

OFFICE OF FINANCIAL MANAGEMENT

WASHINGTON STATE

EMPLOYER-SPONSORED HEALTH INSURANCE

STRATEGIC HEALTH PLANNING
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Section 1: Introduction

Although most Washingtonians continue to obtain health insurance through their employment, the percent of employees with employer-sponsored insurance has been declining steadily over recent years, as is the case nationwide.¹ However, the underlying story is not the same for all employees, nor is it the same for all employers.

This report summarizes data contained in the 2009 *Washington State Employer Health Insurance Database* (EHID) including estimated coverage measures and expenditures for 109,789 Washington state firms and their employees.² There is no single perfect data source that tells the complete story of employer-sponsored health insurance in Washington State (from the employer and/or the employee perspective); data come from a variety of national and local Washington surveys that are integrated to build as full a picture as possible. Consequently the EHID remains a “work-in-progress” as data sources improve and as refinements occur in response to requests for information that was not available in prior versions. Historically known as the Employer Health Insurance Databook, previous versions are available at <http://www.ofm.wa.gov/shpo/healthin/employerbaseins/default.asp>.

Throughout the report a variety of coverage measures, listed in Figure 1, provide information about coverage from the employer and employee perspectives.³

Figure 1: Coverage Measures Definitions

FROM THE EMPLOYEE PERSPECTIVE:

Employee Coverage Rate: *Among all employees*, the percentage of them that have coverage through their own employer.

(Coverage rate = offer rate * eligibility rate * take-up rate)

Employee Offer Rate: *Among all employees*, the percentage of them who work where coverage is offered to at least some of the employees.

Employee Eligibility Rate: *Among employees who work where coverage is offered*, the percentage of them that are eligible for their own employer's coverage. (a subset of offer)

Employee Take-up Rate: *Among employees who are eligible* for their employer's coverage, the percentage that take it up. (a subset of eligibility)

Employee Enrollment Rate: *Among employees who work where coverage is offered*, the percentage of them that enroll in their own employer's coverage.

FROM THE EMPLOYER PERSPECTIVE:

Employer Sponsor Rate: *Among all employers*, the percentage of them that offer coverage to at least some of their workers.

As context for more detailed information in the body of the report on these measures, employee and employee cost sharing, and firm expenditures on health, we include a high level summary of:

- Employer health insurance database sources – an overview of the database construction,
- Where people work in Washington,
- Workers' coverage by different size Washington employers – a summary of coverage experiences from the perspective of Washington employees, including key drivers of coverage, and an
- Orientation to measures and components of own-employer coverage - an approach to clarify the often confusing collection of coverage measures shown in Figure 1.

¹ 2008 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).

² These employers include most *private sector* firms that have *two or more* employees.

³ Definitions are consistent with the 2008 report to the Legislature on low income workers <http://www.ofm.wa.gov/shpo/healthin/employerbaseins/lowwagereport.pdf>. The introductory Section of the EHID report repeats (updated) some of that report so it can be compared to the EHID to provide information over time for large employers.

Employer Health Insurance Database Sources

Three main data sources were used to construct the Employer Health Insurance Database (EHID) that underlies coverage measures reported:

1. Washington State Employment Security Department, 2007 Employee Benefits Survey (EBS) provides information on health insurance sponsorship for private sector firms in the state. It allows analysis by broad industry categories included in Table 1. Results for the 2008 EBS survey have been published (see http://www.workforceexplorer.com/admin/uploadedPublications/9595_EB_2008_Report.pdf) but these data will not be incorporated in the EHID until comparable data for the other key data sources are available.

2. Washington State Office of Financial Management, Employment Security Department, Department of Revenue, Department of Labor and Industries; 2007 Business Tax & Premium Database supplies information on firm characteristics. The EHID does not include estimates of health insurance provided by sole proprietors and firms with only one employee. The firm estimates in this report are for 109,789 of the firms with two or more employees included in the *2007 Business Tax & Premium Database*. These are, with the few exceptions reported below, private sector firms. The reported statistics are for 'firms' rather than 'establishments' (i.e., a company with multiple locations is reported as one firm). This is a key difference from the *MEPS-IC* survey, which counts multiple locations as individual establishments. *MEPS-IC* firm counts are not included in the EHID to avoid confusion.

Specific firms excluded from the EHID include:

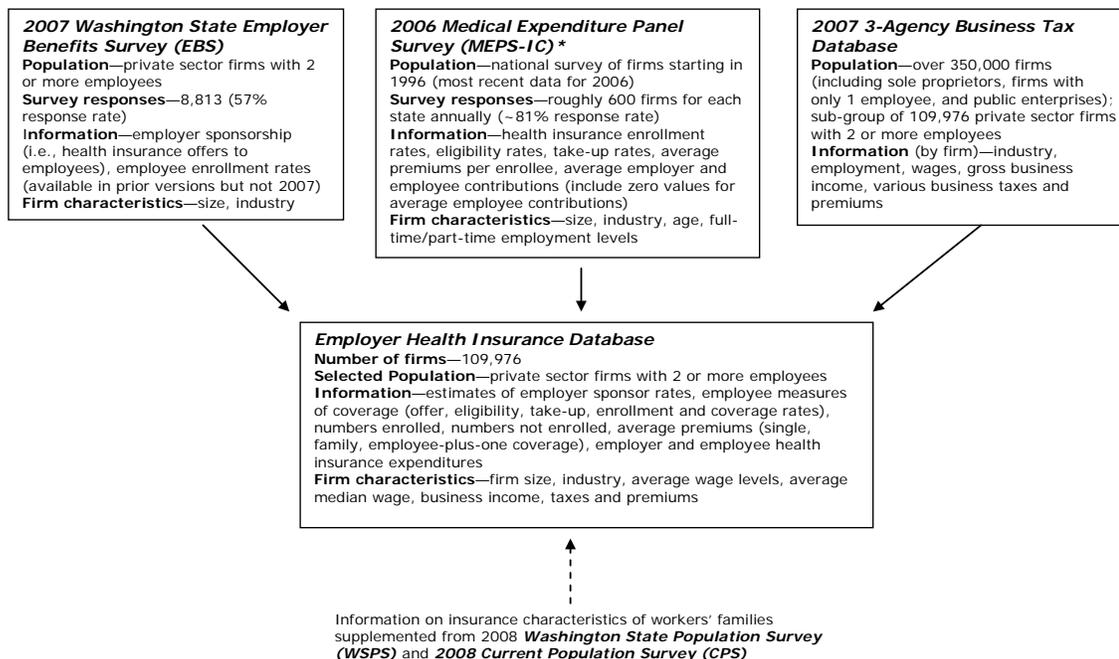
- **Sole proprietorships and firms with only one employee.** Although there are many such firms, they account for a relatively small proportion of total employment.
- **Most public sector enterprises - federal employment and employment in public administration** (NAICS codes 91-93). Most state and local government employment is also excluded. The main exception is local government employment in school districts and hospitals, which are included.
- **Employment in private households** (NAICS code 814110).
- Firms in **utilities, mining and management of companies.** These are excluded from tables that are based on Washington-specific firms surveyed in the *EBS* because there were too few surveys responses for these industries to have confidence that results were both representative and confidential. However, these firms are included where the only source of data is the *MEPS-IC* survey (NAICS codes 21, 22 and 55).

3. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality (AHRQ), 2006 Medical Expenditure Panel Survey—Insurance Component (MEPS-IC) provides estimates for employee coverage measures (i.e., enrollment rates, eligibility rates, take-up rates, health insurance premiums, and employer and employee premium contributions). The most recent *MEPS-IC* data are for 2006 and they cover the period 1996-2006.⁴ This allows reporting of historical trends in coverage measures for Washington and comparison with national trends to get an idea of the outlook for the future.

Using these data sources, for the most part we are able to provide a 2007 picture of Washington employer-sponsored health insurance. In some cases, the report relies on the *MEPS-IC* survey, for which 2006 data are the most current. This should not be seen as an issue – national Kaiser/HRET annual employer health benefits surveys for 2007 and 2008 report that, “the percentage of employers sponsoring insurance and the percentage of workers covered by employer-sponsored insurance remained stable”.

⁴ As a result of administrative changes to reduce data lag and make *MEPS-IC* results available a full year sooner than in the past, the 2008 *MEPS-IC* survey data are anticipated later this year. AHRQ will not be reporting 2007 *MEPS-IC* data.

Figure 2: Construction of Employer Health Insurance Database



Notes:

* Premiums and contributions brought forward to 2007-08 using Kaiser/HRET growth rates (<http://www.kff.org/insurance/ehbs-archives.cfm>)

As described in Appendix I, the following health insurance information was synthetically estimated for each firm to give orders-of-magnitude estimates of:

- Employer sponsor rates - among all employers, the percentage of them that offer coverage to at least some of their employees
- Health insurance employee offer and enrollment rates among firms that offer health insurance to at least some of their employees
- Counts of employees enrolled (and not enrolled) in own-employer-provided coverage
- Health insurance premiums per enrollee for single, family and employee-plus-one coverage
- Total employer health insurance expenditures and average expenditures per employee and per enrollee, and
- Employee health care contributions.

In addition, the EHID includes information on firm characteristics—industry, wages, employment, gross business income, and various taxes and fund contributions.

Employer Sponsor Rates: Based on analysis of logistic regression described in Appendix II, average wage levels, firm size and industry appear to explain much of the variation in employer sponsor rates. Sponsor rates were assigned to firms based on these three characteristics. Among firms that offer coverage to at least some of their workers, the numbers of workers enrolled were estimated using enrollment rates reported by MEPS-IC. Employer expenditures and employee contributions were then estimated by applying premium and contribution rates reported by MEPS-IC. Enrollment rates were allowed to vary by firm size and industry. Premiums and contribution rates were allowed to vary by firm size, industry, and type of coverage (single, family, and employee-plus-one).

Three-year Moving Averages: EHID coverage measures and expenditures reported are only estimates, and as such they are subject to potential sources of error. They rely heavily on the EBS and MEPS-IC surveys. The 2007 Washington State EBS has a very large sample although the survey response rate of 57 percent, while good, leaves some room for potential response bias. The MEPS-IC national survey of employers with a sample designed to support state-level estimates. However, the sample sizes for each state are relatively small and estimated parameters can have large standard errors. Three-year moving averages of MEPS-IC rates are used in most instances to adjust for the effects of slight year-to-year swings and provide more precise and stable estimates.

Inflation factors: To bring 2006 data for premiums and employer/employee cost-sharing forward to 2007 and 2008 to align with other *EHID* data, inflation factors suggested by the 2008 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>) are used.

Contributor	Coverage	2007	2008
Employer	Single	1.047	1.052
	Family	1.037	1.057
	Employee-plus-one	1.037	1.057
	TOTAL (average)	1.043	1.054
Employee	Single	1.107	1.039
	Family	1.104	1.031
	Employee-plus-one	1.104	1.031

Industry: Data from the *MEPS-IC*, defined by the North American Industry Classification System (NAICS), are reported for broad industrial sectors. They represent a more aggregated version of the industry details available in the *EBS*. As a result, where analysis of coverage measures relies on *MEPS-IC* data it is constrained to the large sector *MEPS-IC* definitions.

Table 2 provides a cross-reference of the *MEPS-IC* and *EBS*-based NAICS industry sectors presented in this report. Note that due to insufficient sample size, the *EBS* sectors do not include NAICS codes 21 (Mining), 22 (Utilities), and 55 (Management Services), a total of 616 firms, 16,342 workers, and less than 0.6% of firms in the database. These three NAICS are included in the large sector *MEPS-IC* definitions. As a result, total firm and employee counts differ slightly between tables that are based on *MEPS-IC* data versus *EBS* data.

MEPS-IC Sectors	EBS Sectors
Agriculture, forestry, fishing	Agriculture, forestry, fishing
Manufacturing (& mining)	Manufacturing
Construction	Construction
Transportation & warehousing (& utilities)	Transportation & warehousing
Wholesale trade	Wholesale trade
Finance, insurance, real estate	Finance & insurance
	Real estate & rental
Retail trade	Retail trade
Professional services (& Management Services)	Information
	Professional & technical services
	Educational services
	Health care and social assistance
Other services	Administrative and support services
	Arts, entertainment & recreation
	Accommodation and food services
	Other services

Wage Quartiles and Median Income Measures: Some tables (e.g., Table 7: *Employer Sponsor Rates by Firm Size, Average Wages and Industry*) report by wage quartiles. The quartiles are based on the average wage of firms, where:

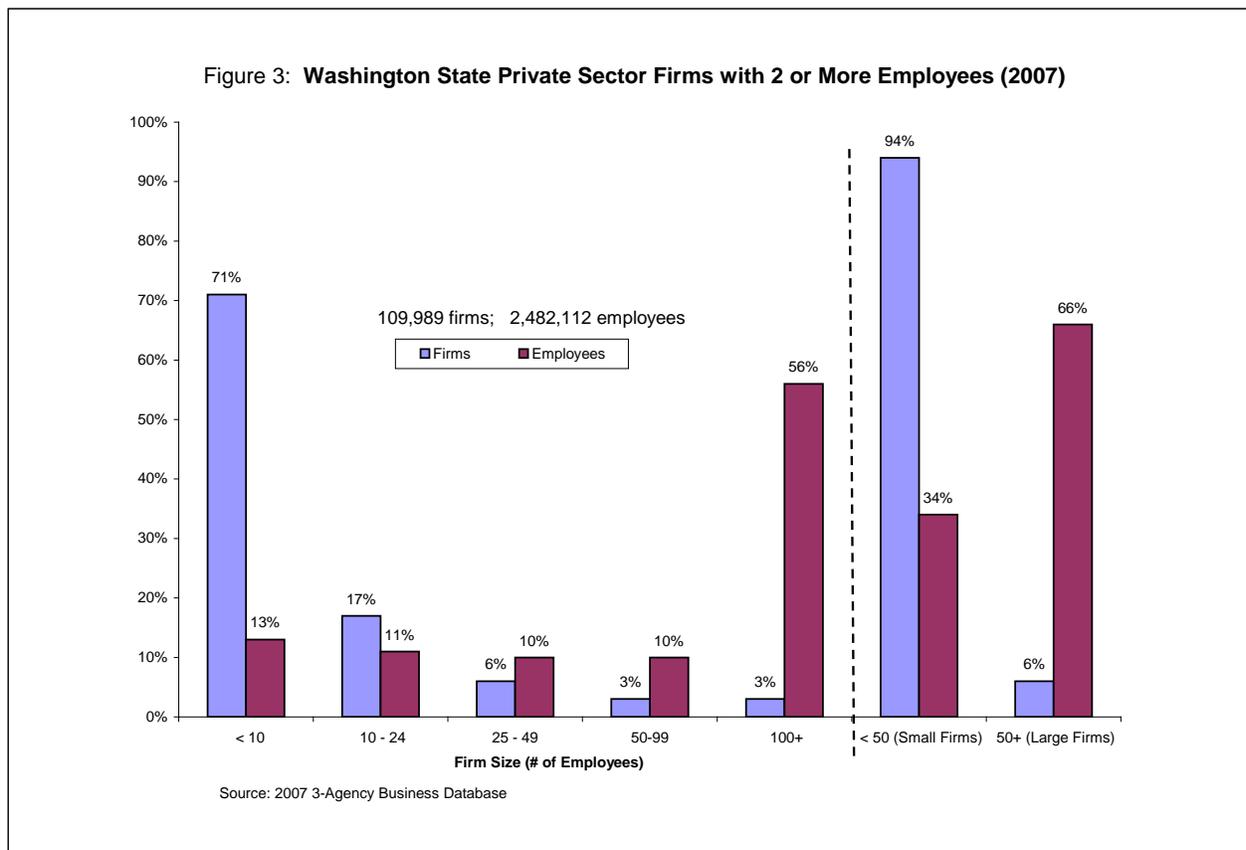
$$\text{Average Wage} = \text{Total Payroll} / \text{Number of Employees (full time and part-time employees included)}$$

Other tables (e.g., Table 8: *Employer Sponsor Rates by Industry, Firm Size, Above and Below Median Firm Average Wage*, and Table 15: *Estimated Numbers Not Enrolled in Own Employer-Provided Health Insurance, Above and Below Median Wage*), report by median income by industry and size grouping where:

For each industry/size group (e.g., Manufacturing / Small Firms), median income is calculated at the firm level, based on the firm's average wage.

Where People Work in Washington

Firm Size: Of the 109,789 firms included in the EHID, almost 9 out of 10 (~88 percent) have fewer than 25 employees. Close to 78,000 of them have fewer than 10 employees. However, it is the larger firms that account for the bulk of total employment. Firms with 100 or more workers account for 56 percent of total employment. Two out of 3 workers are employed in firms with 50 or more employees. (See Figure 3 and Table 3)



- Large employers of 50 or more employees are 6% of Washington’s businesses but they employ two-thirds of Washington workers while small employers of fewer than 50 employees are 94% of Washington’s businesses but they employ only one-third of the workers.
- Super-sized employers, those with 1000+ employees, make up a miniscule percentage of Washington businesses (one tenth of one percent) but employ about 1 in 6 (~17%) workers.⁵
- The smallest employers, those with between 2 and 9 employees, make up over 70% of Washington businesses but employ about 2 in 15 (~13%) workers.

⁵ Among large firms alone (those with 50 or more employees), the super-sized firms make up 2% of large firms and employ about 28% of the large employer workforce.

Table 3: 2007 Employer Health Insurance Database Counts of Firms and Workers				
Private sector firms with 2 or more employees				
	Firms		Employees	
	Number	Percent	Number	Percent
All Firms	109,789	100%	2,482,112	100%
Firm Size				
2 - 9	77,802	71%	325,240	13%
10 - 24	18,377	17%	283,538	11%
25 - 49	6,792	6%	236,188	10%
50 - 99	3,464	3%	240,076	10%
100 and above	3,354	3%	1,397,071	56%
Industry ⁽¹⁾				
Agriculture, forestry, fishing	5,079	5%	80,790	3%
Manufacturing	6,143	6%	317,951	13%
Construction	16,720	15%	186,359	8%
Transportation & warehousing	3,202	3%	155,099	6%
Wholesale trade	7,290	7%	118,745	5%
Finance, insurance, real estate	8,069	7%	140,987	6%
Retail trade	11,387	10%	244,475	10%
Professional services	24,532	22%	755,146	30%
Other services	27,367	25%	482,559	19%
<p>⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.</p> <p>'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>				

Industry: The most prominent industry types for employers and employees overlap considerably, although there are differences between large and small employers. (See Table 3)

- Relative to large employers and all industry types, the highest percentages of both employees and employers are found in the Manufacturing, and Health care & social assistance sectors.
- Relative to small employers and all industry types, the highest percent of both employees and employers is found in the Construction sector; high percentages of both employees and employers are also found in the Accommodation and food service sectors.
- Two large sectors, "professional services" and "other services," account for nearly half of total employment.⁶ The professional services category includes higher wage employment in information, professional and business services, education and health care. The other services category generally includes lower wage employment in food, accommodation, and administrative services (e.g., temporary help agencies).

