

**OFFICE OF FINANCIAL MANAGEMENT**

Washington State

Private Employer-Sponsored Health  
Insurance

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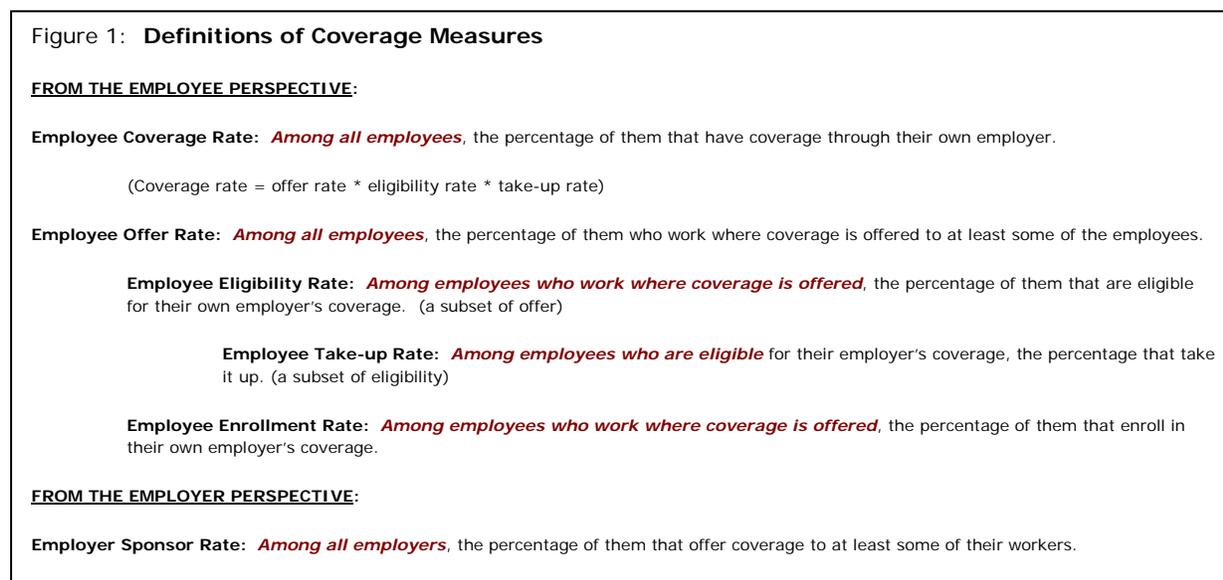
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## Section 1: Introduction

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.<sup>1</sup> 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 *Washington State Employer Health Insurance Database* (EHID) including estimated coverage measures and expenditures for 102,063 Washington state firms and their employees in 2008.<sup>2</sup> 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. Until 2009, this report was 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.<sup>3</sup>



As context for more detailed information in the body of the report on these measures, employer 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.

<sup>1</sup> 2010 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).

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

<sup>3</sup> 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. Using these data sources, for the most part we are able to provide a 2008 picture of Washington employer-sponsored health insurance.

**1. Washington State Employment Security Department, 2008 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](http://www.workforceexplorer.com/admin/uploadedPublications/9595_EB_2008_Report.pdf) .

**2. Washington State Office of Financial Management, Employment Security Department, Department of Revenue, Department of Labor and Industries; 2008 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 102,063 of the firms with two or more employees included in the *2008 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).

Specific firms excluded from the EHID include:

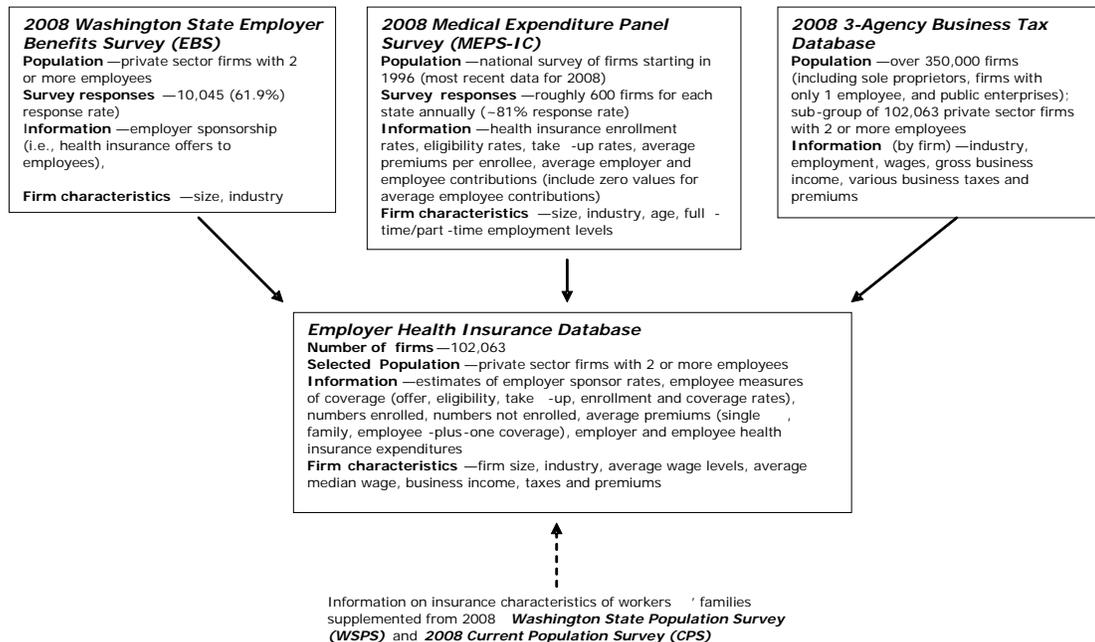
- **Sole proprietorships and firms with only one employee.** Although there are many such firms, they account for a relatively small proportion of total employment.
- **Most public sector enterprises - federal employment and employment in public administration** (NAICS codes 91-93). Most state and local 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).

**3. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality (AHRQ), 2008 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). *MEPS-IC* is an annual data series that started in 1996. There is a one year omission in the data in 2007.<sup>4</sup> 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.

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<sup>4</sup> 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 2009 *MEPS-IC* survey data are anticipated later this year.

Figure 2: Construction of Employer Health Insurance Database



## Methodology and Definitions

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
- Employee Health insurance 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 2008 *Washington State EBS* has a large sample although the survey response rate of 61.9 percent, while good, leaves some room for potential response bias especially for breakdowns by both industry and size. The *MEPS-IC* national survey of employers has 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:** The most current combination of *Meps-IC* and Washington 3-agency business database is for 2008. Readers could inflate 2008 data for premiums and employer/employee cost-sharing forward to 2009 using inflation factors suggested by the 2009 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).

<b>Premium Inflation Factors from 2008 to 2009 Employer Health Benefits Survey</b>	
Employer	5%
Employee	4%

