

## STATISTICAL BRIEF #155

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# Trends in Employer-Sponsored Health Insurance Plans That Required No Employee Contribution to the Premium Cost, 1998–2004

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### Introduction

The rapid escalation in health insurance premiums for employer-sponsored plans over the last several years has had an impact on the characteristics of plans offered by employers and chosen by employees. This Statistical Brief discusses changes between 1998 and 2004 in the availability of and enrollment in employer-sponsored health insurance plans that required no employee contribution to the plan premium.

The estimates shown in this brief, which are drawn from the Insurance Component of the Medical Expenditure Panel Survey (MEPS-IC), look at both single and family coverage in the private sector of the economy. Changes for employees working for small and large firms are analyzed. All differences between estimates discussed in the text are statistically significant at the 0.05 level.

### Findings

#### *Availability*

In 1998, 34.7 percent of private sector employees eligible for health insurance from their employers worked in a firm that offered at least one single-coverage plan that required no employee contribution to the premium cost; by 2004, the rate had dropped to 24.5 percent (figure 1).

The percentage of eligible employees offered at least one family plan that required no employee premium contribution was lower than that for single coverage in both years. Paralleling the trend with single coverage, 17.7 percent of employees eligible for health insurance from their employer in 1998 worked in a firm that offered at least one family-coverage plan that required no employee contribution to the premium cost; by 2004, the rate had fallen to 13.1 percent (figure 2). Employee-plus-one plans that required no premium contribution were offered to 14.4 percent of eligible employees in 2004 (for 1998, employee-plus-one plans were included with family coverage) (estimate not shown).

For single coverage, the percentage of eligible employees working in large private sector firms offering a plan that required no employee contribution dropped about one-third, from 28.1 percent to 17.7 percent in 1998 and 2004, respectively (figure 1). In contrast, the rate for small firms fell only by one-tenth, from 56.2 percent in 1998 to 50.6 percent in 2004.

### Highlights

- From 1998 to 2004, the percentage of private sector employees eligible to enroll in an employer-sponsored health insurance plan who were offered a plan that required no employee contribution to the premium was down for both single and family coverage.
- In both years, eligible employees were more likely to be offered no-contribution single coverage than no-contribution family coverage.
- Of all employees enrolled in employer-sponsored single coverage, the percentage in plans that required no employee contribution fell from 35.0 percent to 23.7 percent over the period. Overall, a drop also occurred for family coverage, with no-contribution enrollment going from 18.7 percent in 1998 to 14.7 percent in 2004. However, the enrollment rate in no-contribution family coverage at small firms did not significantly differ across both years.

For family coverage in large firms, the percentage of eligible employees offered at least one plan that required no employee contribution to the premium fell from 14.1 percent in 1998 to 9.2 percent in 2004 (figure 2). In small firms, the offer rate of family coverage that required no contribution did not differ—it was at nearly 30 percent for both years.

### *Enrollment*

While 26.6 percent of employees enrolled in health insurance plans sponsored by their employer took a plan that required no employee contribution to the premium cost in 1998, this percentage fell to 18.0 percent in 2004 (figure 3).

Regardless of whether they took single or family coverage, private sector employees were less likely to enroll in plans that required no premium contribution in 2004 than in 1998. Thirty-five percent of employees with single coverage were in plans that required no contribution in 1998; this fell to 23.7 percent in 2004 (figure 4). Nearly 19 percent (18.7 percent) of employees with family coverage were in plans that required no premium contribution in 1998 (figure 3); this fell to less than 15 percent (14.7 percent) in 2004. In 2004, 9.5 percent of employees had coverage through an employee-plus-one plan that required no contribution (estimate not shown).

Employees of small firms were much more likely than those of large firms to be enrolled in a plan that required no contribution to the premium in both 1998 and 2004. For example, in 2004, 53.2 percent of employees with single coverage in small firms took plans requiring no contribution to their premium in 2004 versus 14.4 percent of employees in large firms (figure 4).

Between 1998 and 2004, the percentage of private sector employees taking single coverage that required no contribution went down regardless of firm size, but the decline was much larger in large firms (from 26.1 percent to 14.4 percent) (figure 4).

