employees are covered for fertility services, ranging from a high of 31% of employees in HMOs to a low of 18% of employees in POS plans.

Exhibit 64: Percentage of Covered Employees with Family Planning Benefits by Plan Type, California, 1999

Benefit	Percentage of Covered Employees with Family Planning Benefits ¹			Employers Don't Know
	HMO	POS	PPO	
<i>All reversible contraceptives</i>	60%	44%	64%	13-18%
<i>Oral contraceptives</i>	86%	74%	81%	7-16%
<i>Abortion services</i>	51%	48%	54%	20-29%
<i>Fertility services (IVF)</i>	31%	18%	30%	15-21%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

1: Percentages are calculated as the number of covered employees in each type of health plan with these benefits, over the total number without coverage and the number for whom the employers did not know if these benefits were covered.

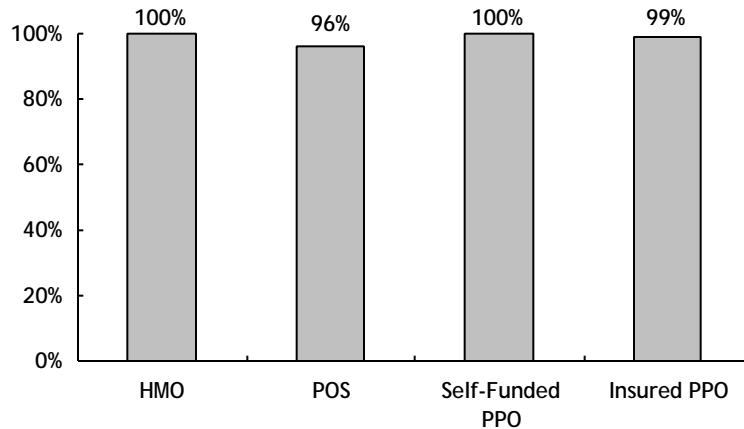
COVERAGE OF FAMILY PLANNING SERVICES VARIES BY TYPE OF HEALTH PLAN

EMPLOYEES IN HMOS ARE MOST LIKELY TO HAVE COMPREHENSIVE COVERAGE FOR ORAL CONTRACEPTIVES

PRESCRIPTION DRUG
 COVERAGE IS
 UNIVERSALLY
 PROVIDED IN
 EMPLOYER-
 SPONSORED COVERAGE

Another area of concern for consumers is prescription drug coverage. However, we found that coverage of prescription drugs is nearly universal for all employees with employer-sponsored benefits, regardless of plan type (Exhibit 65).

Exhibit 65: Percentage of Employees in Firms that Offer Coverage of Prescription Drugs by Plan Type, California, 1999

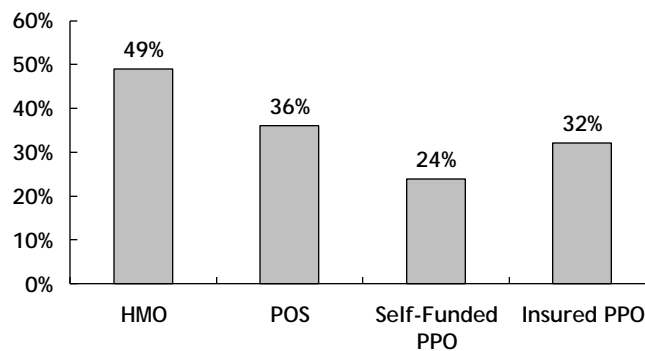


Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

NEARLY HALF OF ALL
 CALIFORNIANS IN
 EMPLOYER-
 SPONSORED HMOS
 HAVE DRUG BENEFITS
 THAT LIMIT COVERAGE
 TO GENERIC DRUGS
 ONLY

Consumers of managed care have complained about having prescription drug coverage limited to generic, rather than brand name, drugs. We asked California employers that offer coverage if their prescription drug benefits required mandatory use of generic drugs, where available (Exhibit 66). Nearly half of the employees in firms with HMO coverage are limited to generic drugs, compared to 36% of employees covered by POS plans, 32% of those covered by insured PPOs, and 24% of employees covered by self-funded PPO plans.

Exhibit 66: Percentage of Employees in Firms That Cover Prescription Drugs Who Are Covered Only for Generic Drugs, California, 1999



Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999

FEWER THAN HALF OF COVERED EMPLOYEES ARE OFFERED BENEFITS FOR TREATING TOBACCO DEPENDENCE; EMPLOYEES IN HMOS ARE MOST LIKELY TO HAVE COVERAGE

The addition of a new HEDIS measure for physician advice to quit smoking and the publication of the Clinical Practice Guideline on Smoking Cessation by the Agency for Health Care Policy and Research (AHCPR) has stimulated health plan interest in defining benefits for tobacco dependence treatments. Exhibit 67 presents our findings on the percentage of employees in different types of health plans who are covered for specific tobacco dependence treatments. Again, many employers do not know if the health plans they offer their employees cover these benefits. Where employers do have this information, only a small percentage of employees in California covered through an employer-sponsored plan are offered any benefits to help reduce their dependence on tobacco. Employees in HMOs are most likely to be covered for nicotine replacement therapy (36%) and behavioral smoking cessation programs (30%). Less than one-fifth of employees are covered for bupropion (Wellbutrin/Zyban) for tobacco dependence, regardless of plan type. Employees in PPOs are least likely to be covered for a behavioral cessation program (15%).

Exhibit 67: Percentage of Employees in Plans that Cover Tobacco Dependence Treatment Benefits by Plan Type, California, 1999

Benefit	HMO	POS	PPO	Employers Don't Know
<i>Nicotine replacement therapy</i>	36%	23%	23%	18-25%
<i>Bupropion (Zyban/Wellbutrin)</i>	10%	15%	14%	32-56%
<i>Behavioral treatment</i>	30%	22%	15%	21-30%

Source: Kaiser/HRET/UC Berkeley California Employer Health Benefits Survey, 1999
 1: Percentages are calculated as the number of covered employees in each type of health plan with these benefits, over the total number without coverage and the number for whom the employers did not know if these benefits were covered.

In conclusion, while HMOs tend to have more generous benefit packages in terms of what services are covered compared to POS and PPO plans, HMOs are also more likely to impose stricter coverage limits on the services that they cover.

EMPLOYER-SPONSORED HMOS TEND TO COVER A WIDER RANGE OF BENEFITS AND SERVICES, BUT IMPOSE MORE COVERAGE LIMITS THAN POS AND PPO PLANS