**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.

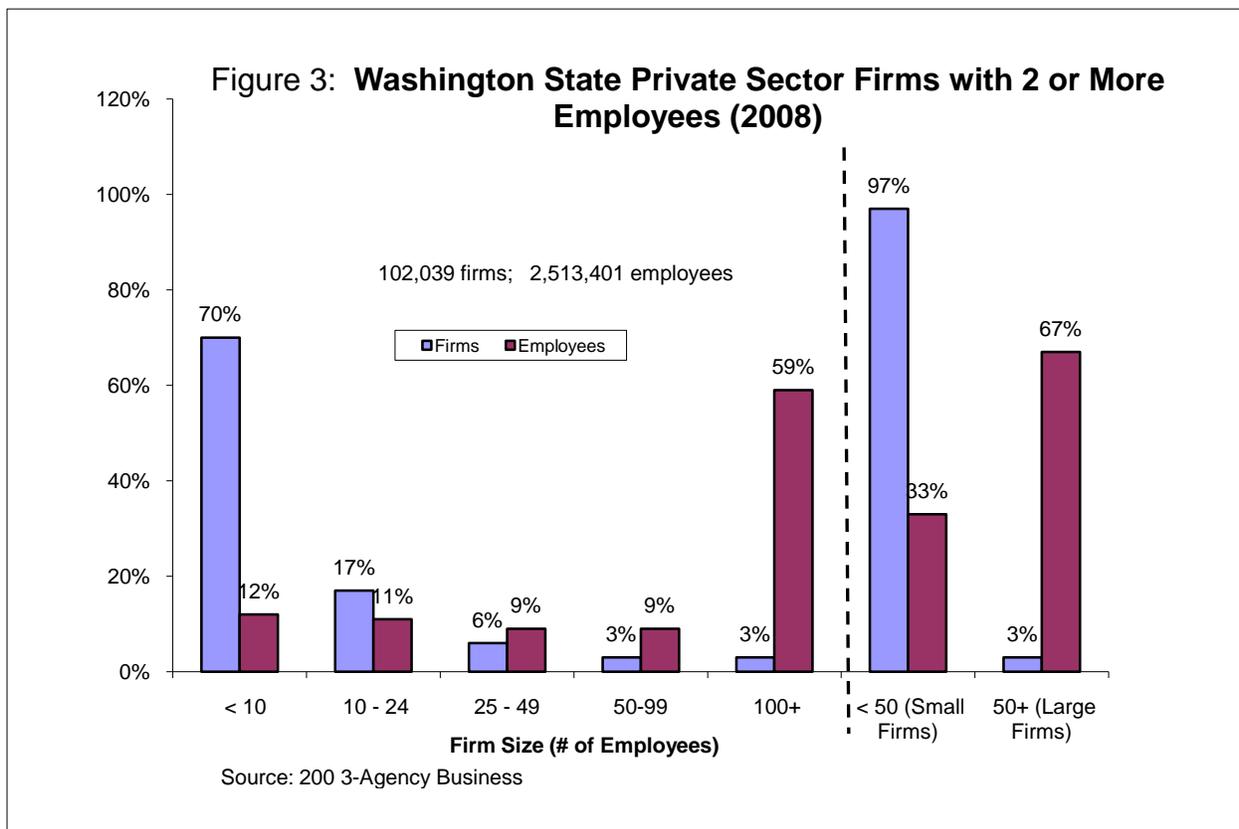
<b>Table 2: Cross-Reference for Reported MEPS-IC and EBS Industry Sectors</b>	
<b>MEPS-IC Sectors</b>	<b>EBS Sectors</b>
Agriculture, forestry, fishing	Agriculture, forestry, fishing
Manufacturing (& mining)	Manufacturing
Construction	Construction
Transportation & warehousing (& utilities)	Transportation & 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 estimates by wage quartiles. The quartiles are based on the average wage of all firms, where: Average Wage = Total Payroll / 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.

### Firms and Employment by Firm Characteristics

**Firm Size:** Of the 102,063 firms included in the EHID, almost 9 out of 10 (~87 percent) have fewer than 25 employees. Close to 71,000 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 59 percent of total employment. More than 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 3% of Washington's businesses but they employ more than two-thirds of Washington workers while small employers of fewer than 50 employees are 97% of Washington's businesses but they employ less than one-third of the workers.
- Super-sized employers, those with 1000+ employees, make up a miniscule percentage of Washington businesses (two tenths of one percent) but employ about 27% of workers.<sup>5</sup>
- The smallest employers, those with between 2 and 9 employees make up over 70% of Washington businesses but employ about 12% workers.

<sup>5</sup> Among large firms alone (those with 50 or more employees), the super-sized firms make up 3% of large firms and employ about 40% of the large employer workforce.

**Table 3: 2008 Employer Health Insurance Database Counts of Firms and Workers  
By Firms Size and Industry**

Private sector firms with 2 or more employees				
	Firms		Employees	
	Number	Percent	Number	Percent
All Firms	102,039	100%	2,513,401	100%
Firm Size				
2 - 9	71,357	70%	300,666	12%
10 - 24	17,433	17%	268,717	11%
25 - 49	6,562	6%	228,670	9%
50 - 99	3,346	3%	231,420	9%
100 and above	3,341	3%	1,483,928	59%
Industry <sup>(1)</sup>				
Agriculture, forestry, fishing	4,755	5%	80,644	3%
Manufacturing	5,698	6%	303,971	12%
Construction	14,710	14%	171,552	7%
Transportation & warehousing	2,702	3%	142,505	6%
Wholesale trade	7,034	7%	116,974	5%
Finance, insurance, real estate	7,519	7%	195,522	8%
Retail trade	10,652	10%	241,214	10%
Professional services	23,690	23%	804,780	32%
Other services	25,279	25%	456,240	18%
<p><sup>(1)</sup> '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>				

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

- Of all industry types, the highest percentages of both employees and employers are found in the Manufacturing, and Professional Services and other services.
- Two large sectors, “professional services” and “other services,” account for nearly half of total employment.<sup>6</sup> 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).

