

STATISTICAL BRIEF #230

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Premiums, Employer Costs, and Employee Contributions for Private Sector Employer-Sponsored Health Insurance, Family Coverage by Firm Size, 1996–2006

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Introduction

In 2006, one-third of private sector employees who enrolled in employer-sponsored health insurance took family coverage—insurance that covers the employee and one or more family members. Using data from the Insurance Component of the Medical Expenditure Panel Survey (MEPS-IC), this Statistical Brief discusses annual premiums, employer costs, and employee contributions for family coverage in private sector firms in 1996 through 2006. This period encompasses all the years for which the MEPS-IC has collected information on employer-sponsored health insurance coverage.

Employee-plus-one coverage—which is limited to the employee and only one family member, and has a lower annual premium than comparable family coverage—had 18.0 percent of 2006 enrollment and is not analyzed here.

In this Brief, family coverage premiums, employer costs, and employee contributions are analyzed for all firms, and for small (fewer than 50 employees) and large (50 or more employees) firms. Information relating to coverage for a family of four was collected in cases where multiple pricing levels were offered to employees. Note that while firm size is an important determinant of costs for employer-sponsored health insurance, other factors may come into play. Benefit packages offered can be more or less generous—through the absence or presence of deductibles and co-pays, for example. Demographic factors (such as age of enrollees or work schedule) and firm characteristics (such as industry or length of time in business) can also affect employer-sponsored insurance costs.

Only differences that were statistically significant at the 0.05 percent significance level are noted in the text.

Findings

In 2006, the premium for family coverage averaged \$11,381 per year across all firms in the private sector (figure 1). In 1996, the family premium was \$4,954. The premium increase over the 10-year period was 129.7 percent (figure 2).

For all firms, the annual employer cost for family coverage went from \$3,679 in 1996 to \$8,491 in 2006, up 130.8 percent over the 10 years (figures 3 and 4). This increase was close to the rise in premiums noted above. By comparison, employer costs for employee compensation (wages and benefits) were up

Highlights

- Premiums for family coverage averaged \$11,381 in 2006—an increase of 129.7 percent over 1996.
- Employer costs for family coverage rose 130.8 percent over the period, to \$8,491.
- Employee contributions were generally higher at small firms than at large firms, but there was no difference by firm size in the percentage increase in contributions over the 10-year period.

42.2 percent during the same period, according to the Employment Cost Index (ECI), which is computed by the Bureau of Labor Statistics (BLS).

Private sector employee contributions for family coverage at all firms rose from \$1,275 to \$2,890 between 1996 and 2006, a 126.7 percent increase (figures 5 and 6). During that same period, prices for all consumer goods—as measured by the Consumer Price Index for All Urban Consumers (CPI-U, another BLS index)—rose 29.5 percent.

There were four years in the period when the family premium paid by small employers was different than that paid by large employers. In three of those years (1997, 1998, and 2006), the large firm premium was higher; in 2001, the small firm premium was higher. Small firms' average premiums went from \$4,938 in 1996 to \$11,095 in 2006, up 124.7 percent (figures 1 and 2). Large firms' annual premiums rose 130.7 percent during the same period, to \$11,438. Increases in employer costs—123.9 percent for small firms and 132.0 percent for large firms—were similar to those for premiums (figure 4).

Employees of small firms generally paid higher contributions than employees of large firms toward the family coverage premium during the 10 years examined (2004 was the sole exception, when there was no significant difference). In 2006, small firms' employees contributed \$3,101 per year and large firms' employees contributed \$2,848 (figure 5). Although employee contributions were higher over the period for those working for small employers, the percentage increase in employee contributions was no different for small (126.8 percent) versus large (126.9 percent) employers for the 10 years (figure 6).

Data Source

This Statistical Brief summarizes data from the 1996 through 2006 MEPS-IC. The data are available on the MEPS Web site at http://www.meps.ahrq.gov/mepsweb/survey_comp/Insurance.jsp or have been produced using special computation runs on the confidential MEPS-IC data available at the U.S. Census Bureau.

Definitions

Employee

A person on the actual payroll. Excludes temporary and contract workers but includes the owner or manager if that person works at the firm.

Employee contribution

The portion of the premium paid by the enrolled employee.

Employer

In this Statistical Brief, an employer is defined as a private sector firm. A firm is defined as a business entity that controls one or more business establishments or locations. Consequently, an employer can have multiple work locations.

Employer cost

The portion of the premium paid by the employer on behalf of its employee. An employer may decide to pay all of the premium, some of the premium, or none of the premium.

Health insurance plan

An insurance contract that provides hospital and/or physician coverage to an employee for an agreed-upon fee (premium) for a defined benefit period.

