

Statistical Brief #20

State Differences in the Cost of Job - Related Health Insurance - 2000

By James Branscome, M.S.

Introduction

Employers are the primary source of health insurance coverage for most Americans under age 65. The cost of employer-sponsored health insurance coverage varies depending upon where you live. In this statistical brief, we examine 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 looks at the average premiums and employee contributions for private-sector establishments in the ten most populous states in 2000, the most recent MEPS-IC data available. Data for other states and other years are also available on the MEPS-IC website, though 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 5% significance level are noted in the text. These estimates are also highlighted in the tables, with those below the national average shown in blue and those above the national average shown in red.

Briefly Stated

- Among all U.S. employees enrolled in job-related health insurance, 46.2% take single coverage while 53.8% take family coverage. Looking at the ten largest states, the percent of employees opting for single coverage ranges from 39.4% in Michigan to 52.8% in Florida.
- Nationwide, the average premiums are \$2,655 for single coverage and \$6,772 for family coverage. Among the ten largest states, single premiums range from \$2,365 in California to \$2,980 in Illinois and family premiums range from \$6,227 in California to \$7,592 in New Jersey.
- Contributions towards health insurance premiums made by employees nationwide, average \$450 for single coverage and \$1,614 for family coverage. Among the ten largest states, employee contributions for single coverage range from \$373 in Pennsylvania to \$549 in Illinois and for family coverage from \$946 in Michigan to \$1,969 in Florida.

Findings

Table 1: Percent of Private-Sector Employees Enrolled in Employer-based Health Insurance Plans that have Single or Family Coverage: United States and Ten Largest States, 2000

| State | Single Coverage (Percent) | Family Coverage (Percent) |
|----------------------|---------------------------|---------------------------|
| UNITED STATES | 46.2 | 53.8 |
| California | 48.0 | 52.0 |
| Texas | 48.5 | 51.5 |
| New York | 47.3 | 52.7 |
| Florida | 52.8 | 47.2 |
| Illinois | 43.9 | 56.1 |
| Pennsylvania | 45.7 | 54.3 |
| Ohio | 41.2 | 58.8 |
| Michigan | 39.4 | 60.6 |
| New Jersey | 43.4 | 56.6 |
| Georgia | 46.0 | 54.0 |

Source: Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey - Insurance Component, 2000, Tables II.C.4 and II.D.4

The percentage of employees enrolled in single or family coverage can vary by state based on such factors as the number of one-person households in the state, the number of multiple-worker families where each person takes single coverage from their 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 it can be seen that:

- In the United States, employees enrolled in health insurance coverage through their employer are more likely to take family coverage than single coverage.
- The percentage of employees taking single coverage in the state of Florida (52.8%) is higher than the national average (46.2%).
- Michigan (60.6%) and Ohio (58.8%) are above the national average for the percent of family coverage plans taken.

Table 2: Average Annual Health Insurance Premium Per Enrolled Employee at Private-Sector Establishments Offering Health Insurance: United States and Ten Largest States, 2000

| State | Single Coverage | Family Coverage |
|----------------------|-----------------|-----------------|
| UNITED STATES | \$2,655 | \$6,772 |
| California | \$2,365 | \$6,227 |
| Texas | \$2,627 | \$6,638 |
| New York | \$2,956 | \$7,090 |
| Florida | \$2,600 | \$6,811 |
| Illinois | \$2,980 | \$7,220 |
| Pennsylvania | \$2,467 | \$6,721 |
| Ohio | \$2,574 | \$6,596 |
| Michigan | \$2,808 | \$6,817 |
| New Jersey | \$2,911 | \$7,592 |
| Georgia | \$2,670 | \$6,637 |

Source: Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey - Insurance Component, 2000, Tables II.C.1 and II.D.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.

As shown in Table 2:

- The average annual health insurance premiums in the United States in 2000 are \$2,655 for single coverage and \$6,772 for family coverage.
- The average state health insurance premiums for single coverage are significantly below the national average in California (\$2,365) and Pennsylvania (\$2,467) and above the national average in Illinois (\$2,980), New York (\$2,956), and New Jersey (\$2,911).
- The average state health insurance premiums for family coverage are significantly below the national average in California (\$6,227) and above the national average in New Jersey (\$7,592), Illinois (\$7,220), and New York (\$7,090).