<sup>6</sup> 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 2008*

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	2,234	52	2,259	210	18,645
Construction	6,082	18	8,086	524	31,684
Manufacturing	2,528	116	2,300	754	33,426
Wholesale trade	3,829	290	2,772	143	49,271
Retail trade	4,955	111	5,043	543	18,748
Transportation, & warehousing	1,201	75	1,229	197	34,275
Information	753	72	657	131	47,758
Finance & insurance	1,554	19	1,594	228	38,970
Real estate & rental	1,742	21	2,015	118	23,625
Professional & technical services	4,665	127	4,717	409	43,968
Administrative and support services	2,606	139	2,728	240	23,536
Educational services	898	23	568	348	23,773
Health care and social assistance	4,627	267	5,100	556	26,286
Arts, entertainment & recreation	876	61	694	162	14,208
Accommodation and food services	4,737	85	4,671	481	12,357
Other services	3,520	56	4,112	111	24,553

<sup>(1)</sup> Median is on the firm level based on the average wage of each firm.

Table 5: *Employee Counts by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2008*

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	16,107	6,896	20,033	37,608	18,645
Construction	25,867	1,215	78,482	65,988	31,684
Manufacturing	20,287	14,333	35,506	233,846	33,426
Wholesale trade	34,252	40,980	21,925	19,817	49,271
Retail trade	31,329	28,009	51,720	130,157	18,748
Transportation & warehousing	9,871	66,982	13,040	52,611	34,275
Information	6,974	13,937	8,177	73,514	47,758
Finance & insurance	6,712	2,037	15,185	63,082	38,970
Real estate & rental	8,018	3,598	15,358	17,119	23,625
Professional & technical services	26,017	61,592	43,782	76,384	43,968
Administrative and support services	17,073	28,326	26,703	58,167	23,536
Educational services	8,036	2,394	6,968	224,657	23,773
Health care and social assistance	34,737	44,837	48,106	189,080	26,286
Arts, entertainment & recreation	9,201	6,668	7,356	24,757	14,208
Accommodation and food services	39,197	10,339	63,405	87,980	12,357
Other services	19,229	12,683	29,398	15,758	24,553

<sup>(1)</sup> Median is on the firm level based on the average wage of each firm.

## 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 2008 about 86% of all employees worked for firms that offered health insurance (Table 9). This is the same percentage as in 2006. 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 2008.<sup>7</sup>
- After increasing in the late 1990s, offer rates for employees of *small* employers steadily declined between 2000 and 2008 to reach a rate of about 60%, comparable with rates of the mid 1990s<sup>8</sup>. For employees of the *smallest* employers, (those with 2-9 employees), offer rates continue to be the lowest of all employee groups, 46% in 2008 compared with 49% in 2007 (see Table 9). (Note that MEPS data differs somewhat from Washington EBS/Business data base.)
- 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 by somewhat less than 8 percentage points between 1998 and 2008<sup>9</sup>, but has been flattening between 2005 and 2008. A more conservative view of the decline occurs if 1996 is compared to 2008 (coverage is about the same); 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 7 percentage point decline from 1998-2008, again with flattening between 2005 to 2008.
- 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, is about the same in 2008 as in 1998. The alternate three-year moving average estimate (Figure 7) shows a slight decline from 1998-2008.
- 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.

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<sup>7</sup> 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)

