

STATISTICAL BRIEF #231

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

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Introduction

In 2006, nearly half (48.9 percent) of private sector employees who enrolled in employer-sponsored health insurance took single coverage—insurance that covers the employee only and no dependents. 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 single 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.

In this Brief, single 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. 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 single coverage averaged \$4,118 per year across all firms in the private sector (figure 1). In 1996, the single premium was \$1,992. The premium increase over the 10-year year period was 106.7 percent (figure 2).

For all firms, the employer cost for single coverage went from \$1,650 in 1996 to \$3,330 in 2006, or doubled (a 101.8 percent increase) 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 42.2 percent during the same period, according to the Employment Cost Index (ECI), which is computed by the Bureau of Labor Statistics (BLS).

Highlights

- Premiums for single coverage averaged \$4,118 in 2006—an increase of 106.7 percent over 1996.
- Employer costs for single coverage doubled over the 10-year period, rising to \$3,330.
- Annual employee contributions were up more in percentage terms—130.4 percent—than premiums or employer costs from 1996 to 2006.
- Premiums and employer costs were generally higher at small firms than at large firms over the 10-year period, while employee contributions were lower. But premiums, employer costs, and employee contributions had similar rates of change for both small and large private sector employers.

Annual employee contributions at all firms rose from \$342 to \$788 over 1996-2006, or a 130.4 percent change (figures 5 and 6)—much higher, in percentage terms, than the premium or employer cost increase. 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.

Over the 10-year period, small firms generally paid higher premiums for single coverage than large firms (2004 was the sole exception, when there was no significant difference). Employer costs were higher each year for small firms (fewer than 50 employees) than for large firms (50 or more employees). In contrast, employee contribution amounts were lower for employees of small firms compared to those of large firms for each of the 10 years. However, small and large private sector firms experienced similar rates of change in premiums, employer costs, and employee contributions over the decade.

For example, small firms' average premiums went from \$2,070 in 1996 to \$4,260 in 2006, or up 105.8 percent (figures 1 and 2). While large firms' annual premiums were lower in both years—\$1,965 in 1996 and \$4,077 in 2006—they rose 107.5 percent during the same period, similar to the small firm increase.

In the private sector, small firms' employer costs rose 101.3 percent over the 10-year period from \$1,766 to \$3,555 (figures 3 and 4). Large firms' employer costs rose a similar 102.8 percent over the same time, from \$1,610 to \$3,265.

As with the all firms' average, employee contributions for both small and large employers were up by a much higher percentage than premiums or employer costs from 1996 to 2006. For small firms, employee contributions grew from \$304 per year in 1996 to \$705 per year in 2006, a 131.9 percent jump (figures 5 and 6). The percentage increase was very similar (128.7 percent) for large firms although their employee contribution amounts were higher—\$355 in 1996 and \$812 in 2006. (Employees of large firms were much less likely to be enrolled in a single coverage plan that required that they make no contribution to the premium, compared to those of small firms—13.5 percent versus 50.6 percent in 2006. However, 96.7 percent of large-firm employees worked in establishments offering insurance versus 61.2 percent of small-firm employees.)

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.

Single coverage

Single coverage provides insurance for the enrolled employee only. No other family members are covered under the plan.

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/st231/stat231.pdf

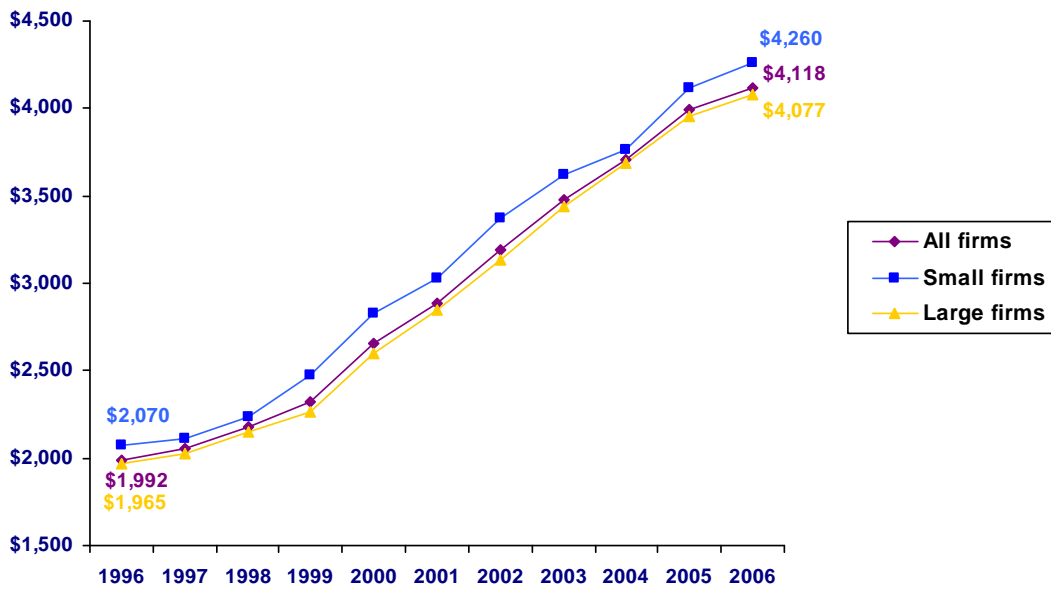
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AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using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