For large employers, the percentage of employees in family plans with no required premium contribution also fell, from 14.6 percent (1998) to 9.4 percent (2004) (figure 5). However, for family coverage in small firms, the portion of employees covered by plans that required no contribution to the plan premium did not differ over the period.

### **Data Source**

This Statistical Brief summarizes data from the 1998 and 2004 MEPS-IC. The data are available on the MEPS Web site ([www.meps.ahrq.gov](http://www.meps.ahrq.gov)) or have been produced using special computation runs on the confidential MEPS-IC data available at the U.S. Census Bureau.

Several of the 1998 estimates of eligible employees in firms offering a plan released here are slightly different than those contained in Statistical Brief #108, *Trends in Employer-Sponsored Health Insurance Plans That Required No Employee Contribution to the Premium Cost, 1998–2003*. These differences are not statistically significant.

### **Definitions**

#### *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.

#### *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.

#### *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.

### *Premium*

Agreed-upon fee paid for coverage of medical benefits for a defined benefit period, usually a calendar year. Premiums can vary based on a variety of factors, such as services covered, amounts of deductibles and co-pays, location of firm, and demographics of the workforce.

### *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 was reported.

### *Family coverage*

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

### *Eligible employees*

Eligible employees meet the criteria to enroll in a health insurance plan offered by their employer. Eligibility criteria vary by employer and may include length of service, work schedule, permanent versus temporary employment status, or other requirements. Not all eligible employees enroll in an employer-sponsored plan. They may choose not to enroll because, for example, they are covered by a spouse's health insurance plan or due to cost issues.

## **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. Census Bureau 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 private sector establishments was selected for the 2004 survey, prior to accounting for losses due to nonresponse and out-of-scope cases.

For more information on this survey, see MEPS Methodology Reports 6, 8, and 10 on the MEPS Web site at [http://www.meps.ahrq.gov/mepsweb/data\\_stats/publications.jsp](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](http://www.meps.ahrq.gov/mepsweb/survey_comp/Insurance.jsp).

## **Suggested Citation**

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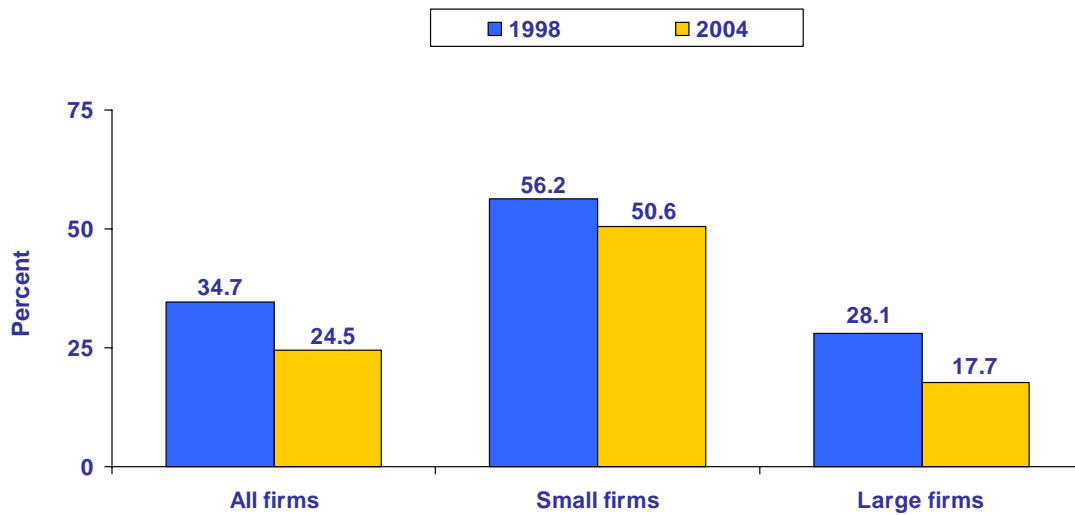
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AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using 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 [mepspd@ahrq.gov](mailto:mepspd@ahrq.gov) or send a letter to the address below:

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**Figure 1. Percentage of eligible private sector employees in firms offering a health insurance plan that required no contribution to the premium for single coverage, by size of firm, 1998 versus 2004**