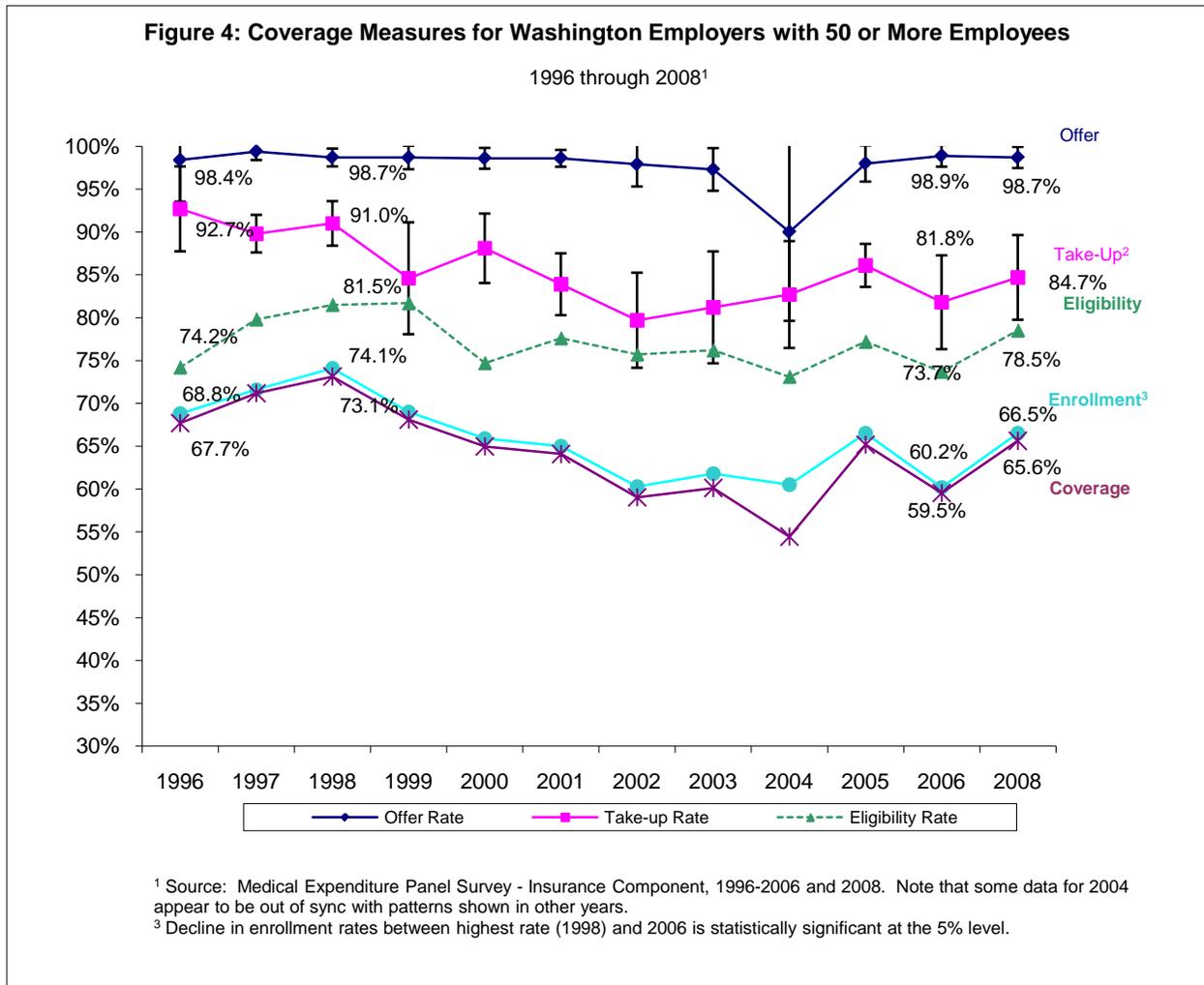
<sup>8</sup> This pattern is consistent with trends at the national level, where further analysis shows that declines or both small employers and large employers, the decline is driven by offer rates for firms under five years of age.

<sup>9</sup> 1998 (not 1996) is compared to 2008 in order to better ensure that comparable time periods are used for both yearly and moving-average forms of the data.