⁶ Data from the *MEPS-IC Survey* are reported for the broad industrial sectors included in the table on page 5. Much of the analysis, therefore, is constrained to use these large sector definitions. Washington's *Employee Benefits Survey* allows us to examine more detailed industry categories.

Table 4: Firm Counts by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2007					
Industry	Below Median Wage		Above Median Wage		Median Income
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)	
Agriculture, forestry, fishing	2,486	54	2,340	199	17,536
Construction	8,329	31	7,810	550	30,282
Manufacturing	2,850	153	2,224	778	31,827
Wholesale trade	3,410	235	3,431	214	47,513
Retail trade	5,571	123	5,140	553	17,964
Transportation, & warehousing	1,363	80	1,249	193	33,706
Information	778	74	710	142	46,542
Finance & insurance	1,826	29	1,620	234	38,363
Real estate & rental	2,078	22	1,980	119	23,022
Professional & technical services	4,942	57	4,624	374	41,139
Administrative and support services	2,918	147	2,793	271	22,767
Educational services	908	22	583	346	22,646
Health care and social assistance	5,216	270	4,942	544	25,082
Arts, entertainment & recreation	897	50	782	164	13,804
Accommodation and food services	5,505	83	5,076	512	11,798
Other services	4,015	70	3,991	93	23,157
<p>⁽¹⁾ Median is on the firm level based on the average wage of each firm. Because NAICS codes 21, 22 and 55 are excluded due to small survey samples (see page 6), total firm counts (109,173) do not equal counts in Table 3 (109,789).</p>					

Table 5: Employee Counts by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2007					
Industry	Below Median Wage		Above Median Wage		Median Income
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)	
Agriculture, forestry, fishing	18,229	6,709	20,354	35,498	17,536
Construction	38,492	2,566	78,550	66,752	30,282
Manufacturing	23,210	16,783	34,375	240,748	31,827
Wholesale trade	28,492	29,694	28,349	32,210	47,513
Retail trade	11,404	28,824	53,501	127,298	17,964
Transportation & warehousing	11,404	73,320	12,723	52,854	33,706
Information	7,111	14,435	8,133	34,041	46,542
Finance & insurance	8,348	3,146	15,854	65,316	38,363
Real estate & rental	10,049	2,687	15,079	18,586	23,022
Professional & technical services	26,828	11,027	42,506	61,465	41,139
Administrative and support services	19,092	54,566	26,519	63,010	22,767
Educational services	7,855	2,693	7,217	221,447	22,646
Health care and social assistance	38,809	45,335	45,702	180,542	25,082
Arts, entertainment & recreation	8,769	5,888	8,437	20,627	13,804
Accommodation and food services	44,102	12,773	65,844	92,067	11,798
Other services	21,996	16,112	28,385	11,034	23,157
<p>⁽¹⁾ Median is on the firm level based on the average wage of each firm. Because NAICS codes 21, 22 and 55 are excluded due to small survey samples (see page 6), total employee counts (2,465,770) do not equal counts in Table 3 (2,482,112).</p>					

Age of Firm: These industry patterns are consistent with *MEPS-IC* data, which suggest that there have been changes in the distribution of employees by age of firms. At the national level (age data are not yet available for Washington firms) between 1996 and 2006, for both large and small employers, there were significant declines in the numbers of employees working for young firms (under 5 years) and significant increases in numbers of employees working for the oldest firms (age 20 or more years).

Workers' Coverage by Washington Employers

Washington workers continue to get coverage through their employers, but at somewhat lower rates than in the past.

Availability: Among all employees who work in Washington, most work for an employer that makes coverage available to at least some employees. In 2006 about 86% of all employees worked for firms that offered health insurance (Table 9). However, the size of employer can make a big difference in the availability of coverage. (See employee offer rates in Figures 4-7). Based on *MEPS-IC* data:

- Offer rates for employees of *large* employers in Washington have stayed quite high over the last decade. Depending on how the data are arrayed (yearly rates or three-year moving averages), offer rates generally hovered in the high nineties between 1996 and 2006.⁷
- After increasing in the late 1990s, offer rates for employees of *small* employers steadily declined between 2000 and 2006 to reach a rate of about 60%, comparable with rates of the mid 1990s⁸. For employees of the *smallest* employers, (those with 2-9 employees), offer rates continue to be the lowest of all employee groups, in the high thirties.
- However, working where coverage is available to some workers is not the same as having coverage through one's own employer. For example, a worker may not meet the employer's eligibility criteria, or if s/he does, may choose not to accept the employer's offer of coverage.

Note that a measure of coverage availability often confused with employee offer rate is the employer sponsor rate. The latter is defined as the percentage of employers that offer coverage to at least some of their workers (in contrast to employee offer rate which is the percentage of employees who work for employers that offer coverage to at least some of their workers). Employer sponsor rates are described further in the details of the report.

Coverage: Although employees in *large* employers remain more likely to be covered by their own employer than employees in *small* employers, the trend for being covered by one's own employer is downward regardless of employer size. The degree of decline is difficult to precisely pinpoint and, like other measures, it differs by employer size and comparison period. However, it is fair to say that over time lower percentages of Washington workers are getting coverage through *their own employer*. (See Coverage Rates in Figures 4-7.)

- For employees of *large* employers, an estimate based on the yearly rates in Figure 4, shows that coverage through one's own employer, in Washington, declined fairly steadily, almost 14 percentage points between 1998 and 2006⁹. A more conservative view of the decline occurs if 1996 is compared to 2006 (a decline of about 8 percentage points); this occurs because a considerable jump in coverage is apparent between 1996 and 1998. An alternate estimate, based on three-year moving average rates (Figure 5) is more in the range of an 11 percentage point decline, 1998-2006.
- For employees of *small* employers, an estimate based on the yearly rates in Figure 6, shows that coverage through one's own employer, in Washington, declined about 6 percentage points between 1998 and 2006. The alternate three-year moving average estimate (Figure 7) suggests a more conservative decline of only 2 percentage points, 1998-2006.
- Neither the yearly nor the three-year moving average estimate is "more right" than the other, they are simply different ways of looking at the data and may be best used as lower and upper bounds on the degree of decline for the comparison time period.

Drivers: There are three components to having coverage via one's own employer – working where it's available (offer), being eligible for it (eligibility), and (if eligible) accepting the offer (take-up). The relative importance of each component as a determiner of coverage differs by employer size and comparison period.¹⁰

⁷ Moving averages are often used to "smooth" data, that is, adjust for the effects of slight year-to-year swings. This asset of averages also has a downside – flex points (changes in direction) and data anomalies are not readily visible. Unfortunately, the two views of the data (yearly or moving average rates) can sometimes tell different stories as well. For this reason, we have chosen to provide measures of coverage using both forms. (See Figures 4-7)

⁸ This pattern is consistent with trends at the national level, where further analysis shows that declines or both small employers and large employers, the decline is driven by offer rates for firms under five years of age.

⁹ 1998 (not 1996) is compared to 2006 in order to better ensure that comparable time periods are used for both yearly and moving-average forms of the data.

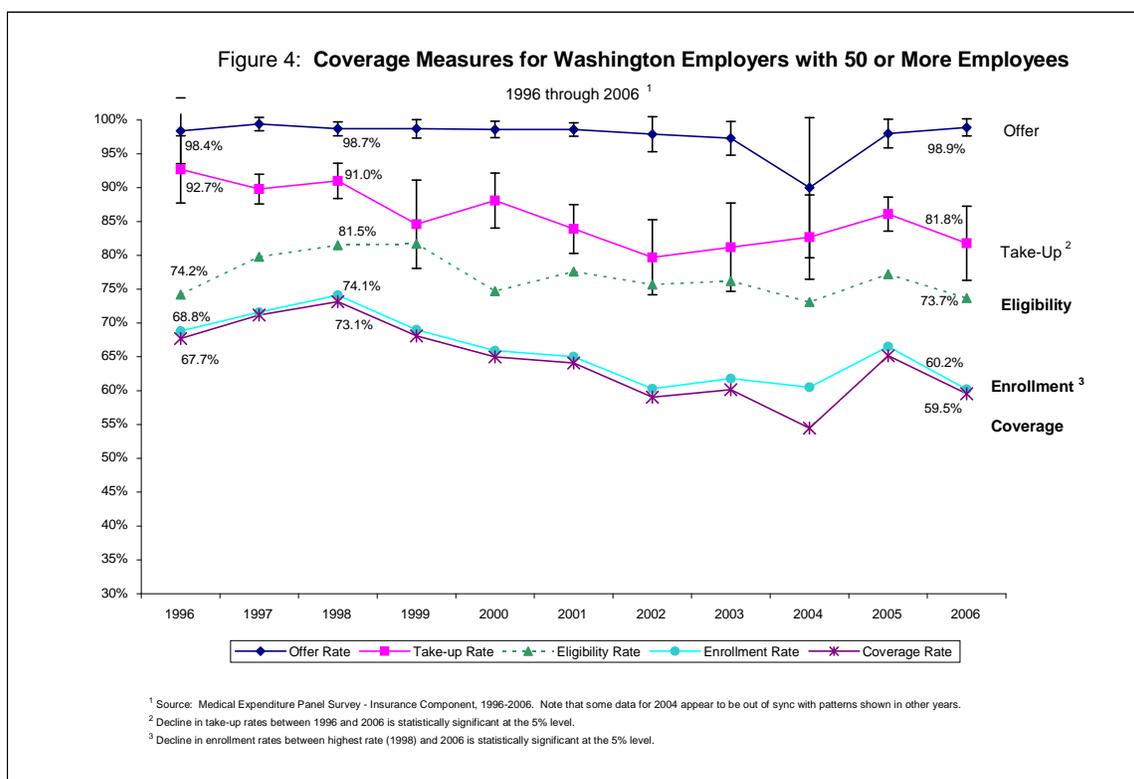
¹⁰ The decline in coverage rates is one form of what is often referred to as "erosion in employer-sponsored coverage". Another potential form of erosion, not discussed here, is changes in benefit packages, either in terms of fewer covered services and/or higher

Within a given year:

- For employees of *large employers* a worker is at greatest risk of not having *own*-employer coverage because of ineligibility, that is, the worker does not meet his/her employer's eligibility requirements.
- For employees of *small employers*, a worker is at greatest risk of not having own-employer coverage because it simply is not available, that is, the employer does not offer coverage at all.

Across time: Decomposing the decline of coverage (1998-2006) into its three components is complicated by the interactions among the components. The resulting analysis shows that:

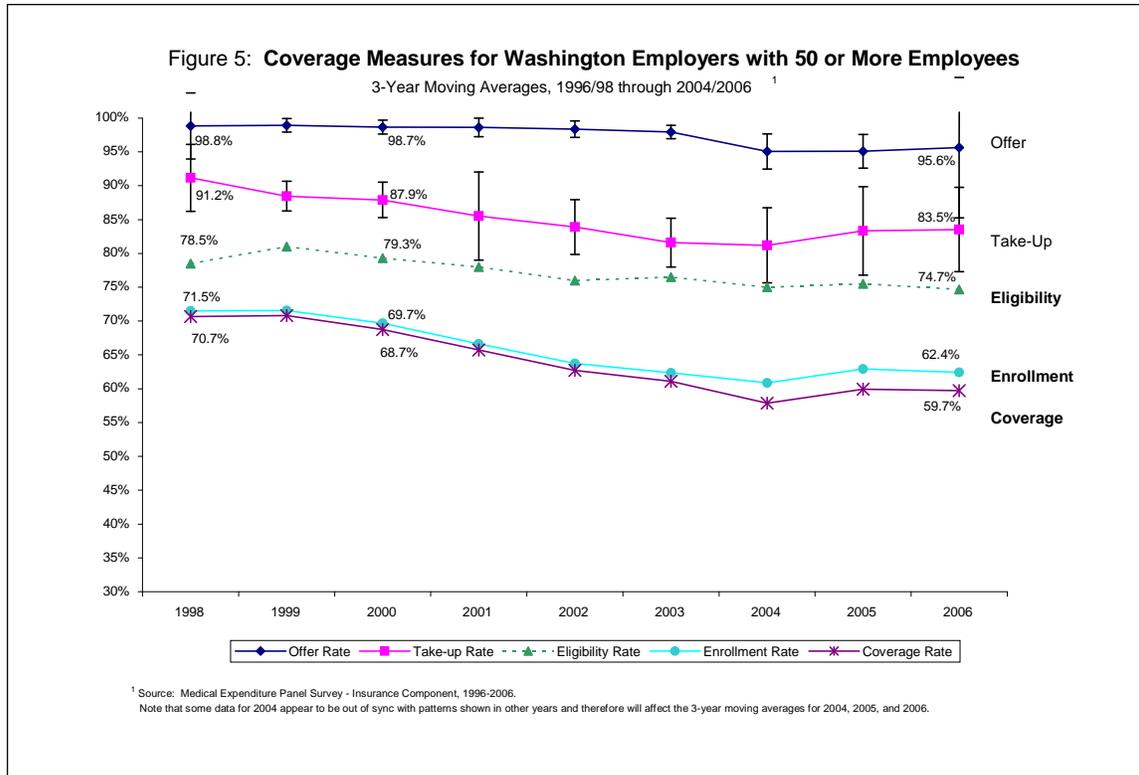
- For employees of *large employers*, the decline of about 14 percentage points (Figure 5) is made up of fairly large, and roughly equal, declines in take-up and eligibility (about 7 percentage point declines for each).¹¹
- For employees of *small employers*, the picture is more complex. The decline of just over 6 percentage points is primarily driven by the worker's decision to not take-up coverage (about 6 percentage points). In addition there is a roughly 2 percentage point decline in offer offset by a similar sized increase in eligibility.¹²



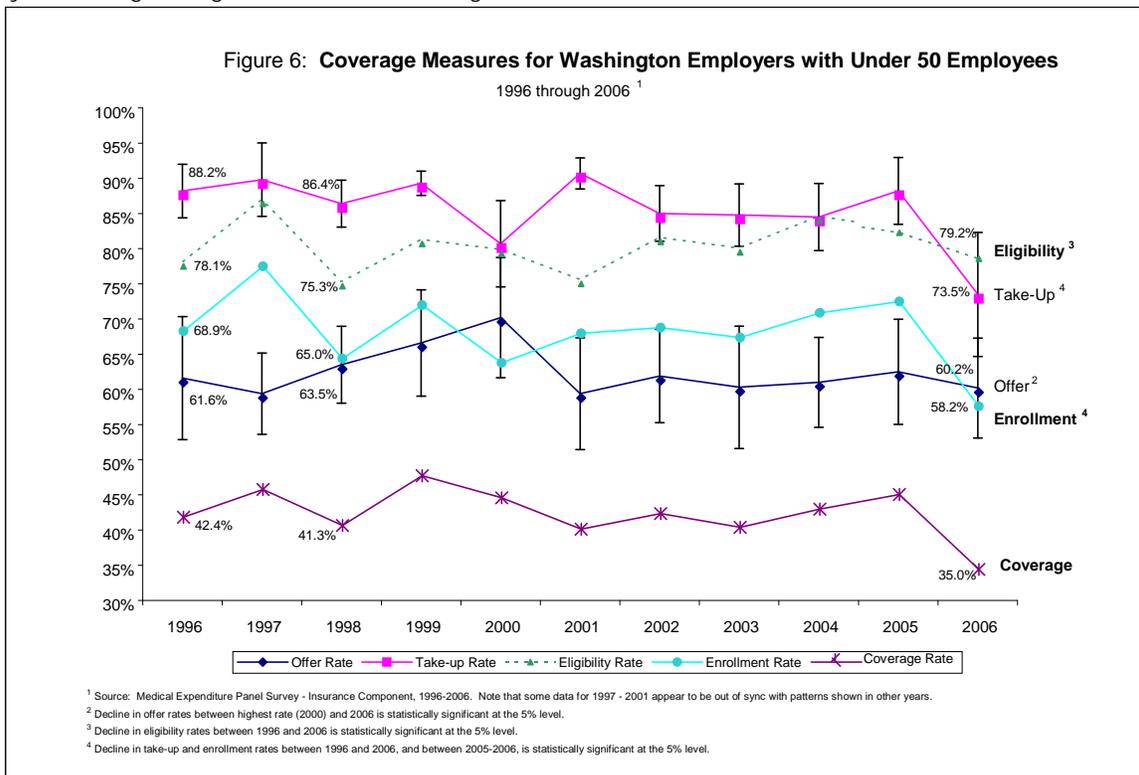
premium and point-of-service cost sharing by employees. Changes in the percentage of premium cost sharing are displayed in Tables 20-22.

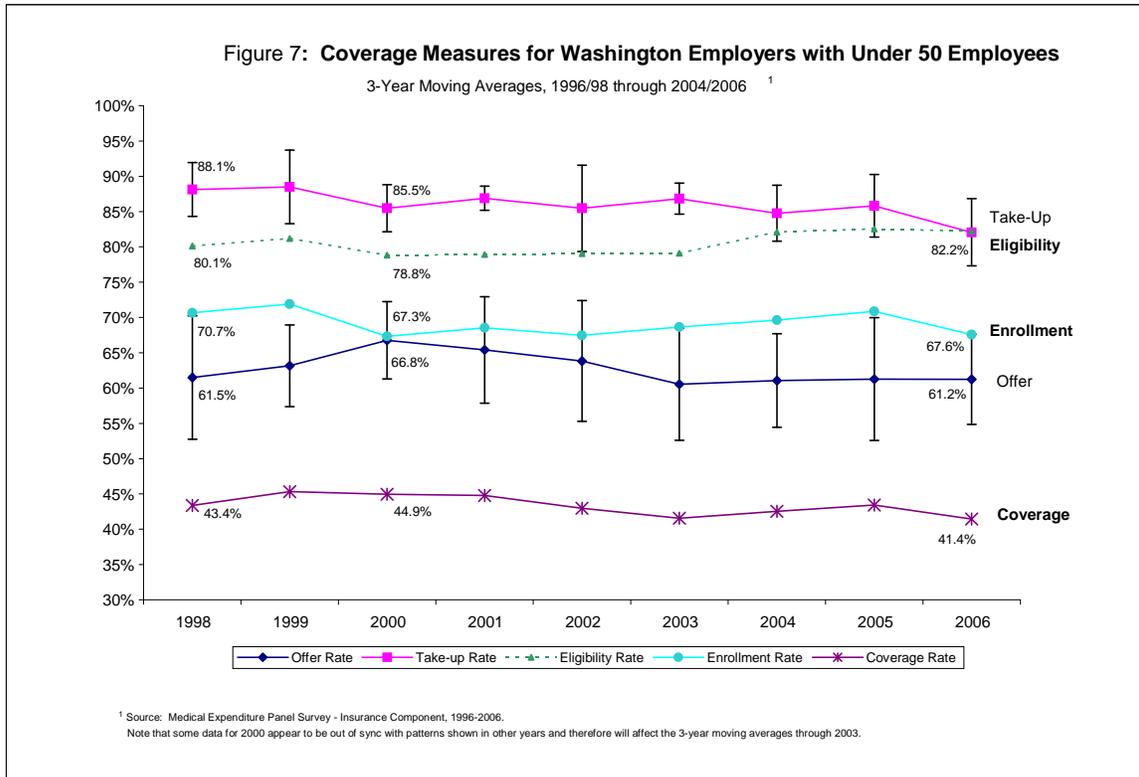
¹¹ Workers decide not to accept their own employer's coverage for a variety of reasons; for low-income workers the decision most often (but not always) has to do with issues of affordability. Provided in Section 3 – Other Sources of Health Insurance and the Uninsured, is additional information on the growing gap in Washington between income and health insurance expenditures.