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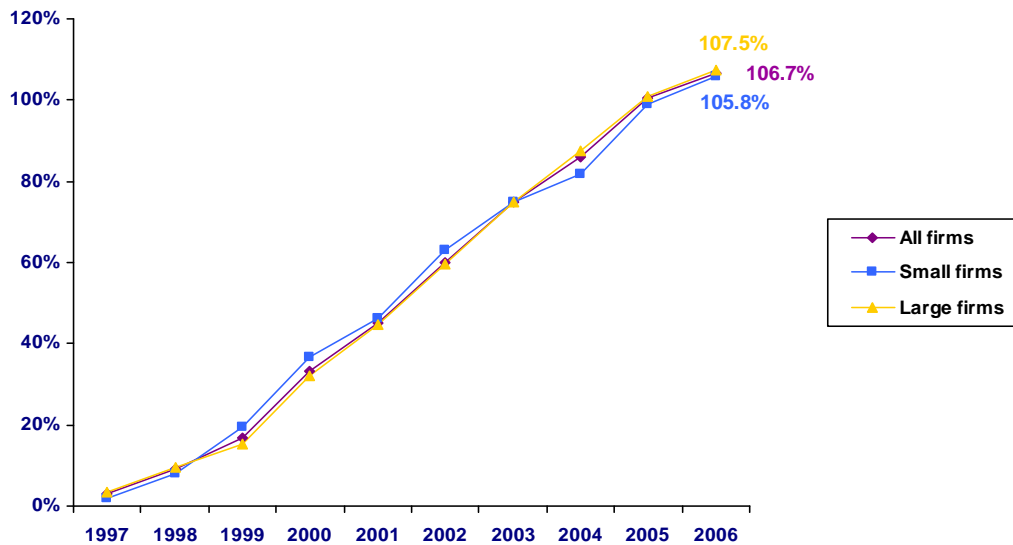
Figure 1: Premiums for employer-sponsored health insurance, single coverage, private sector by firm size, 1996–2006



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



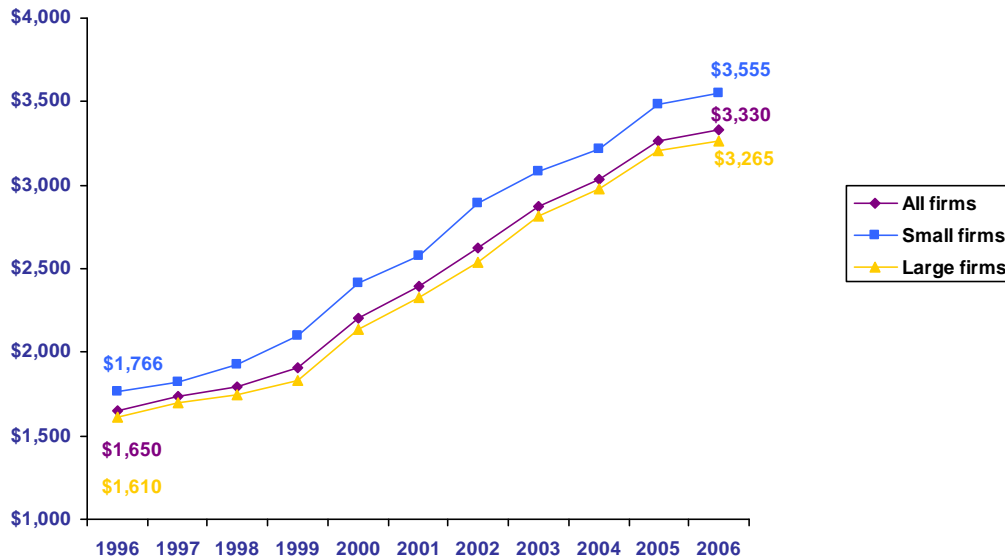
Figure 2: Cumulative change from 1996 in premiums for employer-sponsored health insurance, single coverage, private sector by firm size, 1997–2006