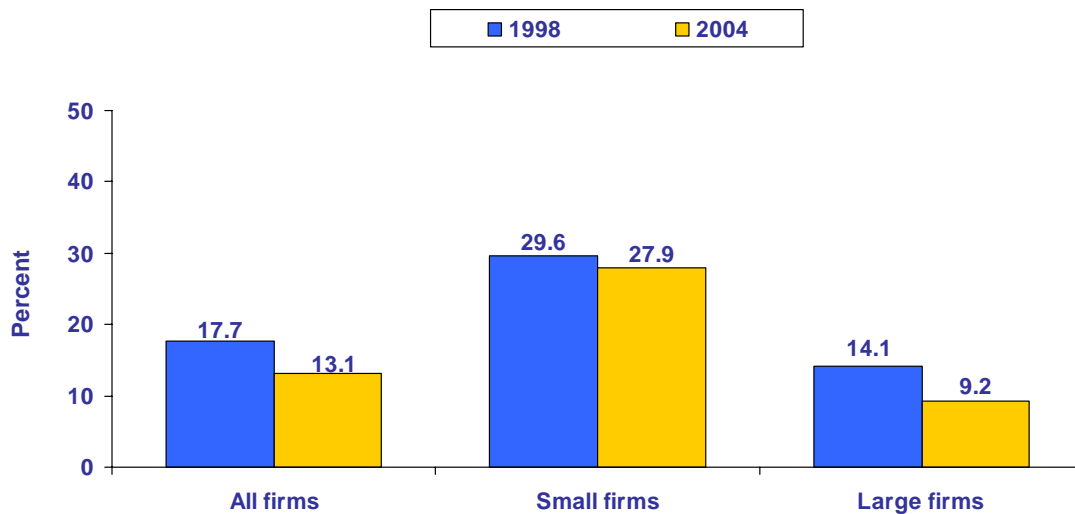


Note: Small firms have fewer than 50 employees; large firms have 50 or more employees.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1998 and 2004



**Figure 2. Percentage of eligible private sector employees in firms offering a health insurance plan that required no contribution to the premium for family coverage, by size of firm, 1998 versus 2004**

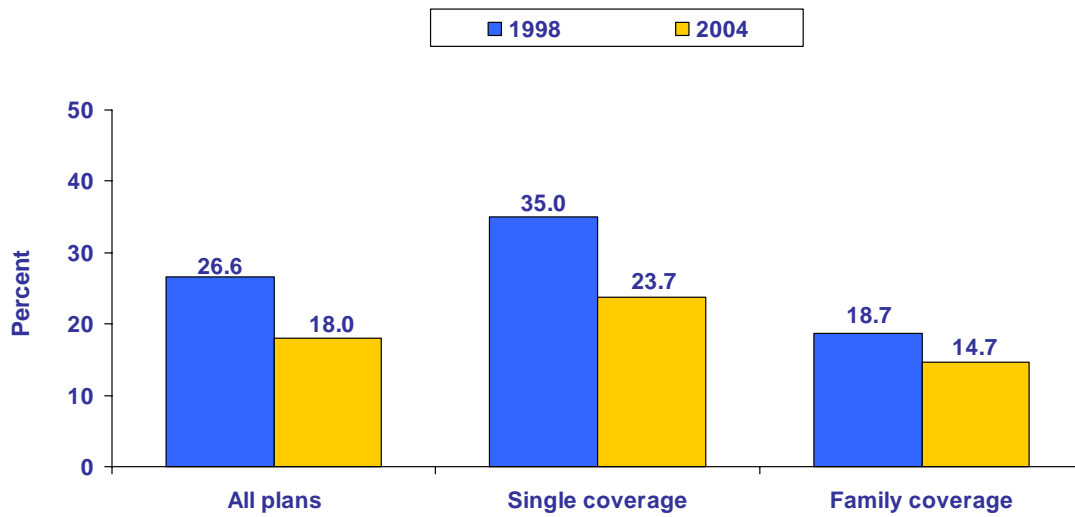


Note: Small firms have fewer than 50 employees; large firms have 50 or more employees.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1998 and 2004



**Figure 3. Percentage of enrolled private sector employees who took an employer-sponsored health insurance plan that required no contribution to the premium, by coverage type, 1998 versus 2004**