Table 3: Percent of Private-Sector Employees Enrolled in Single and Family Health Insurance Coverage that Required No Contribution from the Employee: United States and Ten Largest States, 2000

| State | Single Coverage (Percent) | Family Coverage (Percent) |
|---------------|---------------------------|---------------------------|
| UNITED STATES | 32.9 | 17.9 |
| California | 41.4 | 20.8 |
| Texas | 32.6 | 11.6 |
| New York | 37.5 | 26.5 |
| Florida | 28.8 | 10.9 |
| Illinois | 27.4 | 19.8 |
| Pennsylvania | 36.4 | 23.3 |
| Ohio | 22.9 | 18.3 |
| Michigan | 43.1 | 39.4 |
| New Jersey | 31.6 | 20.2 |
| Georgia | 23.3 | 7.7 |

Source: Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey - Insurance Component, 2000, Tables II.C.4.a and II.D.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, there are still a significant number of employees that pay no contribution towards their health insurance premium.

From Table 3 one can note that:

- Nationally, 32.9% of employees with single coverage and 17.9% of employees with family coverage make no contribution towards their premiums.
- Employees in Michigan (43.1%) and California (41.4%) are more likely to not make a contribution towards single coverage premiums than the national average of 32.9%.
- Employees are less likely to not make a contribution towards the single coverage premium in the states of Ohio (22.9%), Georgia (23.3%), and Illinois (27.4%).
- Employees in Michigan (39.4%), New York (26.5%) and Pennsylvania (23.3%) are more likely to not make a contribution towards family coverage than the national average of 17.9%.
- Employees are less likely to not make a contribution towards the premium in the states of Georgia (7.7%), Florida (10.9%), and Texas (11.6%).

The average employee contributions to health insurance premiums (including the zero contributions noted above) can vary significantly between states. In the following table, the average employee contributions for single and family coverage are displayed for the ten largest states – both in dollar amounts and as a percent of the average premium in each state.

Table 4: Average Annual Employee Contribution Towards the Premium Per Enrolled Employee at Private-Sector Establishments Offering Health Insurance in 2000: United States and Ten Largest States

| State | Single Coverage | | Family Coverage | |
|---------------|-----------------|--------------------|-----------------|--------------------|
| | Dollars | Percent of Premium | Dollars | Percent of Premium |
| UNITED STATES | \$450 | 16.9 | \$1,614 | 23.8 |
| California | \$352 | 14.9 | \$1,541 | 24.8 |
| Texas | \$408 | 15.5 | \$1,761 | 26.5 |
| New York | \$483 | 16.3 | \$1,481 | 20.9 |
| Florida | \$504 | 19.4 | \$1,969 | 28.9 |
| Illinois | \$549 | 18.4 | \$1,637 | 22.7 |
| Pennsylvania | \$373 | 15.1 | \$1,296 | 19.3 |
| Ohio | \$510 | 19.8 | \$1,467 | 22.2 |
| Michigan | \$383 | 13.6 | \$946 | 13.9 |
| New Jersey | \$486 | 16.7 | \$1,609 | 21.2 |
| Georgia | \$477 | 17.9 | \$1,675 | 25.2 |

Source: Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey - Insurance Component, 2000, Tables II.C.2, II.C.3, II.D.2, and II.D.3

As shown in Table 4:

- The average annual employee contributions to health insurance premiums per enrolled employee in the United States are \$450 for single coverage (16.9% of the average single premium) and \$1,614 for family coverage (23.8% of the average family premium).
- Employees in California (\$352), Pennsylvania (\$373), and Texas (\$408) contribute significantly less than the national average towards their single coverage health insurance premiums.
- Illinois employees contribute more towards their single coverage premiums (\$549) than the national average.
- When examined as a percent of the average premiums in each state, none of the 10 largest states have an average employee contribution for single coverage that differs significantly from the national average.
- Employee contributions for family premiums are above the national average in the state of Florida (\$1,969, 28.9% of the premium) both in dollars and as a percent of the average family premium. As a percent of the average family premium, the state of Texas (26.5%) is also above the national average.
- Employees in the states of Michigan (\$946, 13.9% of the family premium) and Pennsylvania (\$1,296, 19.3% of the family premium) pay less than the national average for their contributions to family premiums.

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. 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 both the insured individual and the plan sponsor.

Single coverage – Health insurance that covers only the employee.

Family coverage – Health insurance that covers the employee and one or more members of their family, as defined by the plan. If a plan offers more than one arrangement for family coverage, the costs for a family of four are collected.

About MEPS-IC

The MEPS-IC is a survey of business establishments and governments which 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 United States Bureau of the Census under the sponsorship of the Agency for Healthcare Research and Quality (AHRQ). The yearly response rate has averaged 78% for in-scope sample units. Approximately 4% of the original sample has been out-of-scope in a typical year. A total sample of 42,000 establishments was selected for the 2000 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 6, 8, and 10 and the MEP-IC Technical Appendix, available on the MEPS Web site: www.meps.ahrq.gov.