¹² A decomposition analysis also was done using the 3-year moving average data (96-98 compared to 04-06). In this case, the drop in take-up clearly outstripped the other two factors as the key driver of declining coverage levels; accounting for just over half of the decline for *large* employers and virtually all the decline for *small* employers in spite of a positive up tick in eligibility. Clearly choice of comparison periods and employer size can greatly influence conclusions about drivers of change. Nonetheless, it seems safe to say that *across years*, take-up is a consistently large contributor to declining own-employer coverage rates albeit to different degrees depending on the comparison period and employer size.



Note that Figure 4 starts with 1996 and Figure 5 starts with a 3-year moving average based on 1996 through 1998. In Figure 4, some data for 2004 appear to be out of sync with patterns shown by other years and therefore will affect the 3-year moving averages for 2004 -2006 in Figure 5.





Note that Figure 6 starts with 1996 and Figure 7 starts with a 3-year moving average based on 1996 through 1998. In Figure 6, data for some years appears to be a little out of sync with patterns shown by other years and therefore will affect the 3-year moving averages for 2004 -2006 in Figure 7.

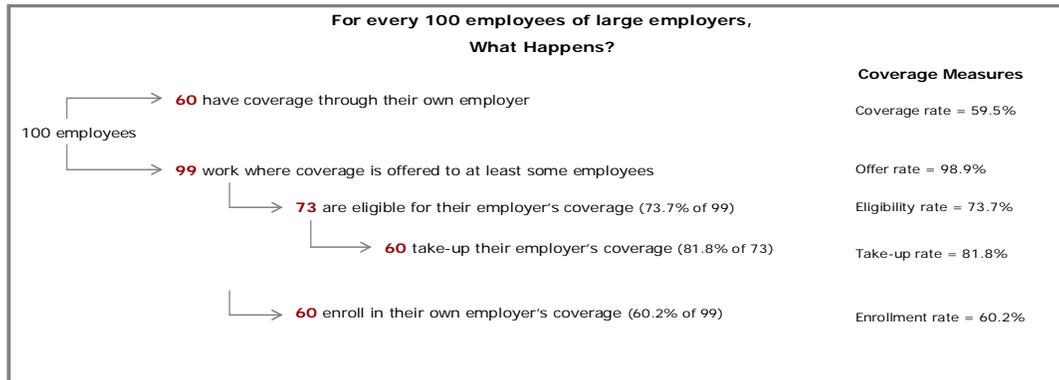
Key Measures and Components of Own-Employer Coverage

Although the definitions previously presented in Figure 1 define the key coverage measures used throughout this report, tracking relationships among these measures can be confusing. Figures 8 and 9 are included for clarification. Using rates for 1998 and 2006, they answer the question:

"For every 100 employees of (large/small) employers in Washington, what happens with respect to coverage?"

In each figure, key coverage measures are shown on the far right. To their left is the diagram that tracks the 100 employees. Each figure includes a summary statement at the bottom.

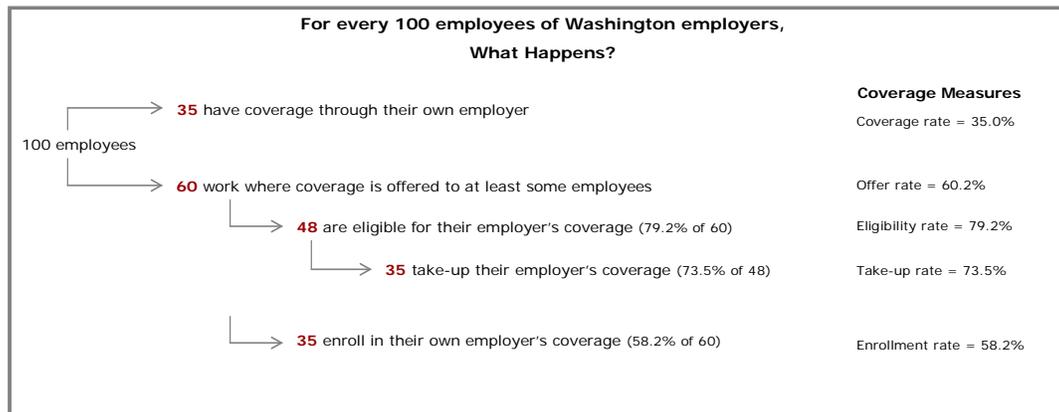
**Figure 8: Relationships Among the Employee-Based Measures of Coverage:
An Example for Washington Large Employers, 2006**



In the end, the measures converge to one story for 2006: Out of every 100 employees of large Washington employers, 60 end up being covered by their own employer and 40 do not. 27 of the 40 (68%) have little choice in the matter – they work for an employer that doesn't offer coverage to anyone or they are not eligible for what is offered. The other 13 (33%) make a decision (for a variety of reasons) to not take-up the employer coverage for which they are eligible.

Notes:
Large employers are those with 50 or more employees.
Data are Medical Expenditures Panel Survey, Insurance Component, Washington-specific.
Data may not sum exactly due to rounding.

**Figure 9: Relationships Among the Employee-Based Measures of Coverage:
An Example for Washington Small Employers, 2006**



In the end, the measures converge to one story for 2006: Out of every 100 employees of Washington employers, 35 end up being covered by their own employer and 65 do not. 52 of the 65 (69%) have little choice in the matter – they work for an employer that doesn't offer coverage to anyone or they are not eligible for what is offered. The other 13 (25%) make a decision (for a variety of reasons) to not take-up the employer coverage for which they are eligible.

Notes:
Data are from Medical Expenditures Panel Survey, Insurance Component, Washington-specific.
* Data may not sum exactly due to rounding.

Section 2: Health Insurance Coverage Measures

Coverage measures included are those defined in Figure 1 which is repeated here for ease of reference.

<p>Figure 1: Coverage Measures Definitions</p> <p>FROM THE EMPLOYEE PERSPECTIVE:</p> <p>Employee Coverage Rate: <i>Among all employees</i>, the percentage of them that have coverage through their own employer. (Coverage rate = offer rate * eligibility rate * take-up rate)</p> <p>Employee Offer Rate: <i>Among all employees</i>, the percentage of them who work where coverage is offered to at least some of the employees.</p> <p>Employee Eligibility Rate: <i>Among employees who work where coverage is offered</i>, the percentage of them that are eligible for their own employer's coverage. (a subset of offer)</p> <p>Employee Take-up Rate: <i>Among employees who are eligible</i> for their employer's coverage, the percentage that take it up. (a subset of eligibility)</p> <p>Employee Enrollment Rate: <i>Among employees who work where coverage is offered</i>, the percentage of them that enroll in their own employer's coverage.</p> <p>FROM THE EMPLOYER PERSPECTIVE:</p> <p>Employer Sponsor Rate: <i>Among all employers</i>, the percentage of them that offer coverage to at least some of their workers.</p>

This report makes the distinction between "offer" rates *by employers* and *to employees* as shown in Figure 1. These rates are easily confused. We use the *Employer Sponsor Rate* to refer to the percentage of **employers** that offer coverage to at least some of their workers; we use *Employee Offer Rate* to refer to the percentage of **employees** who work where coverage is offered to at least some employees.

From the Employer Perspective

Employer Sponsor Rates

Employee sponsor rates reported for Washington are estimated from data collected by the *2007 Washington Employee Benefits Survey*. Fifty-seven percent of Washington firms with two or more employees offer health insurance to at least some of their workers. This is fairly consistent with national rates found in the Kaiser/HRET *2007 Employer Health Benefits Survey*. However, the rates are higher than those suggested by *MEPS-IC Survey* data for Washington - the differences are mainly due to estimates for small firms. The *MEPS-IC Survey* includes firms with only *one* employee, while the *Employee Benefits Survey* does not.

Table 6: <i>Comparison of Employer Health Insurance Sponsor Rates</i> (percentage of firms offering coverage to any employees)					
2007 Washington Employer Health Insurance Database		2007 Kaiser Survey (National Rates)		2006 MEPS-IC Survey (Washington rates)	
Firm Size	Sponsor Rate	Firm Size	Sponsor Rate	Firm Size	Sponsor Rate
2-9	49%	3-9	45%	1-9	33%
10-24	70%	10-24	76%	10-24	66%
25-49	83%	25-49	83%	25-99	90%
50-99	91%	50-199	94%	100-999	94%
100-499	96%	200+	99%	1000+	98%
500+	98%				
All (2+)	57%	All (3+)	60%	All (1+)	54%

The 2007 Washington Employee Benefits Survey had a response rate of 57%.
 The 2007 Kaiser/HRET Employer Health Benefits Survey had a response rate of 75% for the question used to determine employer sponsor rates.
 The 2006 MEPS-IC Survey had an 81% response rate, but relatively small (~600) samples at the state level.

Table 7 summarizes the variation in employer health insurance offer rates by firm size (number of employees), industry and average wage levels (total wages divided by number of employees). Statistical analyses, discussed in *Appendix II*, suggest that each of these factors influence the probability that a firm offers health insurance. Average wage levels significantly affect employer sponsor rates even after controlling for firm size and industry.

- Fifty seven percent of firms offer insurance to at least some of their employees. Of the smallest firms, only 49% offer insurance. The sponsor rate increases with the size of firm; 98% of firms with at least 500 employees offer insurance.
- Firms that have higher wages are also more likely to offer health insurance. Only 33% of firms with average wages in the lowest quartile offer insurance to some of their workers, while 84% of firms in the highest wage quartile (well over twice as many) offer insurance to some of their workers.
- The sponsor rates vary considerably by industry, with only 30% of firms in Agriculture, forestry and fishing industries at the low end and 82% of wholesale and professional and technical services firms at the high end offering health insurance to some of their workers.
- Even in the categories where the sponsorship rate is lowest, the percentage of employees in firms that offer is higher than the percentage of firms. For example, even though only 33% of firms in the lowest wage quartile offer insurance, 54% of employees in the same category are working for firms that offer.

Table 7: <i>Employer Sponsor Rates by Firm Size, Average Wages and Industry:</i> <i>Washington 2007</i>	
(percentage of firms offering coverage to any employees)	Percent of firms
All Firms	
Total	57%
Firm Size	
2 - 9	49%
10 - 24	70%
25 - 49	83%
50 - 99	91%
100 - 499	96%
500+	98%
Wage Quartiles⁽¹⁾	
Lowest 25% of firms	33%
Second 25% of firms	48%
Third 25% of firms	64%
Highest 25% of firms	84%
Industry⁽²⁾	
Agriculture, forestry, fishing	30%
Construction	52%
Manufacturing	71%
Wholesale trade	82%
Retail trade	52%
Transportation & warehousing	66%
Information	65%
Finance & insurance	79%
Real estate & rental	60%
Professional & technical services	82%
Administrative and support services ⁽³⁾	44%
Educational services	67%
Health care and social assistance	75%
Arts, entertainment & recreation	49%
Accommodation and food services	17%
Other services	56%
<p>⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,782. The next group has average wages from \$14,782 to \$25,283; the third group has average wages from \$25,283 to \$40,086; the highest group has average wages above \$40,086. Part-time workers included.</p> <p>⁽²⁾ Most tables in this report include broader industrial categories. More detailed industry data can be presented here because the <i>Employee Benefits Survey</i> has sufficient sample size to estimate offer rates for specific industries. This is not possible for estimates that rely on MEPS-IC data.</p> <p>⁽³⁾ Administrative and support services includes temporary help services.</p>	

Table 8 provides a finer level of detail which highlights greater variation in employer sponsor rates among industries by firm size. Small Accommodation and food services firms with wages below their industry median have a sponsor rate of only 10% whereas a number of industries in the large, above median wage categories have sponsor rates of 100% (they offer health insurance to all workers).

Of the three factors that affect sponsor rate, (firm size, average wage and industry), firm size contributes the most variation when the other factors are held constant. The statistical logistic regression analysis described in *Appendix II* shows that when wage and industry are held constant, the largest firms (500 employees and over) are nearly 90

times more likely to offer health insurance than small firms with under 10 employees. Refer to tables 4 and 5 for firm and employee counts in these same categories.

Industry	Below Median Wage		Above Median Wage	
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)
Agriculture, forestry, fishing	16%	46%	42%	70%
Construction	33%	97%	65%	93%
Manufacturing	61%	100%	80%	100%
Wholesale trade	65%	99%	95%	100%
Retail trade	33%	97%	60%	98%
Transportation & warehousing	50%	96%	74%	99%
Information	62%	100%	60%	99%
Finance & insurance	69%	100%	88%	100%
Real estate & rental	45%	100%	74%	100%
Professional & technical services	75%	98%	88%	100%
Administrative and support services	31%	81%	53%	86%
Educational services	46%	100%	65%	98%
Health care and social assistance	67%	95%	81%	97%
Arts, entertainment & recreation	35%	90%	56%	84%
Accommodation and food services	10%	75%	17%	80%
Other services	42%	97%	70%	94%

⁽¹⁾ Median is at the firm level based on the average wage of each firm.

How long the employer has been in business also makes a difference in whether or not they offer coverage to some of their employees, however data are not available at the state level to describe Washington's story. From a national perspective, trends in employer sponsor rates suggested by *MEPS-IC* show significant declines between 2000 and 2006 for *young firms under age 5 years*, whether they are large or small. This pattern is repeated for small employers with under 50 employees even when they well established, i.e., *older firms of 20 years or more*. Large established firms have steadily continued to sponsor coverage to at least some of their employees.

From the Employee Perspective

Employee Offer Rates

Employee offer rates tell a similar general story to that of employer sponsor rates just described, although the numbers are different. For example, in 2007, while 57% of Washington *firms* offered health insurance to at least some of their workers (Table 7), 86% of Washington *workers* were actually employed in firms that offered health insurance (see Table 9).

Looking at these workers based on the size of the firm they work for (i.e., large or small), most employees work where coverage is offered to at least some employees (see Table 9). This appears to be the case for workers who work part-time as well as full-time worker (see Table 10).

But, the devil is in the details. At any given time, employees who work for small firms are considerably less likely to work where coverage is offered to some employees than employees who work for large firms. That is also true for part time workers in comparison to full-time workers.

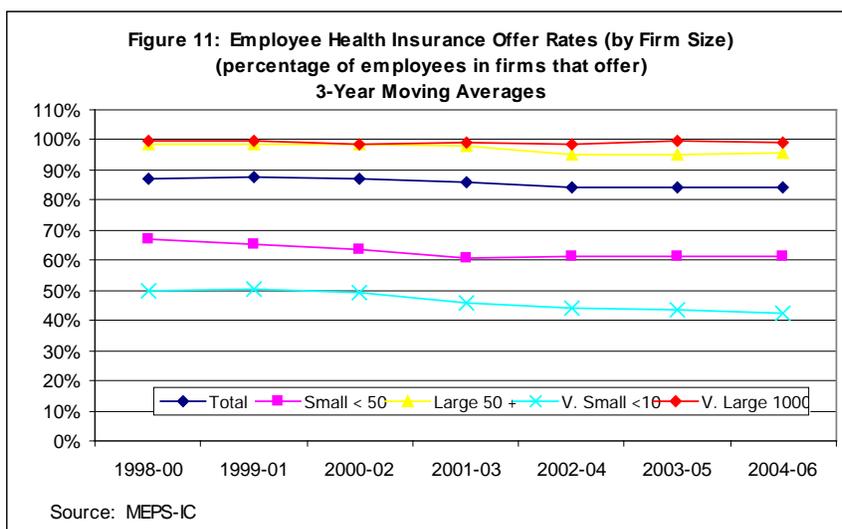
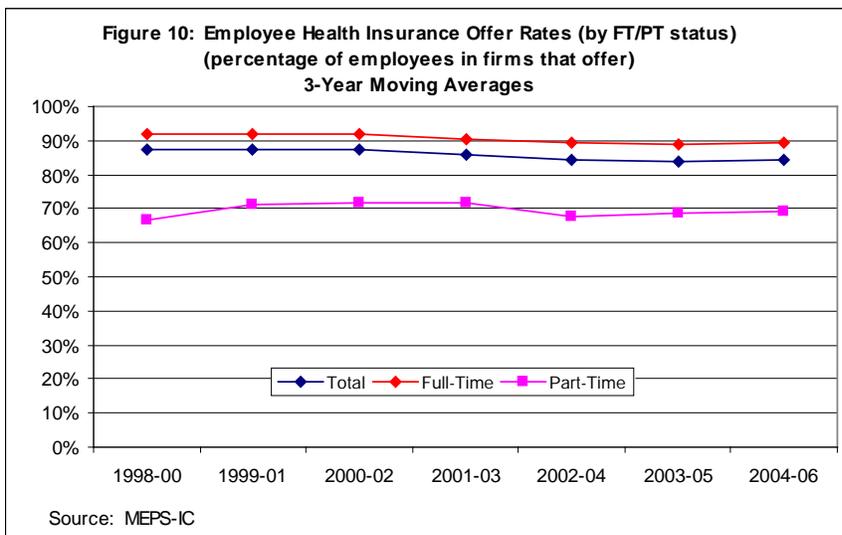
However, over time, between 1998-2006, the *MEPS-IC* survey indicates that the decline in the percentage of employees who work in firms that offer coverage to at least some employees has been significant *only* for employees working for small employers, those with fewer than 50 employees. Table 10 and Figure 10 show employee offer rates over time based on 3-year moving averages. Note that the 3 year moving average for all employees has declined from 87% in the 1998-2000 period to 84% in the 2004-2006 period¹³.