**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.<sup>10</sup>

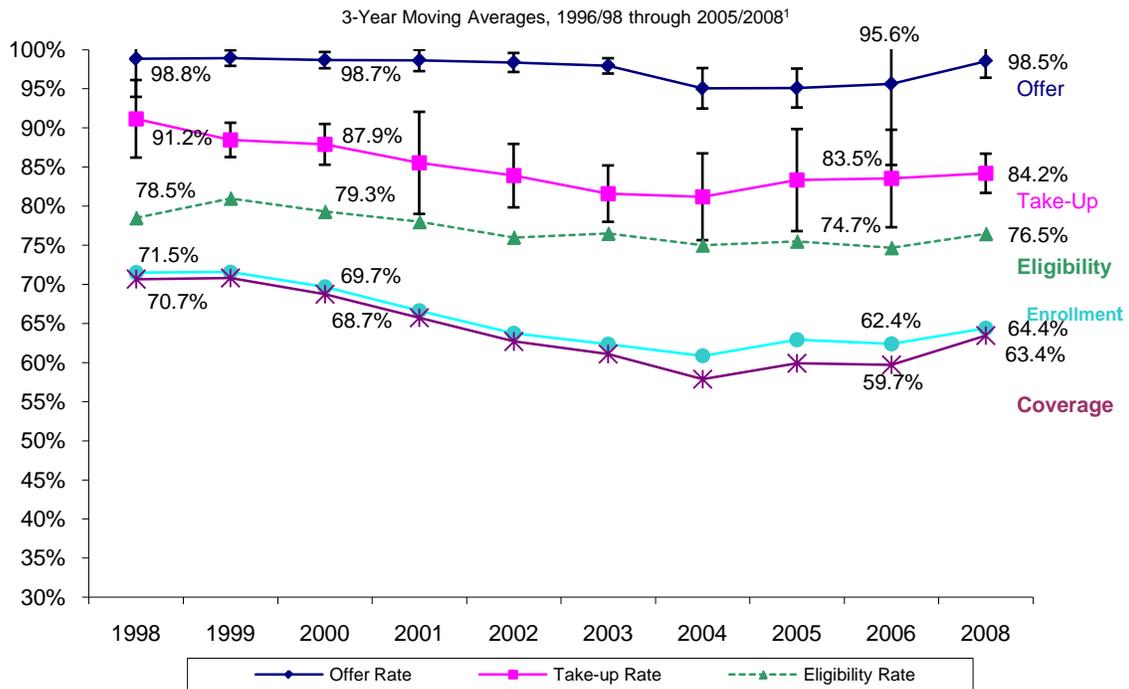
Within a given year:

- 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.



<sup>10</sup> 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 premium and point-of-service cost sharing by employees. Changes in the percentage of premium cost sharing are displayed in Tables 20-22.

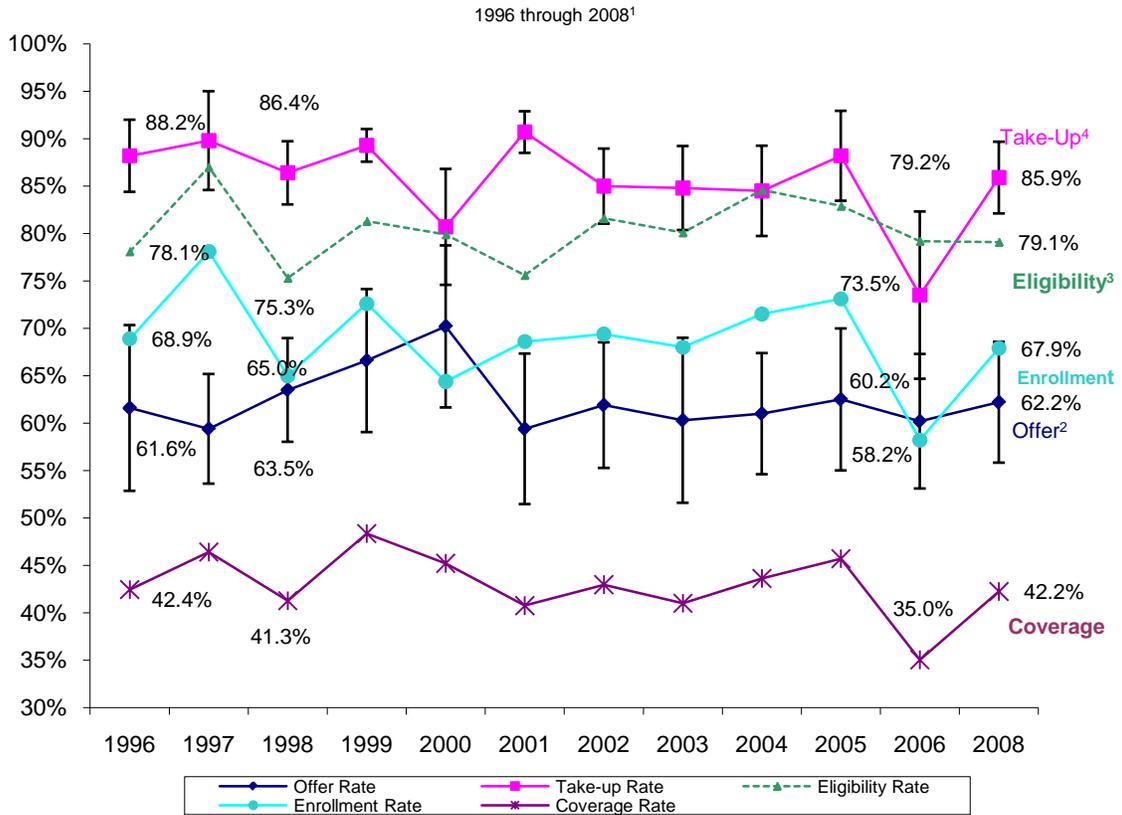
**Figure 5: Coverage Measures for Washington Employers with 50 or More Employees**