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



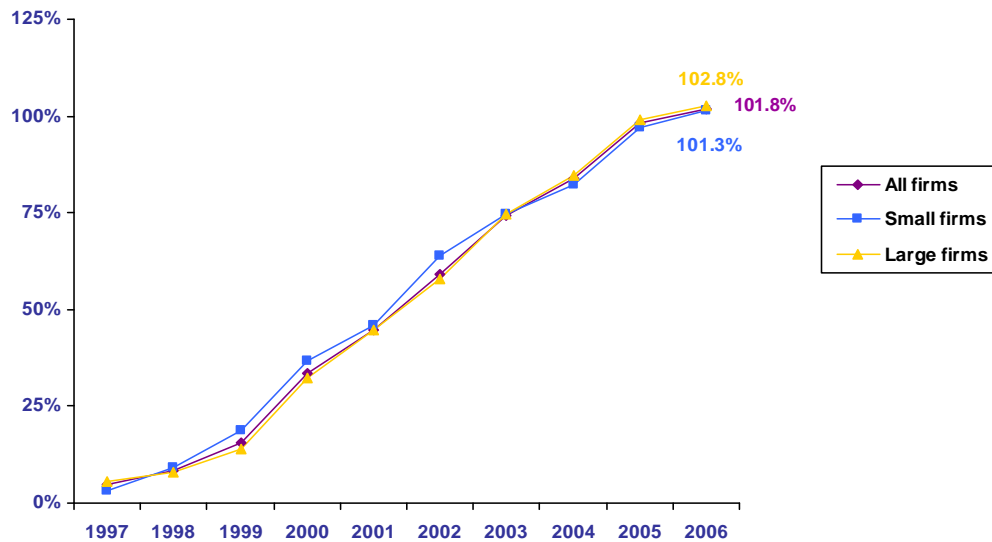
Figure 3: Employer costs for employer-sponsored health insurance, single coverage, private sector by firm size, 1996–2006



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



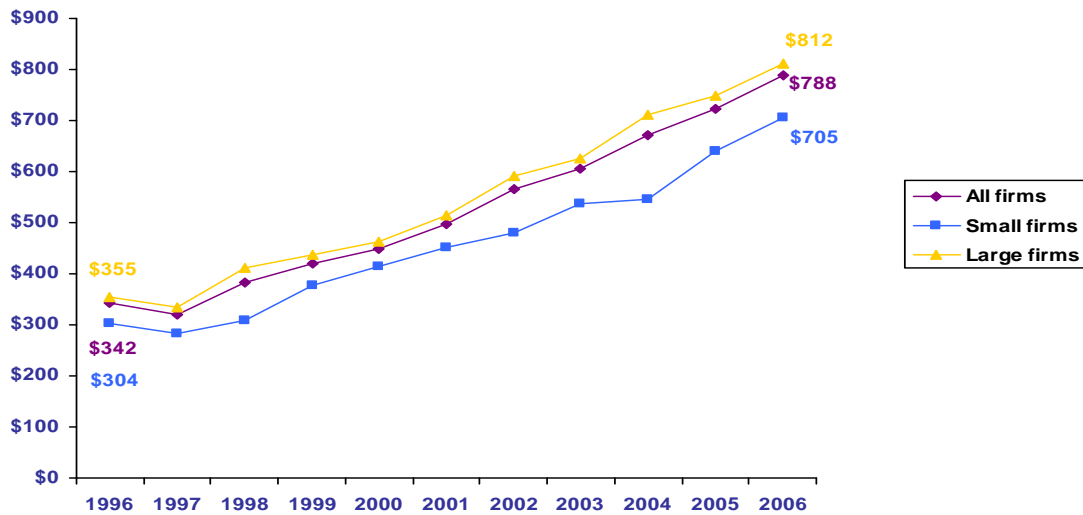
Figure 4: Cumulative change from 1996 in employer costs for employer-sponsored health insurance, single coverage, private sector by firm size, 1997–2006



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



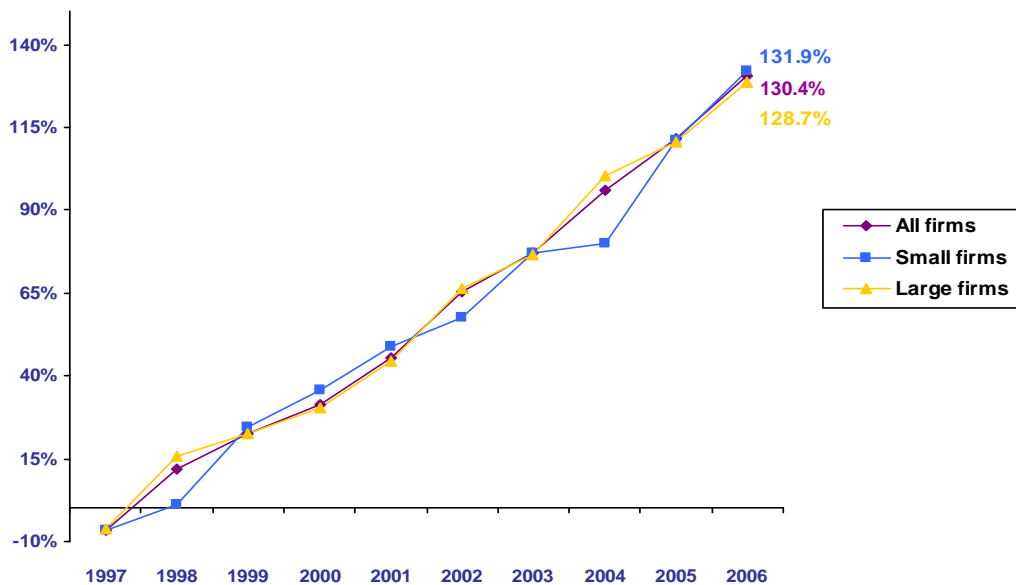
Figure 5: Employee contributions for employer-sponsored health insurance, single coverage, private sector by firm size, 1996–2006



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, single 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