¹³ Three-year moving averages are used because year to year variation can be volatile and therefore be misleading regarding trends.

Table 9: Employee Offer Rates by Firm Size, Average Wages and Industry: Washington 2007		
	Number of employees in firms that offer	Percent of employees in firms that offer
All Firms		
Total	2,135,076	86%
Firm Size		
2 - 9	159,674	49%
10 - 24	196,095	69%
25 - 49	195,791	83%
50 - 99	220,646	92%
100 - 499	532,257	96%
500+	830,613	99%
Wage Quartiles⁽¹⁾		
Lowest 25% of firms	146,965	54%
Second 25% of firms	343,104	75%
Third 25% of firms	605,274	89%
Highest 25% of firms	1,039,734	97%
Industry⁽²⁾		
Agriculture, forestry, fishing	46,652	58%
Construction	143,630	77%
Manufacturing	42,552	96%
Wholesale trade	110,396	93%
Retail trade	158,809	86%
Transportation & warehousing	66,550	92%
Information	60,542	95%
Finance & insurance	89,423	97%
Real estate & rental	38,771	84%
Professional & technical services	133,101	94%
Administrative and support services ⁽³⁾	118,961	81%
Educational services	230,411	96%
Health care and social assistance	291,009	94%
Arts, entertainment & recreation	31,461	72%
Accommodation and food services	114,667	53%
Other services	59,921	77%
<p>⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,782. The next group has average wages from \$14,782 to \$25,283. The third group has average wages from \$25,283 to \$40,086. The highest group has average wages above \$40,086. Note that these averages include part-time workers.</p> <p>⁽²⁾ Most tables in this report include broader industrial categories. More detailed industry data can be presented here because the <i>Employee Benefits Survey</i> has sufficient sample size to estimate offer rates for specific industries. This is not possible for estimates that rely on MEPS-IC data.</p> <p>⁽³⁾ Administrative and support services includes temporary help services.</p>		

Table 10: <i>Employee Health Insurance Offer Rates: Washington</i> (percentage of employees who work in firms that offer coverage)					
Annual	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
2006	86%	60%	99%	90%	74%
3-Year Averages					
1998-00	87%	67%	99%	92%	67%
1999-01	87%	65%	99%	92%	71%
2000-02	87%	64%	98%	92%	72%
2001-03	86%	61%	98%	91%	71%
2002-04	84%	61%	95%	90%	68%
2003-05	84%	61%	95%	89%	69%
2004-06	84%	61%	96%	89%	69%

Source: MEPS-IC Survey



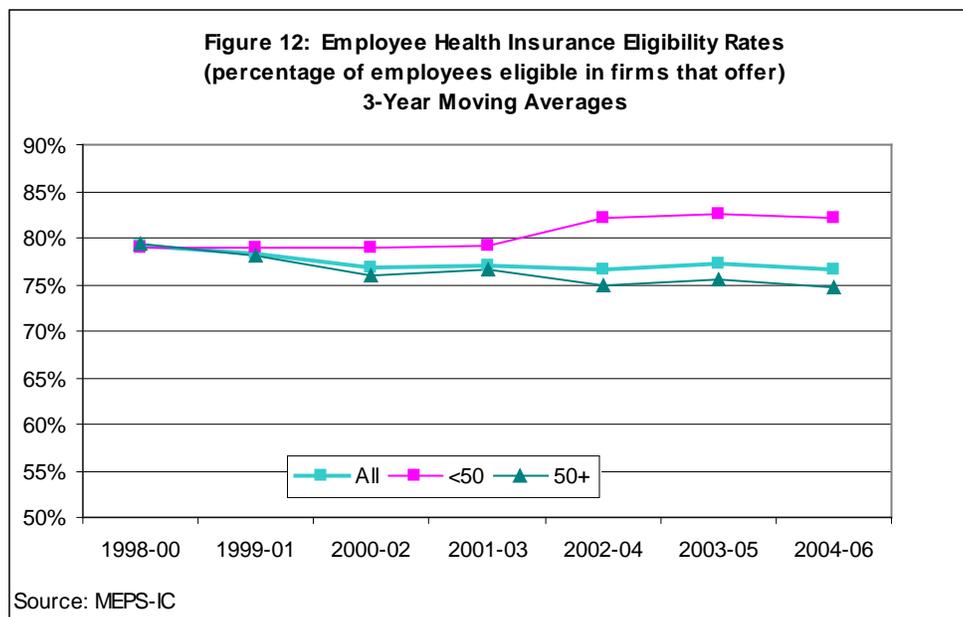
Employee Eligibility Rates

“Even in firms that offer coverage, not all workers are covered. Some workers are not eligible to enroll as a result of waiting periods, or minimum work-hour rules, and others choose not to enroll, perhaps because they must pay a share of the premium or can get coverage through a spouse.”¹⁴ Among Washington firms that offer health insurance, 75 percent of workers are eligible to participate. However, based on the *MEPS-IC*, over the past decade approximately the eligibility rate has declined significantly for employees working in the largest firms (1,000+ employees) and in small firms.

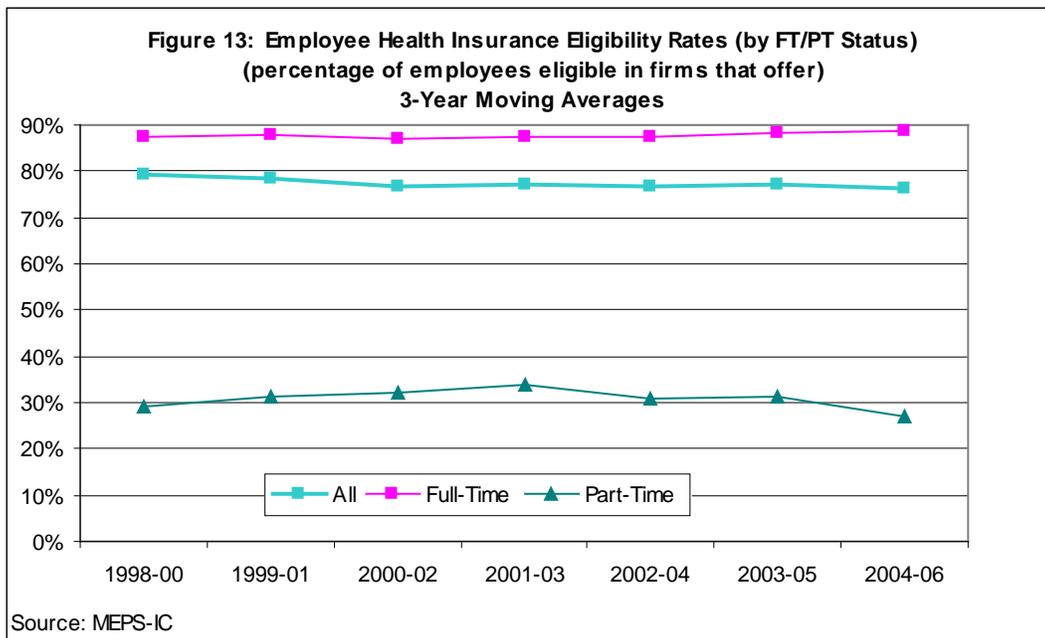
The percentage of part-time employees who are eligible for their employer’s coverage is much smaller than the percentage of full-time employees.

Annual 2006 3-Year Averages	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
1998-00	79%	79%	79%	87%	29%
1999-01	78%	79%	78%	88%	31%
2000-02	77%	79%	76%	87%	32%
2001-03	77%	79%	77%	87%	34%
2002-04	77%	82%	75%	88%	31%
2003-05	77%	83%	76%	88%	31%
2004-06	77%	82%	75%	89%	27%

Source: MEPS-IC Survey



¹⁴ 2008 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).



Employee Take-Up Rates

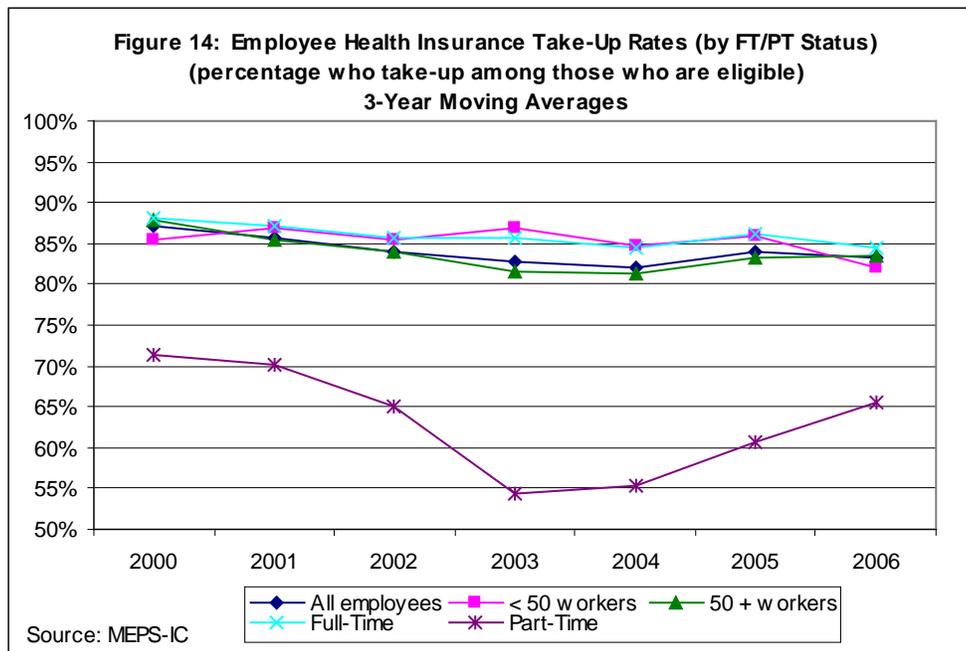
Among workers who are eligible for employer-provided health insurance in Washington, 83 percent take up the offer. The take-up rate has been declining, especially in larger firms and it has declined for both full-time and part-time employees, though the 3-year moving average decline is more pronounced for part-time workers.

While employee offer rates are considerably lower for employees in small firms than employees in large firms, employees in smaller firms *were* more likely to take-up coverage when it was offered...until recently. This appears to reflect a turning point for employees in small firms – coverage is now not available and not affordable.

Table 12: Employee Health Insurance Take-Up Rates: Washington
(percentage enrolled among those who are eligible)

Annual 2006 3-Year Averages	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
1998-00	87%	85%	88%	88%	71%
1999-01	86%	87%	86%	87%	70%
2000-02	84%	85%	84%	86%	65%
2001-03	83%	87%	82%	86%	54%
2002-04	82%	85%	81%	84%	55%
2003-05	84%	86%	83%	86%	61%
2004-06	83%	82%	84%	85%	65%

Source: MEPS-IC Survey



Employee Enrollment Rates

Among Washington firms that offer health insurance to at least some workers, 63 percent of employees are enrolled in own employer-provided coverage. This is not the same as the “coverage” rate which includes all employees whether covered or not (see Figure 1). The rate of coverage among all employees is lower, since some employees work in firms that do not offer health benefits. (Estimates of this coverage rate are presented in Table 14.)

Enrollment rates vary by firm size and full-time versus part-time job status.¹⁵ When small firms sponsor coverage the likelihood that their workers will enroll in that coverage is consistently higher than workers in larger firms. Relatively few part-time workers are enrolled (around 14 percent).

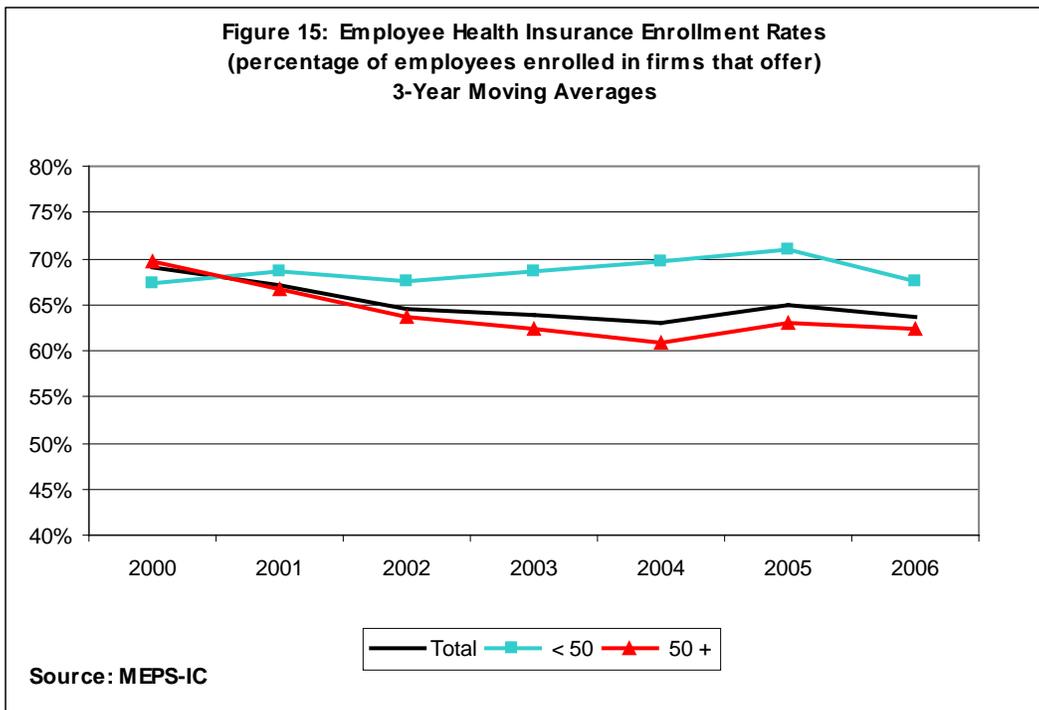
Table 13: Employee Health Insurance Enrollment Rates: Washington
 (percentage of employees enrolled among those in firms that offer coverage)

	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
Annual					
2006	60%	58%	60%	71%	14%*
3-Year Averages					
1998-00	69%	67%	70%	77%	21%
1999-01	67%	69%	67%	76%	22%
2000-02	65%	67%	64%	74%	21%
2001-03	64%	69%	62%	75%	18%
2002-04	63%	70%	61%	74%	17%
2003-05	65%	71%	63%	76%	18%
2004-06	64%	68%	62%	75%	*

* Data for 2006 do not meet standards of reliability or precision.
 Source: MEPS-IC Survey

¹⁵ The MEPS-IC Survey sample sizes for individual states are relatively small, so there are few observations with which to reliably estimate enrollment rates for specific industries at the state level. In order to impute Washington enrollments by firm size and industry, this study uses national rates by firm size within industries. These rates are scaled to achieve the overall, employment-weighted average enrollment rate reported for Washington. See Appendix I for details.

The overall enrollment rate has been decreasing over the past five years due to declines among workers in larger firm.



Employee Coverage Rates

Among all workers in private sector firms with two or more employees, including those in firms that do not offer insurance, 58 percent are enrolled in health coverage provided by their employer.¹⁶ Note that workers who are not enrolled in own-employer provided health insurance could receive coverage through other sources and are therefore not necessarily uninsured, as described in Section 3.

	Number Enrolled (1,000s)	Number Not Enrolled (1,000s)	Coverage Rate⁽¹⁾	Percent Not Enrolled
Firm Size	1,429	1,053	58%	42%
2 - 9	115	210	35%	65%
10 - 24	125	158	44%	56%
25 - 99	259	217	54%	46%
100 - 999	480	293	62%	38%
1000 and above	449	175	72%	28%
Wage Quartile⁽²⁾				
Lowest 25% of firms	80	191	29%	71%
Second 25% of firms	200	258	44%	56%
Third 25% of firms	399	279	59%	41%
Highest 25% of firms	750	326	70%	30%
Industry⁽³⁾				
Agriculture, forestry, fishing	28	53	35%	65%
Manufacturing	253	65	80%	20%
Construction	95	91	51%	49%
Transportation and Warehousing	113	42	73%	27%
Wholesale trade	86	33	72%	28%
Finance, insurance, real estate	105	36	74%	26%
Retail Trade	115	129	47%	53%
Professional services	495	260	66%	34%
Other services	138	344	29%	71%
<p>⁽¹⁾ Coverage Rate = Offer Rate * Eligibility Rate * Take-up Rate Estimates are for firms with two or more employees. Estimates rely on MEPS-IC enrollment rate data.</p> <p>⁽²⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,793. The next group has average wages from \$14,793 to \$25,294. The third group has average wages from \$25,294 to \$40,089. The highest group has average wages above \$40,089. Note that these averages include part-time workers.</p> <p>⁽³⁾ 'Professional services' includes information, professional and technical services, educational services and health care. 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>				

An interesting comparison of Table 9 and Table 14 shows that while approximately 2,135,000 employees work for firms that offer insurance, only about 1,429,000 are actually covered by their own employer.

¹⁶ According to the Bureau of Labor Statistics, *National Compensation Survey March 2007* - www.bls.gov/nch/ebs/sp/ebsm0006.pdf - 54 percent of private sector employees in the Pacific region (AK, CA, HI, OR and WA) participate in employer-provided medical care.

Table 15 provides a finer breakdown of workers who are not enrolled in their own employer-provided coverage. A large share is employed in accommodation and food services, retail trade, and health care and social assistance.

Table 15: <i>Estimated Numbers Not Enrolled in Own Employer-Provided Health Insurance, Above and Below Median Wage: Washington 2007</i>				
	Below Median Wage		Above Median Wage	
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)
Industry⁽¹⁾				
Agriculture, forestry, fishing	16,347	4,183	14,726	17,378
Manufacturing	10,654	3,637	12,197	38,189
Transportation & warehousing	6,826	15,668	6,123	13,670
Construction	24,155	964	39,330	26,587
Wholesale trade	11,893	6,702	7,627	6,923
Retail trade	25,938	12,293	31,068	59,728
Professional services	40,583	35,940	39,338	144,179
Finance, insurance, real estate	10,273	1,443	9,569	15,067
Other services	91,389	43,162	85,229	124,307

(1) 'Professional services' includes information, professional and technical services, educational services and health care.
 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).
 Estimates are from firms with two or more employees.
 Estimates rely on MEPS-IC enrollment rate data.