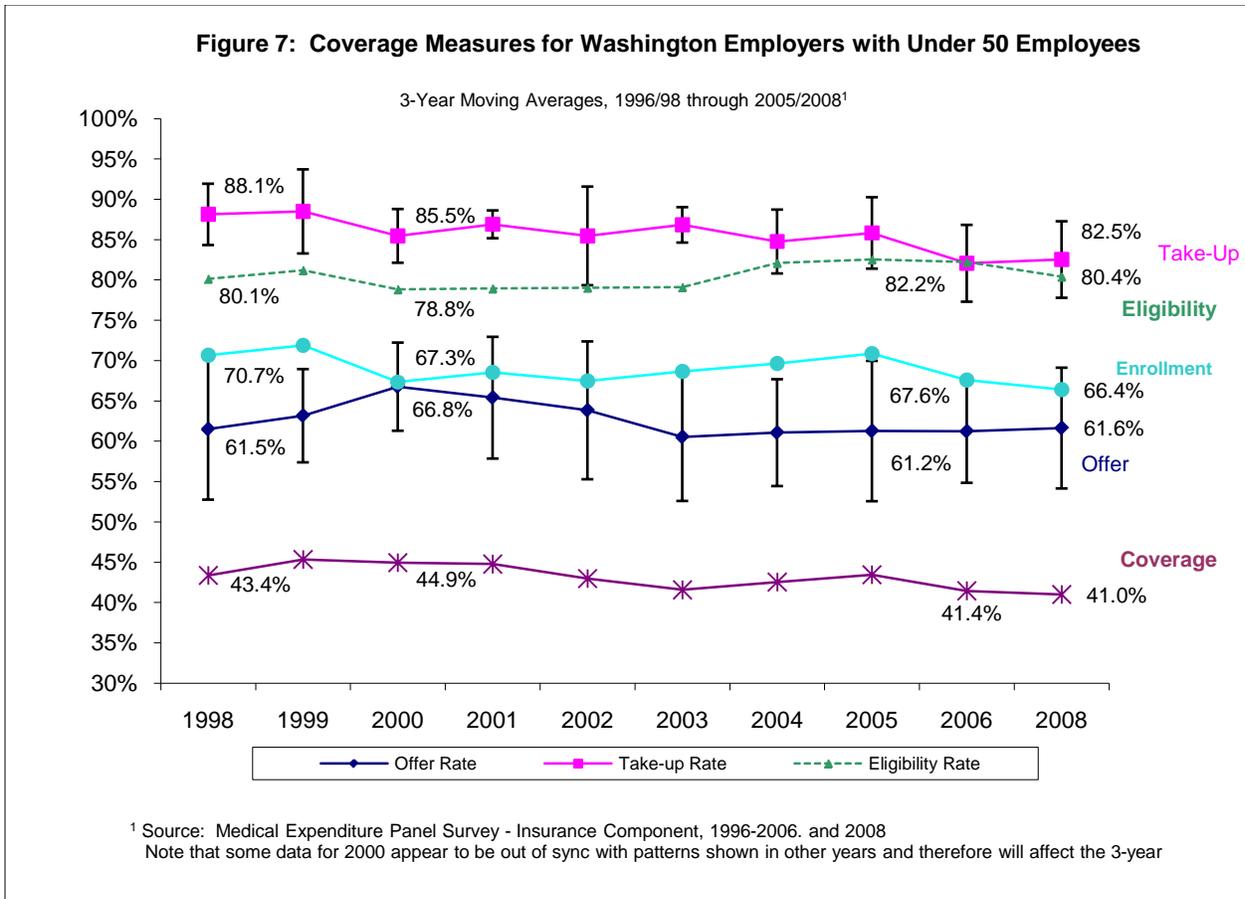
<sup>1</sup> Source: Medical Expenditure Panel Survey - Insurance Component, 1996-2006 and 2008.  
 Note that some data for 2004 appear to be out of sync with patterns shown in other years and therefore will affect the 3-year moving averages for 2005 -2008 in Figure 5.