Firm

A business entity consisting of one or more business establishments under common ownership or control. A firm represents the entire organization, including the company headquarters and all divisions, subsidiaries, and branches. A firm may consist of a single-location establishment, in which case the establishment and firm are identical.

Family coverage

Family coverage is health insurance that covers the employee and one or more family members. Information relating to coverage for a family of four was collected in cases where multiple pricing levels

were offered to employees. Prior to 2001, the survey only collected information on single and family coverage plans. Beginning in 2001, separate data were also collected for employee-plus-one coverage; this option covers the employee plus either a spouse or child. When available for the same level of benefits, employee-plus-one plan premiums are less expensive than family plans. Eighteen percent of enrolled employees took employee-plus-one coverage in 2006.

Premium

Agreed-upon fee paid for coverage of medical benefits for a defined benefit period, usually a calendar year. The premium is the total amount charged by an insurance company to provide coverage to an employee receiving employer-sponsored health insurance.

About MEPS-IC

MEPS-IC is a survey of business establishments and governments that collects information on employer-sponsored health insurance, such as whether insurance is offered, enrollments, types of plans, and premiums. The survey is conducted annually by the U.S. Bureau of the Census under the sponsorship of the Agency for Healthcare Research and Quality. The yearly response rate has averaged 78 percent for in-scope sample units. Approximately 4 percent of the original sample has been out-of-scope in a typical year. A total sample of 42,000 establishments was selected for the 2006 survey, prior to accounting for losses due to nonresponse and out-of-scope cases.

References

For more information on this survey, see *MEPS Methodology Reports 6, 8, 10, 14, 17, and 18* on the MEPS Web site at http://www.meps.ahrq.gov/mepsweb/data_stats/publications.jsp and Insurance Component Survey Basics at http://www.meps.ahrq.gov/mepsweb/survey_comp/Insurance.jsp.

Suggested Citation

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http://www.meps.ahrq.gov/mepsweb/data_files/publications/st230/stat230.pdf

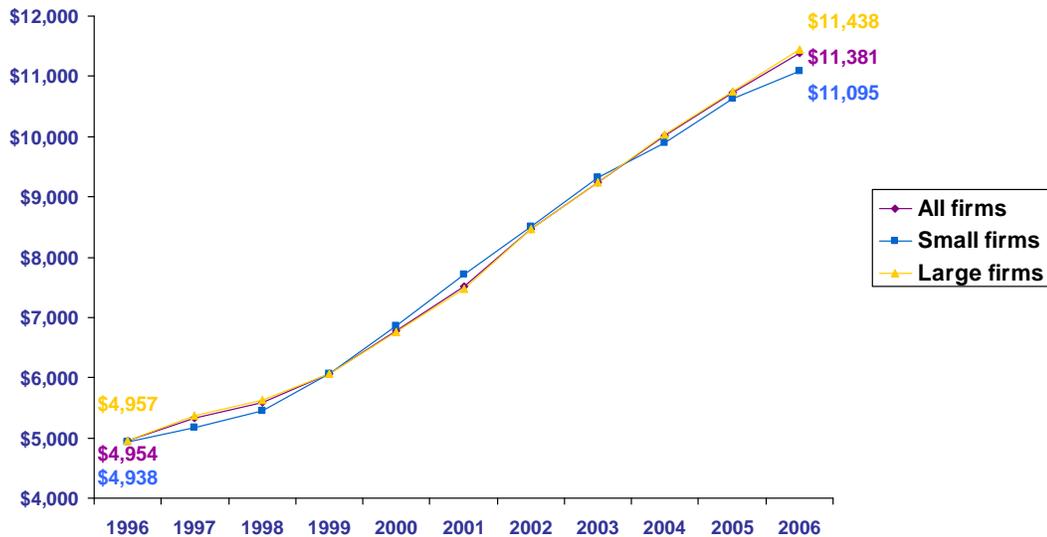
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AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please e-mail us at mepsdpd@ahrq.gov or send a letter to the address below:

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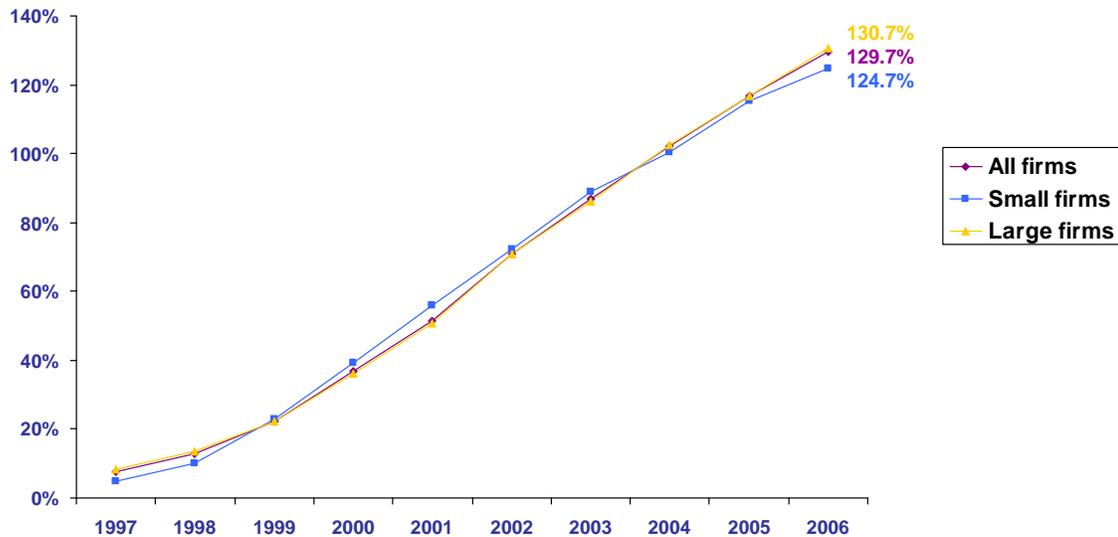
Figure 1: Premiums for employer-sponsored health insurance, family coverage, private sector by firm size, 1996–2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1996-2006



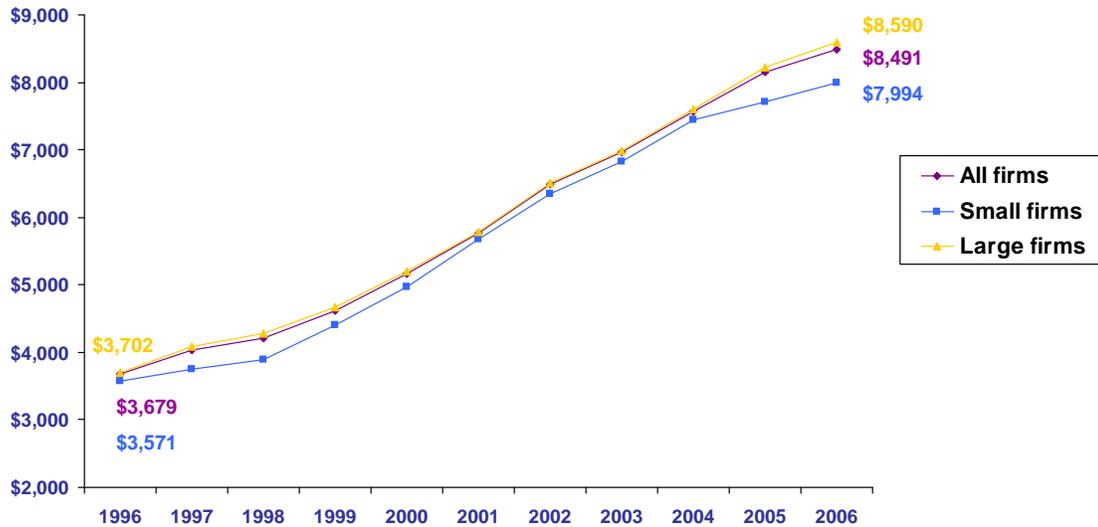
Figure 2: Cumulative change from 1996 in premiums for employer-sponsored health insurance, family coverage, private sector by firm size, 1997–2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1996-2006



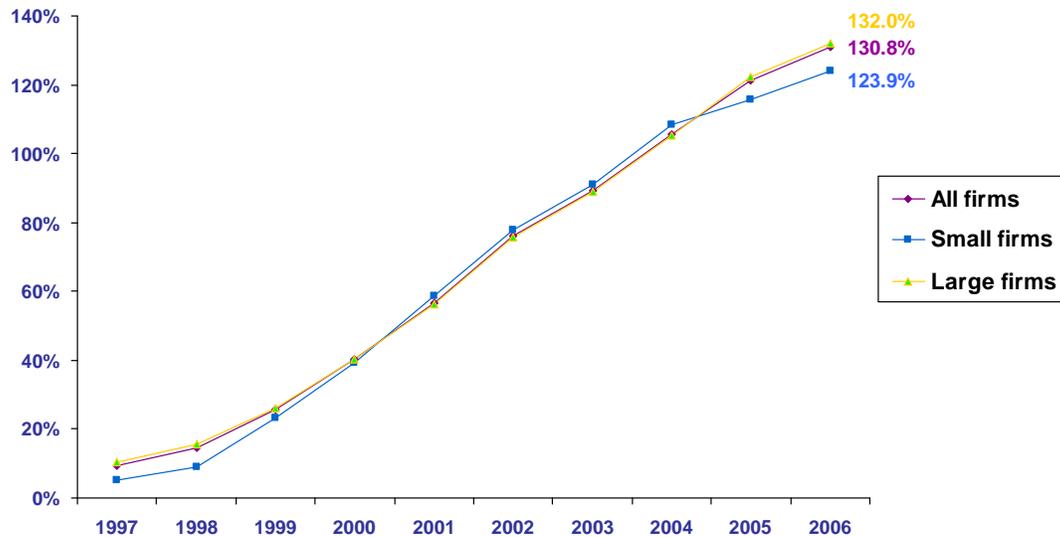
Figure 3: Employer costs for employer-sponsored health insurance, family coverage, private sector by firm size, 1996–2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1996-2006