Section 3: Other Sources of Health Insurance and the Uninsured

Workers not enrolled in plans provided by their employer often receive coverage through their spouses' employers, privately purchased insurance or public plans. The 2007 *Washington Employer Health Insurance Database* suggests that 58 percent of private sector workers are enrolled in health insurance provided by their own employer. The comparable estimate from 2007 *Current Population Survey* (CPS) data for Washington is 62 percent. CPS data suggest that an additional 11 percent are covered through the employer of a family member. According to the 2008 *Washington State Population Survey*, 76 percent are covered by their employer or a family member's employer, 4 percent are covered through public programs, and 5 percent are covered through other insurance (e.g., self-purchased, military). That leaves 15 percent who are uninsured. The percent uninsured varies substantially across industries.

	2007 Washington Employer Health Insurance Database	2007 Current Population Survey (CPS) Data for Washington ⁽¹⁾			2008 Washington State Population Survey ⁽²⁾			
	Own Employer	Own Employer	Other Employer	Own & Other	Own & Other Employer	Public Program	Self- Purchased Military, Other	Uninsured
All Firms	58%	62%	11%	74%	76%	4%	5%	15%
Industry								
Agriculture, forestry, fishing	35%	20%	10%	30%	41%	15%	7%	37%
Manufacturing	80%	84%	4%	88%	88%	2%	2%	8%
Construction	51%	60%	8%	68%	67%	3%	4%	26%
Transportation & warehousing ⁽³⁾	73%	71% ⁽³⁾	3%	75%	85% ⁽³⁾	3%	5%	12%
Wholesale trade ⁽⁴⁾	72%	61% ⁽⁴⁾	13%	73%	87%	3%	4%	6%
Finance, insurance, real estate	66%	85%	3%	88%	86%	3%	5%	6%
Retail trade ⁽⁴⁾	74%	61% ⁽⁴⁾	13%	73%	70%	6%	6%	19%
Professional services ⁽⁵⁾	47%	64%	16%	79%	85%	3%	6%	6%
Other services ⁽⁶⁾	29%	36%	17%	53%	53%	8%	7%	32%

⁽¹⁾ The CPS estimates are for persons ages 18 to 64 employed in private industry. 'Other employer' refers to coverage through an other household member's employer.

⁽²⁾ The Washington State Population Survey (WSPS) estimates are for persons ages 18 to 64 employed in private firms excluding self-employed. Public programs include the Basic Health program, Medicaid, and Medicare. Industry-level estimates based on the CPS and WSPS have wide confidence intervals due to relatively small sample sizes for some industries (e.g., Agriculture).

⁽³⁾ The CPS and WSPS estimates for transportation and warehousing also include utilities; the Employer Database estimates do not.

⁽⁴⁾ CPS data are reported for wholesale and retail trade combined.

⁽⁵⁾ Professional services' includes information, professional and technical services, educational services and health care.

⁽⁶⁾ Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

While the data sources are different, the story is the same. The majority of adults continue to obtain their health insurance through an employer. A detailed account of health insurance by work characteristics, based on the 2008 Washington State Population Survey (WSPS), is available at: <http://www.ofm.wa.gov/researchbriefs/2009/brief055.pdf>. It reviews the influence of labor force status, family income, hours worked, type of employer (i.e., public, private, non-profit, family business etc), size of employer, industry, union status and marital status.

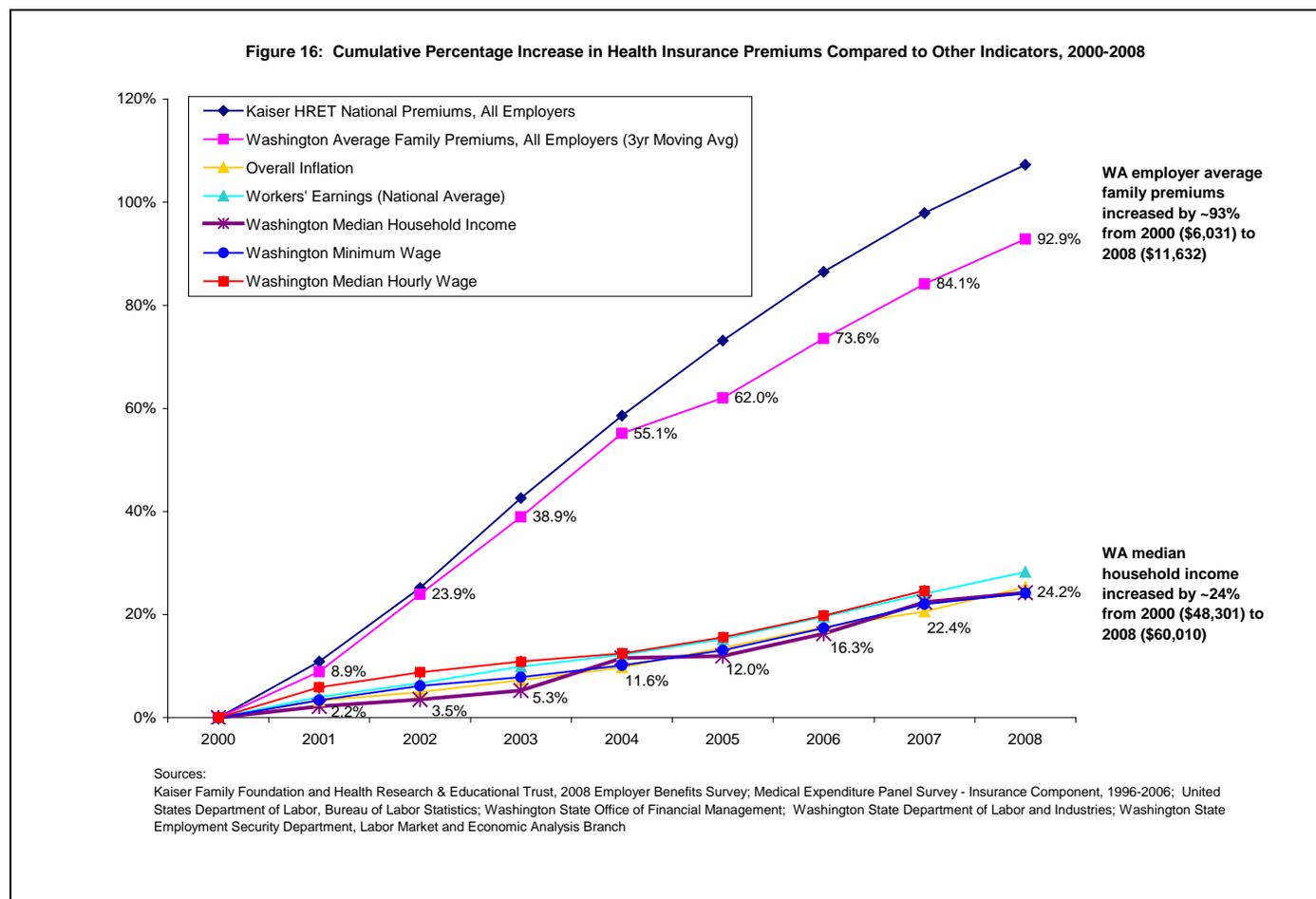
The 2008 WSPS also indicates that insurance rates are steadily declining for adults, at the same time as coverage for children has steadily improved. Snapshots of coverage in Washington are available at: <http://www.ofm.wa.gov/shpo/healthin/profiles/default.asp>, and show the following results:

- The percentage of Washington residents without health insurance in 2008 remained roughly the same, moving from 10.6 percent in 2006 to 11 percent in 2008. About one in nine Washingtonians was uninsured (almost 726,000 people).
- Overall, the characteristics of Washington's uninsured population remain consistent. The uninsured continue to be generally: young adults, quite low income, members of working families, without dependent children and lacking the benefit of higher education. We conclude that the dynamics of poverty, the affordability of insurance and population growth continue to play an important role in our ability to improve the percentage of Washingtonians with coverage.

While little has changed for the population in general between 2006 and 2008, there are clearer stories emerging if we look at changes over time.

- Coverage for children (aged 0-18) has steadily improved. Children make up a declining proportion of the total uninsured; the sheer numbers of uninsured children have decreased by over 20% since 2004. In this same time period the likelihood of children being uninsured decreased from 5.9% to 4.6%, although this change is not statistically significant. Between 2004 and 2008 the percent of children covered by public programs went up 1.6 percentage points at the same time as population growth brought 62,000 more children to Washington. Public programs have been doing an admirable job of sustaining coverage for Washington children.
- Adult coverage is continuing to decline, overall and in particular for different sub-groups. The likelihood of an adult age 19-64 to be uninsured increased from 14.6 percent in 2006 to 15.5 percent in 2008. Although this difference is not statistically significant, the change for the subgroup of young adults age 19-25 is striking. They now make up about 30% of the uninsured under age 65, i.e., of working-age families. Between 2000 and 2008 the number of these young adults who are uninsured doubled and their likelihood of being uninsured grew from about 18% to 33%.
- The 2008 survey highlighted an increase in numbers of Washingtonians living in poverty (0-99% of the federal poverty level which was just over \$21,000 for a family of 4 in 2007, the year for which income was collected in the 2008 survey). This impacts health insurance status. For those living in poverty, the likelihood of becoming uninsured increased significantly between 2006 and 2008, from about 24% to 29%.

Figure 16 provides an interesting perspective on coverage declines – *affordability* appears to clearly be an issue. The growth in health insurance premiums continues to outpace workers' earnings and inflation – no matter what measures we use to determine "income". In this century, while median household income in Washington had increased by ~24%, family premiums increased by ~93%. For a family, in particular a low-wage family, maintaining coverage is simply unsustainable without help.



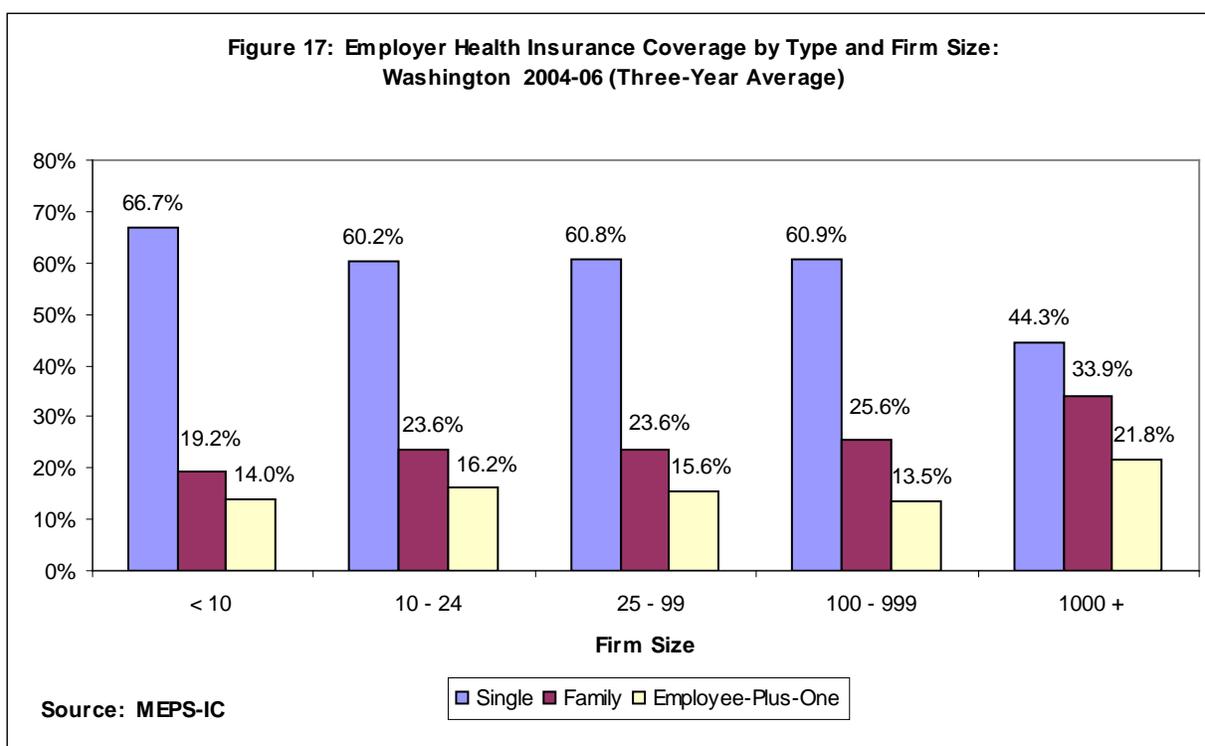
Section 4: Health Insurance Premiums and Cost-Sharing

Health insurance premiums vary substantially by type of coverage—single, family, employee-plus-one—and the shares of enrollees in different types of coverage affect employer health care costs. Higher percentages of enrollees in larger firms are enrolled in family coverage.

Table 17: Percentage of Enrollees in Single, Family and Employee-Plus-One Cover 2004-2006 (3 year average)

	Washington			United States		
	Single	Family	PlusOne	Single	Family	PlusOne
All	53%	29%	18%	48%	35%	17%
Small Firms	64%	21%	15%	57%	30%	13%
Large Firms	50%	31%	19%	45%	37%	18%

Source: MEPS-IC



The MEPS-IC Survey also provides data on employer health insurance premiums for single, family, and employee-plus-one coverage. The most recent published data are for 2006, but premiums have continued to increase substantially during the past few years. Premiums, employer contributions, and employee contributions in 2007 and 2008 were estimated using inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Surveys* (see Table 1). Tables 19-24 and Figures 18-23 summarize estimates and trends for premiums in Washington.¹⁷ Given the relatively small MEPS-IC sample sizes for individual states, trends are examined by using three-year moving averages.¹⁸

Zero Employee Contributions

Based on the MEPS-IC survey, employee contributions in Washington State tend to be smaller than the national average, especially for single coverage. One reason is the relatively high percentage of enrollees in Washington who are not required to contribute to their employer-sponsored coverage. Among those enrolled in single coverage, about 34 percent of enrollees in Washington are in plans that require no employee contribution; nationally the figure is about 22 percent. Opportunities for “zero-contribution” plans for single coverage have been declining steadily in

¹⁷ Premiums vary somewhat by firm size and industry. These variations are taken into account when estimating employer health care expenditures. See *Appendix I* for details.

¹⁸ Data for employee-plus-one premiums are available only starting in 2001; so moving averages are not used for this series.

Washington. The average employee contributions reported in the *MEPS-IC* data include enrollees whose contribution is zero. If these enrollees are excluded, average contributions are substantially higher (see Table 19).

Table 18: <i>Percentage of Employees Enrolled in Plans that Required No Employee Contribution</i>			
	Single Coverage	Family Coverage	Employee-Plus-One
Washington State			
2004	46.9%	18.1%	16.0%
2005	43.4%	22.6%	16.0%
2006	34.4%	18.4%	16.9%
United States			
2004	23.7%	14.7%	9.5%
2005	23.1%	13.4%	12.7%
2006	21.9%	12.6%	11.6%

Source: *MEPS-IC*.

Table 19: <i>Average Employee Health Insurance Contributions With and Without Enrollees Who Have No Premium Contribution: Washington 2004-2006</i>			
		WITH \$0 Enrollees	WITHOUT \$0 Enrollees
2004	Single	\$427	\$804
	Family	\$2,892	\$3,531
	Employee-Plus-One	\$1,572	\$1,871
2005	Single	\$384	\$678
	Family	\$2,474	\$3,196
	Employee-Plus-One	\$1,552	\$1,848
2006	Single	\$623	\$950
	Family	\$2,886	\$3,537
	Employee-Plus-One	\$1,877	\$2,259

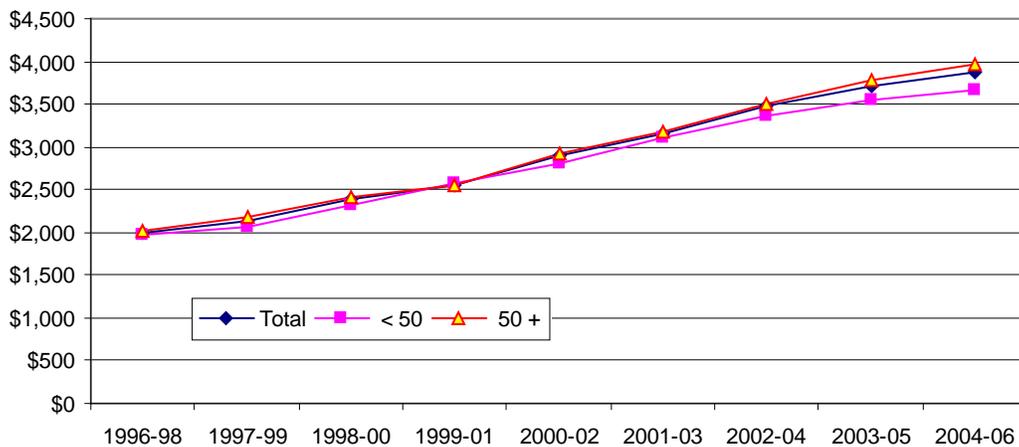
Source: Estimated from *MEPS-IC* survey.

Single Coverage

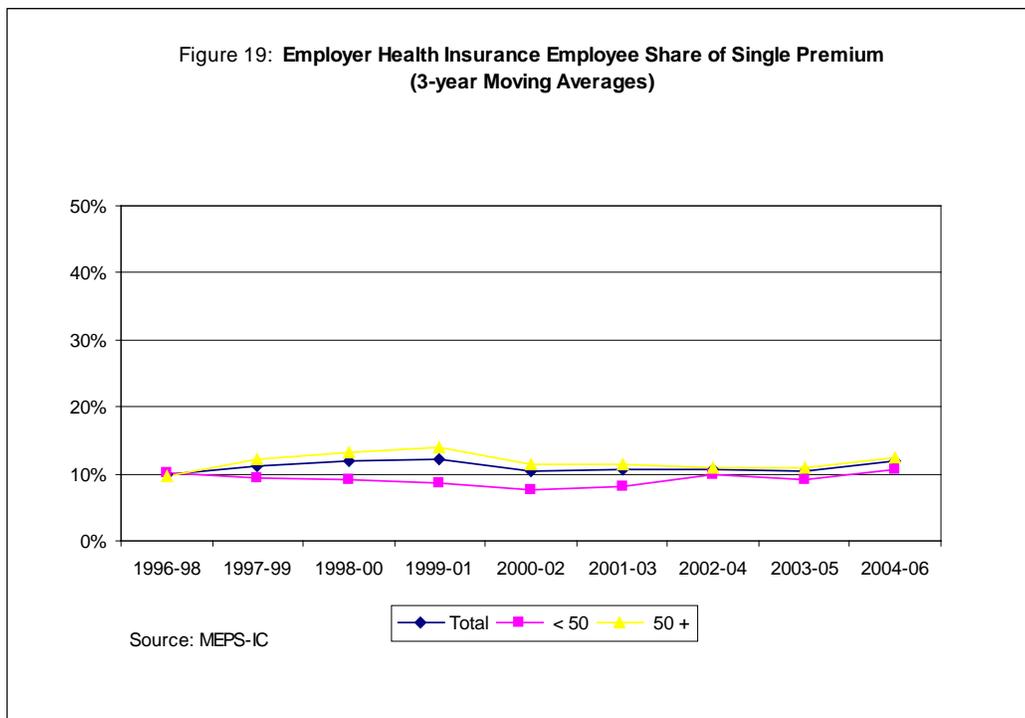
Table 20: <i>Employer-Provided Health Insurance Premiums: Single Coverage</i>				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington State				
2004 (MEPS-IC)	\$3,608	\$3,181	\$427	12%
2005 (MEPS-IC)	\$3,975	\$3,591	\$384	10%
2006 (MEPS-IC)	\$4,056	\$3,433	\$623	15%
2007 (estimate)	\$4,283	\$3,593	\$690	16%
2008 (estimate)	\$4,498	\$3,781	\$716	16%
United States (Kaiser)				
2004	\$3,695	\$3,137	\$558	15%
2005	\$4,024	\$3,413	\$610	15%
2006	\$4,242	\$3,615	\$627	15%
2007	\$4,479	\$3,785	\$694	15%
2008	\$4,704	\$3,983	\$721	15%

Source: MEPS-IC Survey (2006)
 Kaiser/HRET Employer Health Benefits Survey (2008)
 The Washington premiums and contributions for 2004-2006 are taken from *MEPS-IC*.
 Washington estimates for 2007 and 2008 rely on national premium inflation factors derived from the Kaiser/HRET survey.

