

Statistical Brief #36

State Differences in the Cost of Job-Related Health Insurance, 2001

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Introduction

Health insurance provided by employers is the primary source of medical coverage for most Americans under age 65. The cost of employer-sponsored health insurance coverage varies considerably depending upon where one lives and on the number of persons covered by the plan. This Statistical Brief presents state variations from the national average of the cost of job-related health insurance and how these costs are shared by employers and their employees.

This brief specifically examines the average premiums and employee contributions for private sector establishments in the 10 most populous states in 2001, using the most recent data available from the Medical Expenditure Panel Survey–Insurance Component (MEPS-IC). Data for other states and other years are also available on the MEPS Web site, although estimates are not available for every state in every year.

Only those estimates with statistically significant differences from the national average using a multiple comparison procedure at the 0.05 percent significance level are noted in the text. These estimates are also shaded in the tables, with those below the national average shown in light gray and those above the national average shown in dark gray.

Highlights

- Among all U.S. employees enrolled in job-related health insurance in 2001, 46.3 percent took single coverage, 17.3 percent took employee-plus-one coverage, and 36.4 percent took family coverage. Looking at the 10 largest states, the percentage of employees opting for single coverage ranged from 38.2 percent in Ohio to 52.4 percent in Texas, for employee-plus-one coverage from 14.8 percent in Illinois to 21.0 percent in New Jersey, and for family coverage from 29.9 percent in Texas to 45.6 percent in Ohio.
- Nationwide, the average premiums were \$2,889 for single coverage, \$5,463 for employee-plus-one coverage, and \$7,509 for family coverage. Among the 10 largest states, single premiums ranged from \$2,777 in California to \$3,105 in New Jersey, employee-plus-one premiums ranged from \$5,098 in California to \$6,055 in New York, and family premiums ranged from \$7,162 in California to \$8,227 in New York.
- Contributions towards health insurance premiums made by employees nationwide averaged \$498 for single coverage, \$1,070 for employee-plus-one coverage, and \$1,741 for family coverage. Among the 10 largest states, employee contributions for single coverage ranged from \$369 in California to \$584 in Florida, for employee-plus-one coverage from \$668 in Michigan to \$1,663 in Florida, and for family coverage from \$1,358 in Ohio to \$2,127 in Florida.

Findings

Table 1. Percentage of private sector employees enrolled in employer-based health insurance plans that have single, employee-plus-one, or family coverage: United States and 10 largest states, 2001

State	Single coverage (percentage)	Employee-plus-one coverage (percentage)	Family coverage (percentage)
United States	46.3	17.3	36.4
California	47.8	19.1	33.1
Texas	52.4	17.7	29.9
New York	48.3	15.0	36.7
Florida	50.2	16.8	33.0
Illinois	45.2	14.8	40.0
Pennsylvania	44.9	17.4	37.7
Ohio	38.2	16.2	45.6
Michigan	41.7	20.3	38.0
New Jersey	42.0	21.0	37.0
Georgia	46.2	19.7	34.1

Source: Center for Financing, Access, and Cost Trends, AHRQ, Medical Expenditure Panel Survey–Insurance Component, 2001, Tables II.C.4, II.D.4, and II.E.4.

The percentage of employees enrolled in single, employee-plus-one, or family coverage can vary by state based on such factors as the number of one- and two-person households in the state, the number of multiple-worker families in which each person takes single coverage from his or her employer, the prevalence of unions, and the additional cost to an employee to insure his or her family beyond the cost for single coverage.

From table 1:

- In the United States, employees enrolled in health insurance coverage through their employer were more likely to take non-single coverage (a plan covering the employee and at least one other person) than just single, self-only coverage.
- The percentage of employees enrolling in single coverage in the state of Texas (52.4 percent) was higher than the national average (46.3 percent) and lower in Michigan (41.7 percent) and Ohio (38.2 percent).
- The percentage of employees enrolling in employee-plus-one coverage was lower than the national average (17.3 percent) in Illinois (14.8 percent). The percentage of employees enrolling in family coverage was higher than the national average (36.4 percent) in Ohio (45.6 percent) and lower in Texas (29.9 percent).