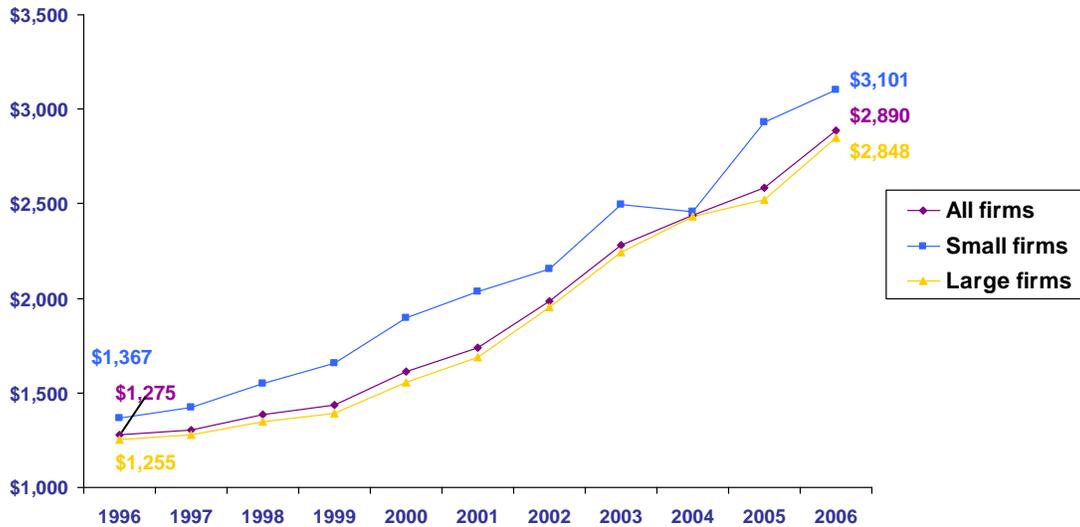
Figure 4: Cumulative change from 1996 in employer costs for employer-sponsored health insurance, family coverage, private sector by firm size, 1997–2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1996-2006



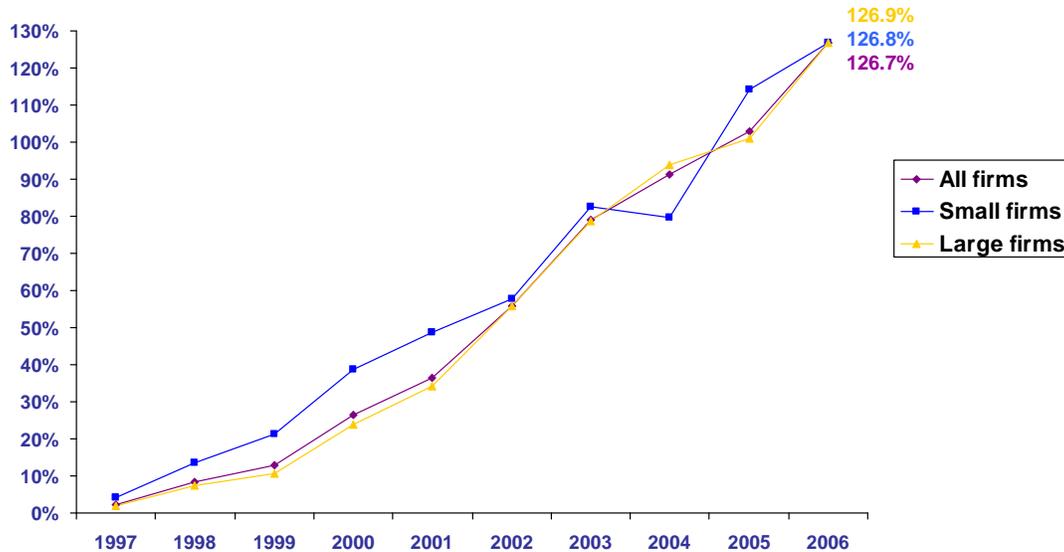
Figure 5: Employee contributions for employer-sponsored health insurance, family coverage, private sector by firm size, 1996–2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1996-2006



Figure 6: Cumulative change from 1996 in employee contributions for employer-sponsored health insurance, family coverage, private sector by firm size, 1997–2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1996-2006