Figure 18: Employer Health Insurance Average Single Premium (3-Year Moving Averages)

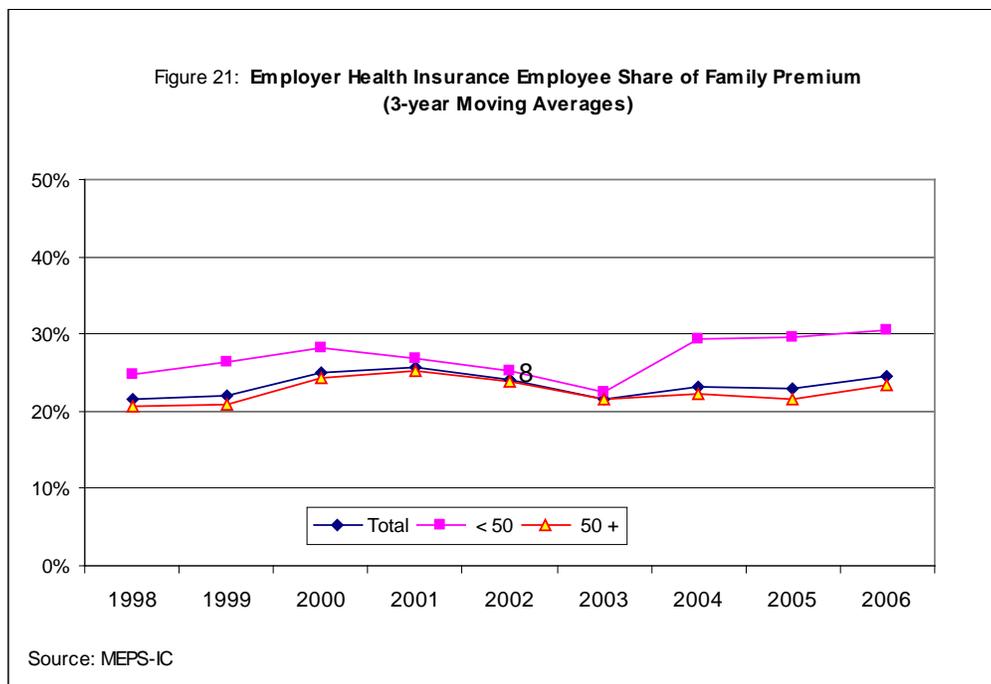
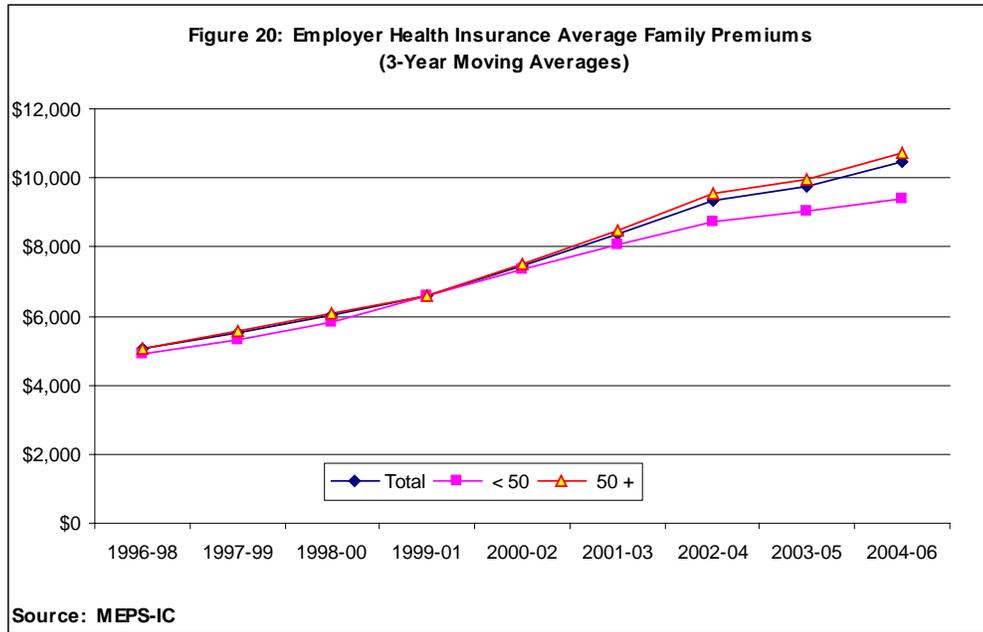


Source: MEPS-IC



Family Coverage

Table 21: Employer-Provided Health Insurance Premiums: Family Coverage				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington State				
2004 (MEPS-IC)	\$10,217	\$7,325	\$2,892	28%
2005 (MEPS-IC)	\$11,018	\$8,544	\$2,474	22%
2006 (MEPS-IC)	\$11,423	\$8,537	\$2,886	25%
2007 (estimate)	\$12,046	\$8,861	\$3,185	26%
2008 (estimate)	\$12,617	\$9,332	\$3,285	26%
United States (Kaiser)				
2004	\$9,950	\$7,289	\$2,661	27%
2005	\$10,880	\$8,167	\$2,713	25%
2006	\$11,480	\$8,508	\$2,973	26%
2007	\$12,106	\$8,824	\$3,281	27%
2008	\$12,680	\$9,325	\$3,384	27%
Source: MEPS-IC Survey (2006) Kaiser/HRET Employer Health Benefits Survey (2008)				
The Washington premiums and contributions for 2004-2006 are taken from MEPS-IC . Washington estimates for 2007 and 2008 rely on national premium inflation factors derived from the Kaiser/HRET survey.				



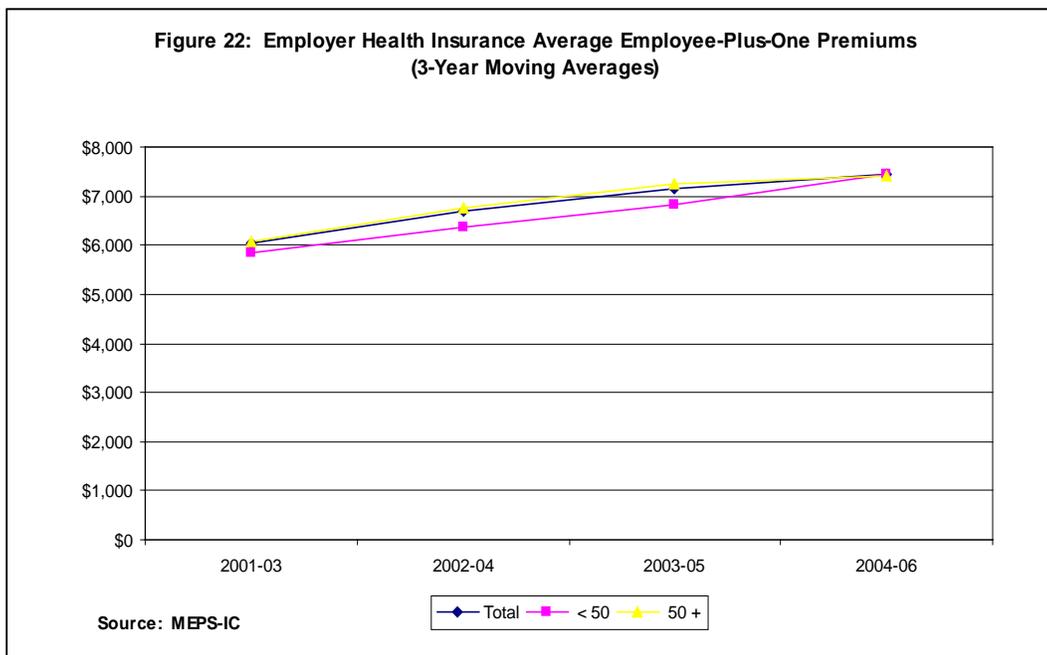
Employee-Plus-One Coverage

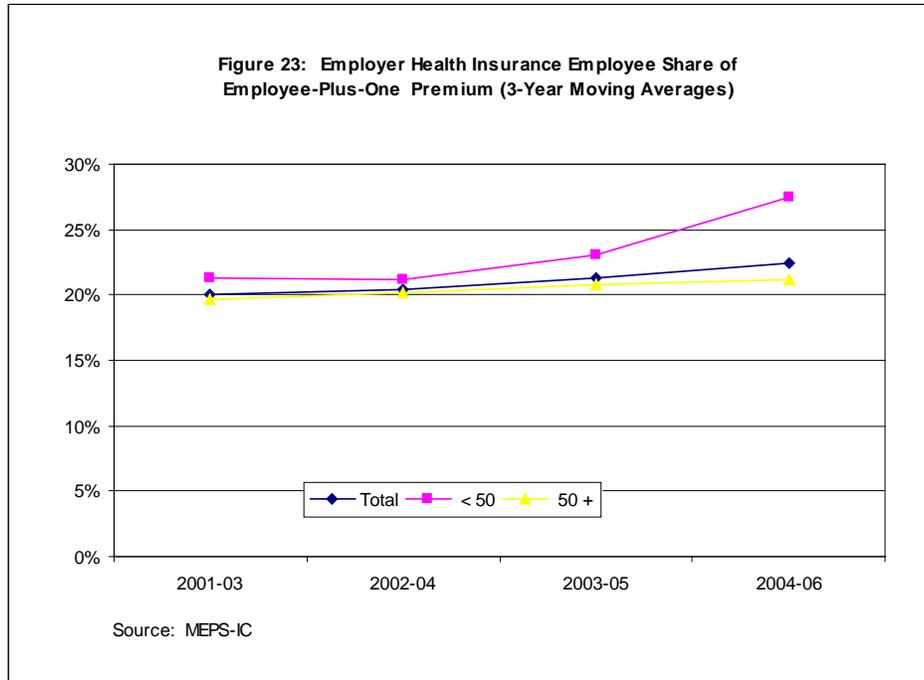
Data on employee-plus-one premiums are only available beginning in 2001.

Table 22: Employer-Provided Health Insurance Premiums: Employee-Plus-One Coverage				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington State				
2004 (MEPS-IC)	\$7,176	\$5,604	\$1,572	22%
2005 (MEPS-IC)	\$7,757	\$6,205	\$1,552	20%
2006 (MEPS-IC)	\$7,355	\$5,478	\$1,877	26%
2007 (estimate)	\$7,756	\$5,685	\$2,071	27%
2008 (estimate)	\$8,124	\$5,987	\$2,136	26%
United States				
2004 (MEPS-IC)	\$7,056	\$5,389	\$1,667	24%
2005 (MEPS-IC)	\$7,671	\$5,912	\$1,759	23%
2006 (MEPS-IC)	\$7,988	\$6,085	\$1,903	24%
2007 (estimate)	\$8,424	\$6,323	\$2,100	25%
2008 (estimate)	\$8,823	\$6,657	\$2,166	25%

Source: MEPS-IC Survey (2006)

Premiums and contributions for 2004-2006 are taken from MEPS-IC .
Washington estimates for 2007 and 2008 rely on national premium inflation factors derived from the Kaiser/HRET survey.





Estimated Employee Premium Contributions

Employee contributions to employer-provided health insurance were also estimated. The average contribution paid by an enrolled employee was \$1,650 per year in 2007. Employees paid 21.7% of the total premium. (See Table 23) Note that this estimate represents a weighted average across different types of coverage (single, family, and employee-plus-one), using Kaiser HRET inflation factors to bring MEPS-IC premium data forward to 2007 and 2008 (see Table 1).

Table 23: <i>Employee Contributions to Employer-Provided Health Insurance, by Firm Size, Wages and Industry: Washington 2007</i>			
	Total Employee Contributions (millions \$)	Average Contribution Per Enrollee (\$)	Worker Share of Healthcare Premiums
All Firms	\$2,357	\$1,650	21.7%
Firm Size			
2 - 9	\$138	\$1,198	16.2%
10 - 24	\$195	\$1,558	21.8%
25 - 99	\$465	\$1,791	25.3%
100 - 999	\$865	\$1,803	24.0%
1000 and above	\$694	\$1,545	18.8%
Wage Quartile⁽¹⁾			
Lowest 25% of firms	\$133	\$1,667	23.3%
Second 25% of firms	\$333	\$1,660	23.0%
Third 25% of firms	\$665	\$1,667	22.0%
Highest 25% of firms	\$1,226	\$1,636	21.0%
Industry			
Agriculture, forestry, fishing	\$30	\$1,065	21.7%
Manufacturing	\$375	\$1,481	16.3%
Construction	\$151	\$1,579	19.4%
Transportation & warehousing	\$184	\$1,635	21.4%
Wholesale trade	\$144	\$1,686	20.1%
Finance, insurance, real estate	\$176	\$1,679	22.6%
Retail trade	\$222	\$1,923	20.9%
Professional services ⁽¹⁾	\$837	\$1,691	29.4%
Other services ⁽²⁾	\$238	\$1,719	21.3%
<p>Estimates are for private sector firms with two or more employees. Expenditures are estimated using data from <i>MEPS-IC</i>; see the <i>Technical Appendix II</i> for a discussion of the methodology.</p> <p>⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.</p> <p>⁽²⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>			

Employee contributions have been increasing rapidly along with total health insurance premiums. The estimates for 2008 presented in Table 24 were derived by applying inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey* (see Table 1.) MEPS-IC reports state level estimates of employee and employer single, family, and employer-plus-one premium contributions by industry and firm size. Estimates for 2006 are included in Appendix I, tables 31-36.

Table 24: <i>Employee Contributions to Employer-Provided Health Insurance, by Firm Size, Wages and Industry: Washington 2008</i>			
	Total Employee Contributions (millions \$)	Average Contribution Per Enrollee (\$)	Worker Share of Healthcare Premiums
All Firms	\$2,441	\$1,709	22.4%
Firm Size			
2 - 9	\$143	\$1,241	16.7%
10 - 24	\$202	\$1,614	22.6%
25 - 99	\$481	\$1,855	26.1%
100 - 999	\$896	\$1,868	24.8%
1000 and above	\$719	\$1,600	19.4%
Industry			
Agriculture, forestry, fishing	\$31	\$1,103	16.9%
Manufacturing	\$388	\$1,533	20.1%
Construction	\$156	\$1,636	22.1%
Transportation & warehousing	\$191	\$1,693	20.7%
Wholesale trade	\$149	\$1,746	23.3%
Finance, insurance, real estate	\$182	\$1,739	21.5%
Retail trade	\$230	\$1,992	30.3%
Professional services ⁽¹⁾	\$867	\$1,751	22.0%
Other services ⁽²⁾	\$247	\$1,781	25.2%
<p>Estimates are for private sector firms with two or more employees. Expenditures are estimated using data from <i>MEPS-IC</i>; see the <i>Technical Appendix II</i> for a discussion of the methodology.</p> <p>⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.</p> <p>⁽²⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>			

Section 5: Employer Expenditures on Health Insurance

Total Employer Health Insurance Expenditures

Employer expenditures on health insurance were estimated for the private sector firms with two or more employees contained in the Washington Employer Health Insurance Database. These estimates take into account imputed enrollments, the distribution of enrollments across types of coverage¹⁹ (single, family, employee-plus-one), and employee premiums for different types of coverage.

Tables 25-28 summarize estimated employer expenditures. Estimates in Table 25 reflect the employer expenditures in 2007 associated with providing comprehensive coverage to *active employees*.²⁰ As described in Appendix I, the estimates are derived by multiplying synthetic enrollment estimates by employer premium contributions. Employee contributions are not included in these tables. It cost firms on average \$5,807 per enrollee to provide this coverage, an estimate that is a weighted average across different types of coverage (single, family, and employee-plus-one). It makes no distinction for variation in the value of coverage. Changes in the value of benefits purchased can represent a form of “erosion in employer-sponsored coverage”, either in terms of fewer covered services and/or higher point-of-service cost sharing by employees.

Among all firms, employer expenditures equaled about 7.5 percent of total payrolls. Average expenditures *per enrollee* vary somewhat by firm size and industry. Expenditures *per worker* vary more substantially – and the variation across firms is driven primarily by differences in offer and enrollment rates.

Optional Coverage: Reported *MEPS-IC* data on employer premium contributions do not reflect the costs of optional coverage plans for dental, vision, prescription drugs, and long-term care.²¹ So, estimates in Table 25 underestimate total employer health care expenditures. Table 26 attempts to address this by inflating the expenditure estimates to reflect the 2007 costs of optional coverage plans.²² This adjustment increases the estimated employer health expenditures in 2007 to about 8.0 percent of total payrolls—the figure reported by the Bureau of Labor Statistics in 2007 is around 9 percent in the Pacific region (i.e., AL, CA, HI, OR, WA).

Health insurance premiums have been increasing rapidly, as was shown in Figure 16. Tables 27-28 estimate employer expenditures in 2008 by applying premium inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey*. Table 29 provides recent estimates of employer costs for employee compensation published by the US Bureau of Labor Statistics (BLS) in December 2008. These estimates suggest that Pacific region employers currently spend on average the equivalent of 9.4 percent of payrolls on health insurance. According to BLS archived reports²³ the ratio of health insurance costs to wages and salaries has increased from 8.5 percent in June 2005 to 9.4 percent in December 2008, a growth of nearly 11 percent.