Table 2. Average annual health insurance premium per enrolled employee at private sector establishments offering health insurance: United States and 10 largest states, 2001

State	Single coverage	Employee-plus-one coverage	Family coverage
United States	\$2,889	\$5,463	\$7,509
California	\$2,777	\$5,098	\$7,162
Texas	\$2,925	\$5,756	\$7,486
New York	\$3,081	\$6,055	\$8,227
Florida	\$2,980	\$5,476	\$7,626
Illinois	\$2,908	\$5,484	\$7,673
Pennsylvania	\$2,882	\$5,731	\$7,287
Ohio	\$2,787	\$5,426	\$7,203
Michigan	\$2,961	\$5,923	\$7,488
New Jersey	\$3,105	\$5,570	\$8,074
Georgia	\$2,988	\$5,425	\$7,346

Source: Center for Financing, Access, and Cost Trends, AHRQ, Medical Expenditure Panel Survey–Insurance Component, 2001, Tables II.C.1, II.D.1, and II.E.1

Job-related health insurance premiums can vary for many reasons, such as the type of health insurance plan offered, the generosity of the plan, the size of the firm offering the plan, various workforce characteristics, state health insurance regulations, and the local cost of health care. All of these factors can contribute to differences in the average health insurance premiums between states.

From table 2:

- The average annual health insurance premiums in the United States in 2001 were \$2,889 for single coverage, \$5,463 for employee-plus-one coverage, and \$7,509 for family coverage.
- The average state health insurance premiums for single coverage were significantly above the national average in New York (\$3,081).
- The average state health insurance premiums for employee-plus-one coverage were significantly above the national average in New York (\$6,055), Michigan (\$5,923), and Pennsylvania (\$5,731) and below the national average in California (\$5,098).
- The average state health insurance premiums for family coverage were significantly above the national average in New York (\$8,227) and below the national average in California (\$7,162).

Table 3. Percentage of private sector employees enrolled in single, employee-plus-one, and family health insurance coverage that required no contribution from the employee: United States and 10 largest states, 2001

State	Single coverage (percentage)	Employee-plus-one coverage (percentage)	Family coverage (percentage)
United States	29.5	12.7	16.7
California	46.1	19.9	14.8
Texas	30.8	11.7	15.1
New York	32.4	17.8	27.2
Florida	22.8	6.6	9.1
Illinois	22.8	7.0	12.0
Pennsylvania	34.1	19.3	21.0
Ohio	21.4	13.3	22.1
Michigan	33.8	24.2	33.9
New Jersey	27.9	13.9	22.8
Georgia	21.5	6.0	7.8

Source: Center for Financing, Access, and Cost Trends, AHRQ, Medical Expenditure Panel Survey–Insurance Component, 2001, Tables II.C.4.a, II.D.4.a, and II.E.4.a

Health insurance premiums can be paid totally by the employer or the employee, or the cost can be shared by both parties. While cost sharing between employers and employees is the most common arrangement, a significant number of employees pay no contribution towards their health insurance premium.

From table 3:

- Nationwide, 29.5 percent of employees with single coverage, 12.7 percent with employee-plus-one coverage, and 16.7 percent with family coverage made no contribution towards their premiums.
- Employees in California (46.1 percent) were more likely to make no contribution towards single-coverage premiums than the national average of 29.5 percent, while employees were less likely to make no contribution in Ohio (21.4 percent), Georgia (21.5 percent), and Illinois (22.8 percent).
- Employees in Michigan (24.2 percent) were more likely to make no contribution to employee-plus-one coverage premiums than the national average of 12.7 percent, while employees were less likely to make no contribution in Florida (6.6 percent), Illinois (7.0 percent), and Georgia (6.0 percent).
- Employees in Michigan (33.9 percent), New York (27.2 percent), and Ohio (22.1 percent) were more likely to make no contribution towards family coverage compared to the national average of 16.7 percent, while employees were less likely to make no contribution towards the family premium in the states of Georgia (7.8 percent) and Florida (9.1 percent).