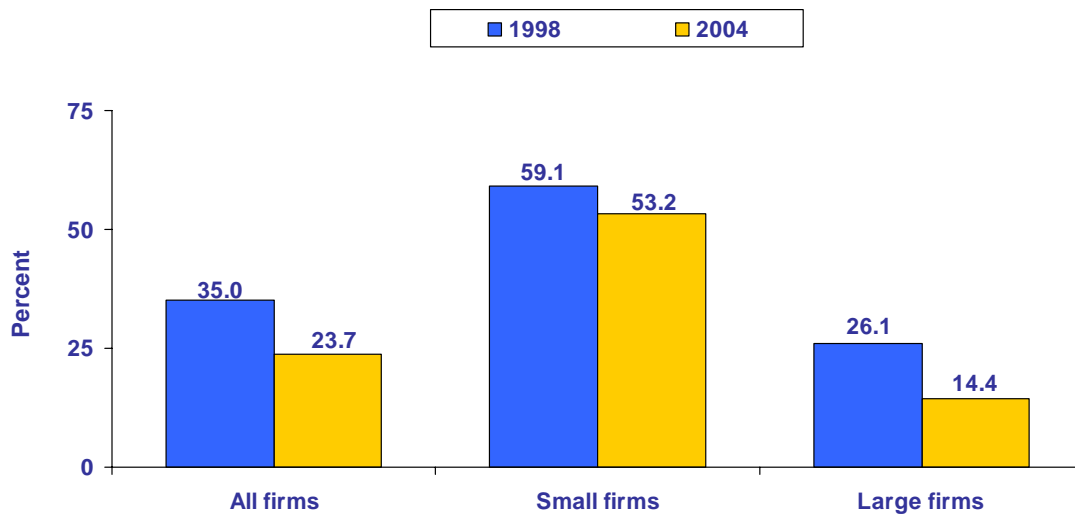


Note: Small firms have fewer than 50 employees; large firms have 50 or more employees.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1998 and 2004



**Figure 4. Percentage of enrolled private sector employees who took an employer-sponsored health insurance plan that required no contribution to the premium, single coverage, 1998 versus 2004**

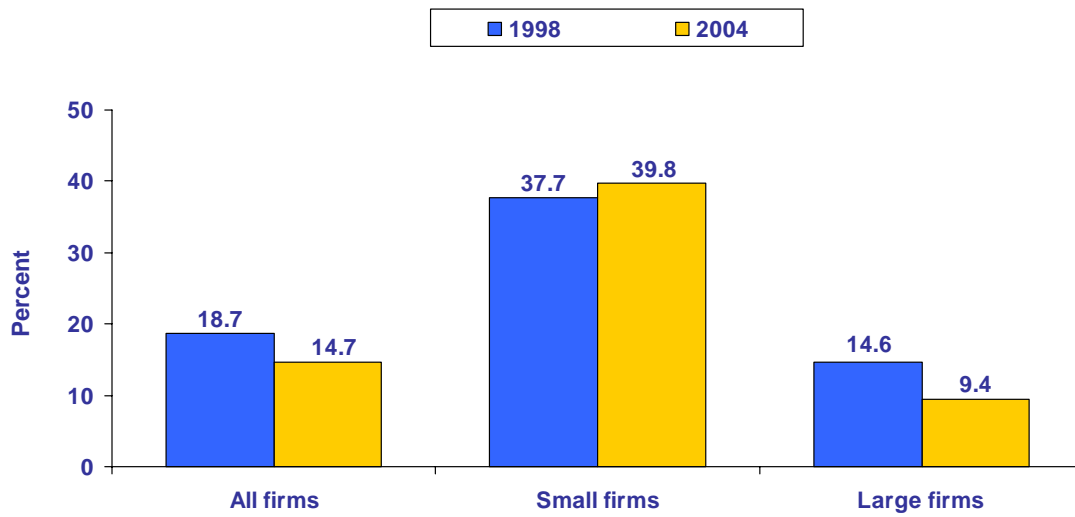


Note: Small firms have fewer than 50 employees; large firms have 50 or more employees.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1998 and 2004



**Figure 5. Percentage of enrolled private sector employees who took an employer-sponsored health insurance plan that required no contribution to the premium, family coverage, 1998 versus 2004**



Note: Small firms have fewer than 50 employees; large firms have 50 or more employees.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Insurance Component of the Medical Expenditure Panel Survey, 1998 and 2004