¹⁹ See *Appendix I* for a detailed description of the estimation methodology.

²⁰ Costs associated with retiree medical benefits are not included in any of these tables.

²¹ Some employer provided plans for comprehensive coverage do include dental, vision and prescription drug benefits. And, these costs would be reflected in the premium contributions that firms report in *MEPS*. However, other employers provide these benefits through optional coverage plans, and the costs of these plans are not reflected in the reported premiums.

²² Estimates reported by the Agency for Healthcare Research and Quality, which conducts the *MEPS-IC Survey*, suggests that expenditures on optional coverage plans continue to account for only about 6 percent of total health expenditures by private industry.

²³ BLS reports are available at: http://www.bls.gov/schedule/archives/eccec_nr.htm

Table 25: <i>Estimated Employer Health Insurance Expenditures for Active Employees</i> <i>Excluding the Costs of Optional Coverage: Washington 2007</i>						
	Total Health Expenditures	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)	Expenditures Relative to Wages (%)	
	(Millions \$)	All Firms	Firms That Offer		All Firms	Firms that Offer
All Firms	\$8,035	\$3,237	\$3,763	\$5,807	7.5%	8.1%
Firm Size						
2 - 9	\$676	\$2,078	\$4,233	\$6,048	6.7%	10.6%
10 - 24	\$657	\$2,318	\$3,352	\$5,429	6.5%	7.9%
25 - 99	\$1,292	\$2,712	\$3,101	\$5,144	6.6%	7.1%
100 - 999	\$2,585	\$3,344	\$3,464	\$5,563	7.3%	7.5%
1000 and above	\$2,826	\$4,527	\$4,581	\$6,495	8.8%	8.9%
Wage Quartile ⁽¹⁾						
Lowest 25% of firms	\$412	\$1,522	\$2,805	\$5,338	14.2%	25.1%
Second 25% of firms	\$1,053	\$2,298	\$3,068	\$5,423	11.4%	15.1%
Third 25% of firms	\$2,229	\$3,288	\$3,683	\$5,769	10.1%	11.3%
Highest 25% of firms	\$4,341	\$4,037	\$4,175	\$5,980	6.0%	6.2%
Industry						
Agriculture, forestry, fishing	\$145	\$1,800	\$3,117	\$5,333	7.7%	12.1%
Manufacturing	\$1,466	\$4,610	\$4,763	\$5,977	7.6%	7.7%
Construction	\$522	\$2,800	\$3,633	\$5,653	5.9%	7.1%
Transportation & warehousing	\$693	\$4,465	\$4,678	\$6,340	11.4%	11.9%
Wholesale trade	\$466	\$3,924	\$4,220	\$5,621	6.8%	7.1%
Finance, insurance, real estate	\$628	\$4,457	\$4,830	\$6,201	7.2%	7.4%
Retail trade	\$502	\$2,053	\$2,408	\$4,490	6.8%	7.5%
Professional services ⁽²⁾	\$2,919	\$3,866	\$4,082	\$6,089	8.2%	8.5%
Other services ⁽³⁾	\$694	\$1,438	\$2,136	\$5,177	5.7%	7.4%

Estimates are for private sector firms with two or more employees.

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix I* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). Some of these plans include dental, vision and prescription benefits, and some do not. The costs optional coverage plans (for dental, vision, prescription, long-term care) are not included in these estimates.

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). In 2007, the lowest 25% of firms have average annual wages of less than \$14,793. The next group has average wages from \$14,793 to \$25,294. The third group has average wages from \$25,294 to \$40,089. The highest group has average wages above \$40,089. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

	Total Health Expenditures (Millions \$)	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)	Expenditures Relative to Wages (%)	
		All Firms	Firms That Offer		All Firms	Firms that Offer
All Firms	\$8,512	\$3,429	\$3,987	\$5,957	8.0%	8.6%
Firm Size						
2 - 9	\$716	\$2,202	\$4,484	\$6,204	7.1%	11.2%
10 - 24	\$696	\$2,456	\$3,551	\$5,569	6.9%	8.4%
25 - 99	\$1,368	\$2,873	\$3,286	\$5,277	7.0%	7.6%
100 - 999	\$2,738	\$3,543	\$3,670	\$5,707	7.8%	7.9%
1000 and above	\$2,993	\$4,795	\$4,854	\$6,663	9.4%	9.4%
Wage Quartile ⁽¹⁾						
Lowest 25% of firms	\$437	\$1,612	\$2,971	\$5,476	15.0%	26.6%
Second 25% of firms	\$1,115	\$2,434	\$3,250	\$5,563	12.1%	16.0%
Third 25% of firms	\$2,361	\$3,484	\$3,901	\$5,919	10.7%	11.9%
Highest 25% of firms	\$4,599	\$4,277	\$4,423	\$6,135	6.3%	6.5%
Industry						
Agriculture, forestry, fishing	\$154	\$1,907	\$3,302	\$5,471	8.1%	12.8%
Manufacturing	\$1,553	\$4,884	\$5,046	\$6,131	8.0%	8.2%
Construction	\$553	\$2,966	\$3,849	\$5,799	6.2%	7.5%
Transportation & warehousing	\$734	\$4,731	\$4,956	\$6,504	12.1%	12.6%
Wholesale trade	\$494	\$4,157	\$4,471	\$5,766	7.2%	7.5%
Finance, insurance, real estate	\$666	\$4,721	\$5,117	\$6,362	7.6%	7.9%
Retail trade	\$532	\$2,175	\$2,551	\$4,606	7.2%	7.9%
Professional services ⁽²⁾	\$3,092	\$4,095	\$4,325	\$6,246	8.7%	9.0%
Other services ⁽³⁾	\$735	\$1,524	\$2,263	\$5,311	6.0%	7.8%

Estimates are for private sector firms with two or more employees.

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix I* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). The estimates in this table have been inflated to also include the costs of optional coverage plans (dental, vision, prescription drugs, long-term care).

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,793. The next group has average wages from \$14,793 to \$25,294. The third group has average wages from \$25,294 to \$40,089. The highest group has average wages above \$40,089. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

	Total Health Expenditures (Millions \$)	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)
		All Firms	Firms That Offer	
All Firms	\$8,470	\$3,412	\$3,967	\$6,122
Firm Size				
2 - 9	\$712	\$2,191	\$4,462	\$6,375
10 - 24	\$693	\$2,444	\$3,534	\$5,722
25 - 99	\$1,361	\$2,859	\$3,269	\$5,422
100 - 999	\$2,724	\$3,525	\$3,651	\$5,864
1000 and above	\$2,979	\$4,772	\$4,829	\$6,846
Wage Quartile ⁽¹⁾				
Lowest 25% of firms	\$435	\$1,604	\$2,957	\$5,627
Second 25% of firms	\$1,110	\$2,422	\$3,234	\$5,716
Third 25% of firms	\$2,350	\$3,466	\$3,882	\$6,082
Highest 25% of firms	\$4,576	\$4,256	\$4,401	\$6,304
Industry				
Agriculture, forestry, fishing	\$153	\$1,897	\$3,285	\$5,621
Manufacturing	\$1,545	\$4,860	\$5,020	\$6,300
Construction	\$550	\$2,952	\$3,830	\$5,959
Transportation & warehousing	\$730	\$4,707	\$4,931	\$6,683
Wholesale trade	\$491	\$4,136	\$4,449	\$5,925
Finance, insurance, real estate	\$662	\$4,698	\$5,091	\$6,537
Retail trade	\$529	\$2,164	\$2,539	\$4,732
Professional services ⁽²⁾	\$3,077	\$4,075	\$4,303	\$6,418
Other services ⁽³⁾	\$732	\$1,516	\$2,251	\$5,457

Estimates are for private sector firms with two or more employees.

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix I* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). The estimates in this table have been inflated to also include the costs of optional coverage plans (dental, vision, prescription drugs, long-term care). Estimates have also been inflated to take into account premium inflation as reported by the Kaiser/HRET *Employer Health Benefits Survey*.

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). In 2007, the lowest 25% of firms have average annual wages of less than \$14,793. The next group has average wages from \$14,793 to \$25,294. The third group has average wages from \$25,294 to \$40,089. The highest group has average wages above \$40,089. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

	Total Health Expenditures	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)
	(Millions \$)	All Firms	Firms That Offer	
All Firms	\$8,973	\$3,615	\$4,203	\$6,280
Firm Size				
2 - 9	\$755	\$2,321	\$4,727	\$6,540
10 - 24	\$734	\$2,589	\$3,743	\$5,870
25 - 99	\$1,442	\$3,028	\$3,463	\$5,562
100 - 999	\$2,886	\$3,734	\$3,868	\$6,016
1000 and above	\$3,155	\$5,055	\$5,116	\$7,023
Wage Quartile ⁽¹⁾				
Lowest 25% of firms	\$460	\$1,699	\$3,132	\$5,772
Second 25% of firms	\$1,176	\$2,566	\$3,426	\$5,864
Third 25% of firms	\$2,489	\$3,672	\$4,112	\$6,239
Highest 25% of firms	\$4,848	\$4,508	\$4,662	\$6,467
Industry				
Agriculture, forestry, fishing	\$162	\$2,010	\$3,480	\$5,767
Manufacturing	\$1,637	\$5,148	\$5,318	\$6,463
Construction	\$583	\$3,127	\$4,057	\$6,113
Transportation & warehousing	\$773	\$4,987	\$5,224	\$6,856
Wholesale trade	\$520	\$4,382	\$4,713	\$6,078
Finance, insurance, real estate	\$702	\$4,977	\$5,393	\$6,706
Retail trade	\$560	\$2,293	\$2,689	\$4,855
Professional services ⁽²⁾	\$3,260	\$4,317	\$4,559	\$6,584
Other services ⁽³⁾	\$775	\$1,606	\$2,385	\$5,598

Estimates are for private sector firms with two or more employees. Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix I* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). The estimates in this table have been inflated to also include the costs of optional coverage plans (dental, vision, prescription drugs, long-term care). Estimates have also been inflated to take into account premium inflation as reported by the Kaiser/HRET *Employer Health Benefits Survey*.

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). In 2007, the lowest 25% of firms have average annual wages of less than \$14,793. The next group has average wages from \$14,793 to \$25,294. The third group has average wages from \$25,294 to \$40,089. The highest group has average wages above \$40,089. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Table 29: <i>Employer Costs for Employee Compensation in Private Industry: United States 2008</i>					
Average Costs Per Employee Per Hour					
	Total Compensation	Wages & Salaries ⁽¹⁾	Health Insurance	Health Insurance Costs as a Percentage of:	
				Total Compensation	Wages & Salaries ⁽¹⁾
All Workers	\$27.35	\$20.18	\$1.95	7.1%	9.7%
Pacific Region ⁽²⁾	\$30.59	\$22.48	\$2.12	6.9%	9.4%
Industry					
Construction	\$31.20	\$22.69	\$2.14	6.9%	9.4%
Manufacturing	\$31.87	\$22.39	\$2.92	9.2%	13.0%
Trade, Transportation, Utilities	\$22.80	\$16.77	\$1.73	7.6%	10.3%
Information	\$40.47	\$28.93	\$3.04	7.5%	10.5%
Financial Activities	\$36.12	\$26.46	\$2.60	7.2%	9.8%
Professional and Business Services	\$33.00	\$25.10	\$1.87	5.7%	7.5%
Education and Health	\$29.28	\$21.63	\$2.12	7.2%	9.8%
Leisure and Hospitality ⁽³⁾	\$11.86	\$9.50	\$0.59	5.0%	6.2%
Other Services	\$24.38	\$18.57	\$1.39	5.7%	7.5%
Establishment Size					
1-49	\$21.89	\$16.88	\$1.28	5.8%	7.6%
50-99	\$24.87	\$18.64	\$1.72	6.9%	9.2%
100-499	\$27.79	\$20.27	\$2.16	7.8%	10.7%
500+	\$38.26	\$27.03	\$3.05	8.0%	11.3%

Source: US Bureau of Labor Statistics, *Employee Costs for Employee Compensation*, December 2008.
Data from the *National Compensation Survey*.

⁽¹⁾ Includes supplemental pay (overtime premium, shift differentials, and nonproduction bonuses).
⁽²⁾ Includes Alaska, California, Hawaii, Oregon, Washington.
⁽³⁾ Includes food and accommodation.

Employer Health Insurance Expenditures in Perspective

As shown in Tables 25-29 employer health care costs have been increasing rapidly, and health insurance now accounts for a significant and rising share of employee compensation costs - health care is a major cost of doing business. Tables 30-31 put health insurance expenditures in perspective - Washington firms typically spend much more on health care than they pay in Business & Occupation (B&O) Tax. In 2006, businesses spent more for health insurance (2.2% of gross business income [GBI] on average) than they did for total state taxes (1.9% of GBI). Note that the most recently available tax data are for 2006 so firm characteristics in Table 30 don't match the 2007 data reported elsewhere in this report.

	Number of Firms	Total Payroll (millions \$)	B&O tax (1) (millions \$)	Total taxes, premiums and contributions (2)		Employer health insurance expenditures	
				Total (millions \$)	Rate (% of gross business income)	Total (millions \$)	Rate (% of gross business income)
All Firms	90,823	\$ 89,345	\$ 2,131	\$ 7,145	1.9%	\$ 8,162	2.2%
Firm Size							
2 - 9	52,482	\$ 7,161	\$ 316	\$ 906	2.0%	\$ 687	1.6%
10 - 24	15,153	\$ 8,050	\$ 236	\$ 790	2.1%	\$ 668	2.6%
25 - 99	8,511	\$ 15,766	\$ 434	\$ 1,454	2.0%	\$ 1,312	2.2%
100 - 999	2,562	\$ 28,085	\$ 634	\$ 2,149	1.9%	\$ 2,625	0.8%
1000 and above	169	\$ 29,818	\$ 484	\$ 1,771	1.9%	\$ 2,870	1.1%
Wage Quartile⁽¹⁾							
Lowest 25% of firms	23,625	\$ 2,637	\$ 77	\$ 408	3.1%	\$ 419	3.2%
Second 25% of firms	23,425	\$ 7,905	\$ 209	\$ 898	2.5%	\$ 1,069	3.0%
Third 25% of firms	23,402	\$ 16,370	\$ 393	\$ 1,482	2.2%	\$ 2,264	3.4%
Highest 25% of firms	20,371	\$ 62,433	\$ 1,452	\$ 4,357	1.7%	\$ 4,410	1.8%
Industry							
Agricultures, forestry, fishing	864	\$ 582	\$ 7	\$ 65	5.2%	\$ 148	11.8%
Manufacturing	5,887	\$ 16,185	\$ 362	\$ 1,116	1.2%	\$ 1,489	1.6%
Construction	1,679	\$ 3,988	\$ 70	\$ 405	2.0%	\$ 530	1.6%
Transportation and warehousing	15,864	\$ 7,337	\$ 158	\$ 979	3.0%	\$ 704	3.4%
Wholesale trade	6,670	\$ 5,916	\$ 256	\$ 512	0.9%	\$ 473	0.8%
Finance, insurance real estate	11,419	\$ 6,963	\$ 282	\$ 691	1.2%	\$ 638	5.0%
Retail trade	19,802	\$ 28,057	\$ 546	\$ 1,564	3.5%	\$ 510	0.9%
Professional services (3)	3,189	\$ 5,497	\$ 152	\$ 332	2.6%	\$ 2,965	6.6%
Other services (4)	22,931	\$ 10,050	\$ 170	\$ 899	3.7%	\$ 705	2.9%

(1) B&O includes the Business & Occupation tax due plus the Public Utility tax due less tax credits.
(2) Total Taxes, premiums and contributions include: B&O tax, Public Utility tax, Sales and Use tax, Property tax, Employment Security unemployment insurance contributions, Labor & Industries workers compensation premiums.
(3) Professional services' includes information, professional and technical services, educational services and health care.
(4) 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration). Food and accommodation services are the largest group in this sector.

Table 31: <i>Employer Health Insurance Expenditures as a Percentage of Wages and Gross Business Income, All Firms, Washington 2007</i>								
	Total Wages (millions \$)	Gross Business Income (millions \$)	Total Health Exp. (millions \$)	Total Health Exp. Incl. Optional Coverage	Health Exp as % of Wages	Health Exp. as % of GBI	Health Exp. Incl. Optional as % of Wages	Health Exp. Incl. Optional as % of GBI
All Firms	\$106,945	\$372,321	\$8,035	\$8,505	7.5%	2.2%	8.0%	2.3%
Firm Size								
2 - 9	\$10,125	\$52,159	\$676	\$716	6.7%	1.3%	7.1%	1.4%
10 - 24	\$10,140	\$39,812	\$657	\$696	6.5%	1.7%	6.9%	1.7%
25 - 99	\$19,601	\$76,136	\$1,292	\$1,368	6.6%	1.7%	7.0%	1.8%
100 - 999	\$35,183	\$116,848	\$2,585	\$2,736	7.3%	2.2%	7.8%	2.3%
1000 and above	\$31,895	\$87,366	\$2,826	\$2,989	8.9%	3.2%	9.4%	3.4%
Wage Quartile ⁽¹⁾								
Lowest 25% of firms	\$2,912	\$12,295	\$412	\$437	14.2%	3.4%	15.0%	3.6%
Second 25% of firms	\$9,217	\$34,862	\$1,053	\$1,115	11.4%	3.0%	12.1%	3.2%
Third 25% of firms	\$22,055	\$66,155	\$2,229	\$2,360	10.1%	3.4%	10.7%	3.6%
Highest 25% of firms	\$72,761	\$259,010	\$4,341	\$4,594	6.0%	1.7%	6.3%	1.8%
Industry								
Agriculture, forestry, fishing	\$1,897	\$1,848	\$145	\$154	7.7%	7.9%	8.1%	8.3%
Manufacturing	\$19,319	\$99,864	\$1,466	\$1,550	7.6%	1.5%	8.0%	1.6%
Construction	\$8,875	\$38,207	\$522	\$552	5.9%	1.4%	6.2%	1.4%
Transportation and warehousing	\$6,050	\$20,120	\$693	\$733	11.4%	3.4%	12.1%	3.6%
Wholesale trade	\$6,853	\$59,304	\$466	\$493	6.8%	0.8%	7.2%	0.8%
Finance, insurance & real estate	\$8,739	\$19,215	\$628	\$665	7.2%	3.3%	7.6%	3.5%
Retail trade	\$7,414	\$58,440	\$502	\$532	6.8%	0.9%	7.2%	0.9%
Professional services ⁽²⁾	\$35,554	\$48,185	\$2,919	\$3,091	8.2%	6.1%	8.7%	6.4%
Other services ⁽³⁾	\$12,243	\$27,140	\$694	\$735	5.7%	2.6%	6.0%	2.7%

⁽¹⁾ Wage Quartiles are based on average wages (total wages divided by number of employees).
 The lowest 25% of firms have average annual wages of less than \$14,793. The next group has average wages from \$14,793 to \$25,294.
 The third group has average wages from \$25,294 to \$40,089. The highest group has average wages above \$37,619.
 Note that these averages include part-time workers.