Table 4. Average annual employee contribution towards the premium per enrolled employee at private sector establishments offering health insurance in 2001: United States and 10 largest states

State	<u>Single coverage</u>		<u>Employee-plus-one coverage</u>		<u>Family coverage</u>	
	Dollars	Percentage of premium	Dollars	Percentage of premium	Dollars	Percentage of premium
United States	\$ 498	17.3	\$ 1,070	19.6	\$ 1,741	23.2
California	\$ 369	13.3	\$ 865	17.0	\$ 1,736	24.2
Texas	\$ 473	16.2	\$ 1,380	24.0	\$ 1,962	26.2
New York	\$ 506	16.4	\$ 1,034	17.1	\$ 1,557	18.9
Florida	\$ 584	19.6	\$ 1,663	30.4	\$ 2,127	27.9
Illinois	\$ 502	17.3	\$ 980	17.9	\$ 1,541	20.1
Pennsylvania	\$ 435	15.1	\$ 1,005	17.5	\$ 1,413	19.4
Ohio	\$ 567	20.3	\$ 1,057	19.5	\$ 1,358	18.9
Michigan	\$ 475	16.1	\$ 668	11.3	\$ 1,411	18.8
New Jersey	\$ 516	16.6	\$ 1,012	18.2	\$ 1,691	20.9
Georgia	\$ 560	18.8	\$ 1,090	20.1	\$ 1,986	27.0

Source: Center for Financing, Access, and Cost Trends, AHRQ, Medical Expenditure Panel Survey—Insurance Component, 2001, Tables II.C.2, II.C.3, II.D.2, II.D.3, II.E.2, and II.E.3.

The average employee contributions to health insurance premiums (including the zero contributions noted in table 3) can vary significantly between states. In table 4 above, the average employee contributions for single and family coverage per enrolled employee are displayed for the 10 largest states—both in dollar amounts and as a percentage of the average premium in each state.

From table 4:

- The average annual employee contributions to health insurance premiums per enrolled employee in the United States in 2001 were \$498 for single coverage (17.3 percent of the average single premium), \$1,070 for employee-plus-one coverage (19.6 percent of the average employee-plus-one premium), and \$1,741 for family coverage (23.2 percent of the average family premium).
- Employees in California contributed significantly less (\$369) than the national average towards their single coverage health insurance premiums, while employees in Florida contributed more (\$584).
- Florida employees contributed more than the national average towards their premiums regardless of the number of family members covered by the plan—\$584 for single coverage, \$1,663 for employee-plus-one coverage, and \$2,127 for family coverage.
- Employees in Michigan contributed less (\$668 or 11.3 percent of the premium) than the national average for employee-plus-one coverage premiums.
- Employee contributions for family premiums were below the national average—both in dollars and as a percentage of the average family premium—in the states of Ohio (\$1,358 or 18.9 percent of the premium), Illinois (\$1,541 or 20.1 percent of the premium), and New York (\$1,557 or 18.9 percent of the premium). As a percentage of the average

family premium, the states of Michigan (18.8 percent) and Pennsylvania (19.4 percent) were also below the national average.

Definitions

Employer: A particular workplace or physical location where business is conducted or services or industrial operations are performed. In this brief, only private sector employer data are reported.

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

Enrollee: An employee that is enrolled in a health insurance plan offered by the employer. Enrollees do *not* include any dependents covered by the plan.

Health insurance plan: An insurance contract that provides hospital and/or physician coverage to an employee for an agreed-upon fee for a defined benefit period, usually a year.

Premium: Agreed-upon fees paid for coverage of medical benefits for a defined benefit period. Premiums can be paid by employers, unions, employees, or shared by the insured individual and the plan sponsor.

Single coverage: Health insurance that covers the employee only.

Employee-plus-one coverage: Health insurance that covers the employee plus one family member at a lower premium level than family coverage. This family member could be a spouse or a child. If premiums differed for employee-plus-spouse and employee-plus-child coverage, information for employee-plus-child coverage was reported.

Family coverage: Health insurance that covers the employee and the employee's family. If a plan offers more than one pricing level for family coverage, information for a family of four was reported.

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 (AHRQ). The yearly response rate has averaged 78 percent for in-scope sample units. Approximately 4 percent of the original sample is out-of-scope in a typical year. A total sample of 42,000 establishments was selected for the 2001 survey, prior to accounting for losses due to non-response and out-of-scope cases. For more information on this survey see MEPS Methodology Reports #06, #08, #10, and #14 under MEPS publications and the MEPS-IC Technical Appendix.