⁽²⁾ Professional services includes information, professional and technical services, educational services and health care.

⁽³⁾ Other services includes administrative services, arts/entertainment/recreation, accomodation and food services, and other services (except public administration). Food and accomodation services are the largest group in this sector.

Appendix I: Synthetic Estimation Methodology

The employer sponsor status (i.e., did the employer offer health insurance to any employees?), enrollment, employer health insurance expenditures and employer contributions for each of the 109,789 firms in the *Employer Health Insurance Database (EHID)* were synthetically estimated using data from two surveys—the *2007 Washington Employee Benefits Survey (EBS)* and the *2006 Medical Expenditure Panel Survey—Insurance Component (MEPS-IC)*.

Firm level health insurance offer status (i.e., Employer Sponsor Rates)

EBS data were used to synthetically estimate offer statuses of firms in the *EHID*. First, the firms that responded to the *EBS* were stratified into groups based on firm size, industry and average wage levels.²⁴ The percentages of firms offering insurance (employer sponsor rates) within each of these strata were calculated. The firms in the *EHID* were also stratified into the same firm size-industry-wage groupings. Offer statuses for the *EHID* firms within a given strata were randomly assigned so as to achieve the *EBS* employer sponsor rate observed for that group.

This procedure produced employer sponsor rates that are comparable to those reported in the *2007 Employee Benefits Survey* report. The validity of the procedure ultimately depends upon how representative the *EBS* survey responses are; the *EBS* response rate was 57 percent. The employer sponsor rates suggested by this survey are consistent with national rates found in the Kaiser/HRET *2007 Employer Health Benefits Survey*. However, the rates are higher than those suggested by *MEPS-IC* data for Washington - differences are mainly due to estimates for small firms. (See the explanation on page 6 of this report.) The *EBS* data were used because the large sample size supported employer sponsor rate estimates at a detailed industry-firm size-wage group level.

Employee coverage measures

The annual *MEPS-IC* survey of firms is conducted by the Agency for Healthcare Research and Quality, which is part of the U.S. Department of Health and Human Services.²⁵ AHRQ publishes estimates for most states, including Washington. The typical sample for a state includes 825 firms, and response rates are typically around 79 percent. So, estimates for a given year are based on about 600 firms (of which roughly 340 would offer insurance). The survey sample includes private sector firms with one or more employees. Data are currently available from 1996 to 2006.

MEPS-IC is a valuable source of data, but discretion is required in using estimates at the state level. Relatively small sample sizes can lead to large standard errors and estimates can fluctuate from year to year. In order to mitigate this, three-year moving averages were often used to generate statistics for this report that relied on the *MEPS-IC*.

Employee enrollment rates: (*among employees who work where coverage is offered, the percentage of them that enroll in their own employer's coverage.*)

Previous reports determined enrollment rates based on *EBS* responses – we were unable to use the 2007 enrollment data and therefore report enrollment rates by industry based on *MEPS-IC* data. The 2006 average enrollment rate in Washington is around 64 percent. Enrollment rates vary by firm size and industry. The *MEPS-IC* sample for Washington, however, is too small for reliably estimating these rates for detailed firm size-industry groups. Enrollment rates in Washington, therefore, were assumed to vary by firm size and industry as they do in the United States. First, three year average enrollment rates (2004-06) for firm size-industry groups were calculated for the United States. These rates were then scaled to produce the employment-weighted average rates observed for Washington²⁶ in Table 32.

²⁴ There were 6 firm size groups, 16 industry groups (based on 2-digit NAICS codes), and two wage groups (based on high and low wage firms within a given industry). In some cases cells were combined due to small sample sizes.

²⁵ The U.S. Census Bureau administers the survey for AHRQ.

²⁶ The employment weights were derived from the firm size-industry employment levels observed for Washington.

Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	68%	46%	53%	57%	70%
Manufacturing	71%	70%	71%	78%	85%
Construction	72%	66%	64%	58%	68%
Transportation & warehousing	69%	63%	67%	69%	77%
Wholesale trade	75%	72%	74%	76%	79%
Finance, insurance, real estate	77%	72%	75%	79%	80%
Retail trade	63%	52%	54%	57%	46%
Professional services	70%	64%	65%	62%	71%
Other services	60%	46%	37%	37%	44%
Employment-Weighted Average	63.7%				

Source: Estimated from *MEPS-IC* data.

Employer health insurance expenditures

Employer Contributions: *MEPS-IC* reports state-level estimates for total health insurance premiums, employer contributions, and employee contributions for three types of coverage—single, family and employee-plus-one. Premiums and contributions vary somewhat by firm size and industry. The *MEPS-IC* sample for Washington, however, is too small for reliably estimating these rates for detailed firm size-industry groups. As for coverage measures, premiums and contributions were assumed to vary by firm size and industry as they do in the United States. The United States firm size-industry rates were scaled to produce the employment-weighted average observed for Washington. This produced the following employer contributions per enrollee.

Industry (\$ per enrollee per year)	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 3,543	\$ 3,506	\$ 3,174	\$ 2,369	\$ 2,490
Mining and Manufacturing	\$ 3,719	\$ 3,167	\$ 3,042	\$ 3,133	\$ 3,325
Construction	\$ 3,593	\$ 3,095	\$ 3,023	\$ 3,050	\$ 3,299
Utilities	\$ 3,542	\$ 3,369	\$ 2,875	\$ 3,511	\$ 3,445
Wholesale trade	\$ 4,017	\$ 3,540	\$ 3,278	\$ 3,112	\$ 3,340
Finance, insurance, real estate	\$ 4,274	\$ 3,861	\$ 3,829	\$ 3,641	\$ 3,353
Retailing	\$ 3,696	\$ 3,264	\$ 2,892	\$ 2,768	\$ 2,878
Professional services	\$ 4,006	\$ 3,781	\$ 3,638	\$ 3,671	\$ 3,745
Other services	\$ 3,839	\$ 3,687	\$ 3,332	\$ 3,167	\$ 2,983
Employment -Weighted Average	\$ 3,433				

Source: Estimated from *MEPS-IC* data

Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 7,650	\$ 9,016	\$ 8,195	\$ 9,590	\$ 6,689
Mining and Manufacturing	\$ 8,905	\$ 7,411	\$ 7,699	\$ 8,334	\$ 8,891
Construction	\$ 8,884	\$ 8,234	\$ 8,191	\$ 8,854	\$ 8,397
Utilities	\$ 8,821	\$ 8,393	\$ 8,503	\$ 8,608	\$ 9,496
Wholesale trade	\$ 9,807	\$ 8,083	\$ 7,817	\$ 7,934	\$ 9,317
Finance, insurance, real estate	\$ 9,599	\$ 9,479	\$ 8,894	\$ 9,369	\$ 9,273
Retailing	\$ 8,514	\$ 7,667	\$ 6,424	\$ 6,172	\$ 7,664
Professional services	\$ 9,499	\$ 8,177	\$ 7,922	\$ 8,494	\$ 10,053
Other services	\$ 8,854	\$ 8,524	\$ 8,153	\$ 7,790	\$ 8,178
Employment -Weighted Average	\$ 8,537				

Source: Estimated from MEPS-IC data

Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 6,129	\$ 5,967	\$ 5,765	\$ 4,625	\$ 4,139
Mining and Manufacturing	\$ 6,273	\$ 5,325	\$ 4,787	\$ 5,446	\$ 5,846
Construction	\$ 6,335	\$ 5,072	\$ 4,455	\$ 5,131	\$ 5,177
Utilities	\$ 5,131	\$ 5,350	\$ 4,806	\$ 5,928	\$ 5,843
Wholesale trade	\$ 6,352	\$ 5,742	\$ 5,045	\$ 5,286	\$ 5,816
Finance, insurance, real estate	\$ 6,216	\$ 6,647	\$ 5,769	\$ 5,508	\$ 5,754
Retailing	\$ 6,569	\$ 4,704	\$ 4,194	\$ 3,748	\$ 4,651
Professional services	\$ 6,122	\$ 5,466	\$ 5,457	\$ 5,560	\$ 6,274
Other services	\$ 6,120	\$ 5,516	\$ 4,862	\$ 5,008	\$ 4,961
Employment -Weighted Average	\$ 5,478				

Source: Estimated from MEPS-IC data

Type of Coverage: MEPS-IC reports estimates of the percentage of enrollees who are in single, family and employee-plus-one coverage. As for premium contributions these estimates were assumed to vary by firm size and industry as they do in the US.

Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	50%	58%	57%	51%	44%
Mining and Manufacturing	60%	59%	53%	43%	37%
Construction	53%	52%	49%	47%	45%
Utilities	55%	49%	49%	48%	40%
Wholesale trade	56%	54%	54%	47%	39%
Finance, insurance, real estate	59%	57%	55%	51%	42%
Retailing	62%	63%	61%	57%	54%
Professional services	62%	63%	63%	57%	44%
Other services	62%	61%	64%	59%	53%
Employment -Weighted Average	53%				

Source: Estimated from MEPS-IC data

3 year average: 2004-2006		Firm Size				
Industry	2-9	10-24	25-99	100-999	1,000 +	
Agriculture, forestry, fishing	32%	25%	30%	31%	40%	
Mining and Manufacturing	25%	25%	27%	36%	38%	
Construction	30%	30%	32%	36%	34%	
Utilities	31%	32%	30%	30%	36%	
Wholesale trade	28%	30%	28%	33%	36%	
Finance, insurance, real estate	27%	27%	27%	30%	32%	
Retailing	25%	22%	24%	26%	25%	
Professional services	24%	22%	22%	26%	33%	
Other services	24%	25%	22%	26%	28%	
Employment -Weighted Average	29%					

3 year average: 2004-2006		Firm Size				
Industry	2-9	10-24	25-99	100-999	1,000 +	
Agriculture, forestry, fishing	18%	17%	13%	19%	15%	
Mining and Manufacturing	16%	16%	20%	21%	25%	
Construction	16%	18%	19%	17%	21%	
Utilities	14%	19%	20%	22%	24%	
Wholesale trade	16%	16%	18%	19%	26%	
Finance, insurance, real estate	14%	16%	18%	19%	26%	
Retailing	12%	15%	15%	16%	21%	
Professional services	14%	15%	15%	17%	23%	
Other services	14%	14%	14%	15%	19%	
Employment -Weighted Average	18%					

Source: Estimated from MEPS-IC data

Multiplying percentage enrollments in single, family, and employee-plus-one coverage by the relevant employer premium contributions provides estimates of health expenditures for firms that sponsor coverage, where:

Employer health insurance expenditure =
 (total enrolled)*(percent in single coverage)*(employer contribution for single coverage) +
 (total enrolled)*(percent in family coverage)*(employer contribution for family coverage) +
 (total enrolled)*(percent in employee-plus-one coverage)*(employer contribution for employee-plus-one coverage)

These estimates reflect employer²⁷ costs associated with providing comprehensive coverage to *active employees*. Costs associated with providing benefits to retirees and former employees are not included. Also, the reported MEPS-IC premiums do not reflect the costs of optional coverage plans for dental, vision, prescription drugs, and long-term care. Some employer-provided plans for comprehensive coverage do include dental, vision and prescription drug benefits. And, these costs would be reflected in the premium contributions that firms report in MEPS. However, many employers provide these benefits through optional coverage plans, and the costs of these plans are not reflected in the reported premiums.

The methodology outlined above therefore underestimates total employer health care expenditures. In order to *roughly* adjust for the costs of optional coverage plans, the initial employer expenditure estimates were inflated by a factor of 1.06 suggested by the AHRQ total health care expenditure estimates.

Employee health insurance contributions

Employee health insurance contributions were estimated using the same approach that was used to estimate employer contributions. The following average employee contributions for different types of coverage were assigned to firms in the database. Employee contributions in 2007 and 2008 were estimated using inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey* (see Table 1).

²⁷ Employee contributions are not included in these figures. These are reported separately.

Table 39: Employee contributions to Single Premiums: Washington 2006					
(\$ per enrollee per year)					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 326	\$ 326	\$ 326	\$ 326	\$ 326
Mining and Manufacturing	\$ 446	\$ 558	\$ 610	\$ 565	\$ 555
Construction	\$ 482	\$ 531	\$ 608	\$ 548	\$ 700
Utilities	\$ 625	\$ 700	\$ 860	\$ 745	\$ 632
Wholesale trade	\$ 448	\$ 538	\$ 593	\$ 666	\$ 592
Finance, insurance, real estate	\$ 486	\$ 460	\$ 647	\$ 606	\$ 669
Retailing	\$ 551	\$ 682	\$ 842	\$ 857	\$ 772
Professional services	\$ 446	\$ 471	\$ 613	\$ 665	\$ 608
Other services	\$ 529	\$ 606	\$ 736	\$ 839	\$ 783
Employment -Weighted Average	\$ 623				

Source: Estimated from MEPS-IC data

Table 40: Employee contributions to Family Premiums: Washington 2006					
(\$ per enrollee per year)					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 1,873	\$ 1,873	\$ 1,873	\$ 1,873	\$ 1,873
Mining and Manufacturing	\$ 2,158	\$ 2,876	\$ 3,039	\$ 2,184	\$ 1,972
Construction	\$ 1,805	\$ 2,506	\$ 2,831	\$ 2,501	\$ 2,563
Utilities	\$ 2,729	\$ 3,439	\$ 3,059	\$ 2,756	\$ 2,063
Wholesale trade	\$ 1,656	\$ 3,090	\$ 3,441	\$ 2,923	\$ 2,273
Finance, insurance, real estate	\$ 2,540	\$ 2,755	\$ 3,319	\$ 2,937	\$ 2,560
Retailing	\$ 2,259	\$ 3,110	\$ 4,078	\$ 4,222	\$ 2,770
Professional services	\$ 2,485	\$ 3,516	\$ 3,983	\$ 3,753	\$ 2,449
Other services	\$ 2,234	\$ 2,980	\$ 3,182	\$ 3,500	\$ 3,138
Employment -Weighted Average	\$ 2,886				

Source: Estimated from MEPS-IC data

Table 41: Employee contributions to Employee-Plus-One Premiums: Washington 2006					
(\$ per enrollee per year)					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 1,161	\$ 1,161	\$ 1,161	\$ 1,161	\$ 1,161
Mining and Manufacturing	\$ 1,342	\$ 1,788	\$ 2,085	\$ 1,546	\$ 1,212
Construction	\$ 1,220	\$ 1,909	\$ 2,151	\$ 2,036	\$ 1,836
Utilities	\$ 2,061	\$ 2,262	\$ 2,539	\$ 1,778	\$ 1,457
Wholesale trade	\$ 1,561	\$ 1,614	\$ 2,179	\$ 1,903	\$ 1,330
Finance, insurance, real estate	\$ 2,011	\$ 1,927	\$ 2,166	\$ 2,125	\$ 1,555
Retailing	\$ 1,058	\$ 2,484	\$ 2,509	\$ 2,697	\$ 1,821
Professional services	\$ 1,676	\$ 2,329	\$ 2,366	\$ 2,177	\$ 1,541
Other services	\$ 1,486	\$ 1,869	\$ 2,208	\$ 2,304	\$ 1,936
Employment -Weighted Average	\$ 1,877				

Source: Estimated from MEPS-IC data

Appendix II: Probability of an Employer Coverage Offer

Logistic regressions were estimated using data from the *2007 Employee Benefits Survey* to examine how firm characteristics affect the probability of a firm's offer of health insurance (i.e., Employer Sponsor Rate). The firm characteristics include firm size, industry, and average wage levels. (See Table 3)

Table 40 shows the results in terms of *Odds Ratio Estimates*. Each Odds Ratio Estimate relates one variable to another variable, when all other factors are held constant. For example, the firm size variables are each related to the smallest firm size of 2-9 employees. The point estimate for firms with 10–24 employees indicates that these firms are estimated to be more than 3 times (3.341) as likely to offer health insurance as the smallest firms with 2-9 employees. The 95% Wald Confidence Limits show the upper and lower bounds of the point estimate at 95% confidence.

By holding the other factors constant (i.e., industry and relation to median wage), the Odds Ratio Estimates show the isolated effect of size. For example, the smallest firms are less likely to offer health insurance not only because they are small, but also because they are more likely to pay below-median wage and to do business in retail and service industries. The Odds Ratio Estimates for firm size also shows that compared to firms in the same industry and wage categories, increasing size increases the odds of offering health insurance.

The industry variables are related to the economy as a whole. For example, firms in the manufacturing industry are nearly 1.6 times more likely to offer health insurance than the economy-wide average firm. Similarly, the likelihood of a firm in the construction industry offering health insurance is only .87 times that of the economy-wide average firm.

The average wage variable shows that firms with wages above median wage are nearly 5 times (4.873) more likely than firms below median wage to offer health insurance.

Table 42: <i>Probability of Employer Health Insurance Offer:</i>			
<i>Logistic Regression Dependent Variable: Offer Status</i>			
Odds Ratio Estimates			
Variable	Point Estimate	95% Wald Confidence Limits	
Median Wage (based on average firm wages)	4.873	4.688	5.066
Firm Size compared to 2-9 employee firms			
10-24	3.341	3.202	3.485
25-49	8.265	7.641	8.940
50-99	17.209	15.014	19.726
100-499	30.274	24.924	36.771
500+	89.568	45.557	176.097
Industry Variables (compared to the economy as a whole)			
Agriculture, forestry, fishing	0.151	0.139	0.165
Construction	0.871	0.822	0.923
Manufacturing	1.572	1.356	1.822
Wholesale trade	1.986	1.833	2.151
Retail trade	0.572	0.534	0.613
Transportation & warehousing	0.892	0.804	0.99
Information	1.025	0.907	1.158
Finance & insurance	2.683	2.434	2.958
Real estate & rental	1.076	0.99	1.168
Professional & technical services	3.488	3.247	3.747
Administrative and support services	0.387	0.359	0.418
Educational services	0.827	0.735	0.93
Health care and social assistance	2.217	2.074	2.369
Arts, entertainment & recreation	0.495	0.442	0.554
Accommodation and food services	0.085	0.079	0.092
Other services	0.900	0.841	0.964
Number of observations (firms)	109,789		
Model Statistics			
Akaike Information Criterion	111,513		
Percent concordant pairs	80.4		
Somer's D	0.633		