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 2005 -2008 in Figure 5.

**Figure 6: Coverage Measures for Washington Employers with Under 50 Employees**



<sup>1</sup> Source: Medical Expenditure Panel Survey - Insurance Component, 1996-2006 and 2008. Note that some data for 1997 - 2001 appear to be out of sync with patterns shown in other years.



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 2005 -2008 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 2008, they answer the question:

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

In the figure below, key coverage measures are shown on the far right. To their left is the diagram that tracks the 100 employees. The 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**

**For every 100 employees of large employers,  
What Happens?**

		<b>Coverage Measures</b>
100 employees	<b>55</b> have coverage through their own employer	Coverage rate = 55%
	<b>86</b> work where coverage is offered to at least some employees	Offer rate = 86%
	<b>65</b> are eligible for their employer's coverage	Eligibility rate = 65%
	<b>55</b> take-up their employer's coverage	Take-up rate = 55%
	<b>67</b> enroll in their own employer's coverage	Enrollment rate = 67%

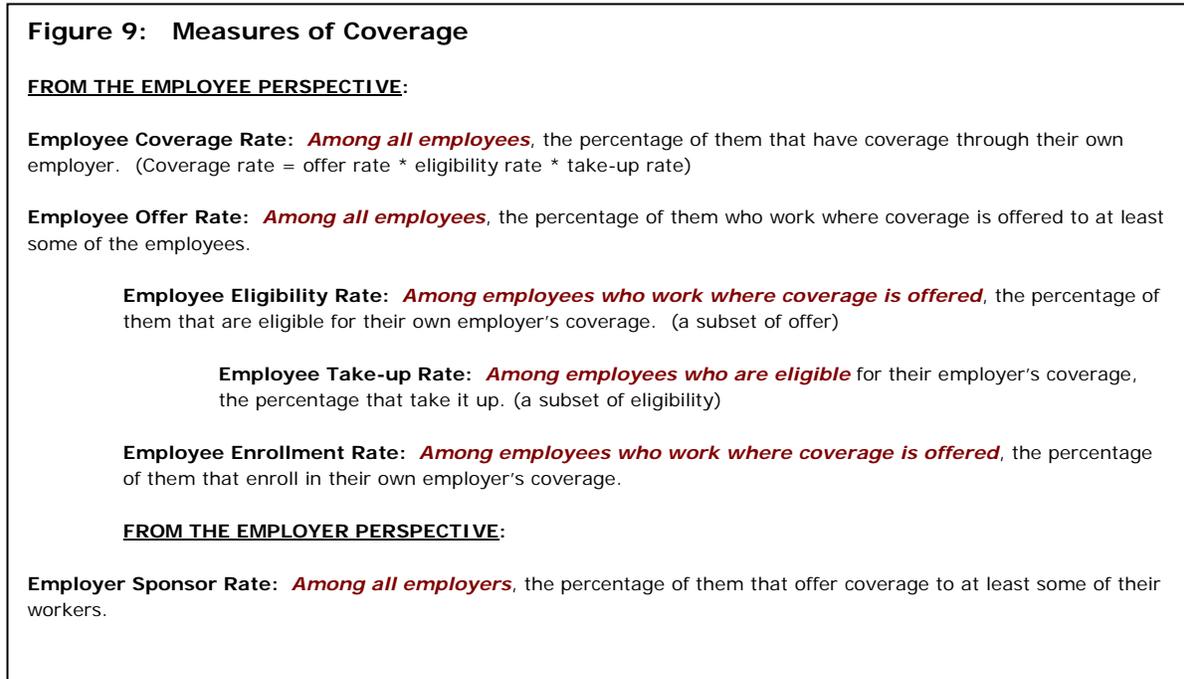
In the end, the measures converge to one story for 2006: Out of every 100 employees of large Washington employers, 60 end up being covered by their own employer and 40 do not. 27 of the 40 (68%) have little choice in the matter – they work for an employer that doesn't offer coverage to anyone or they 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.

## Section 2: Health Insurance Coverage Measures

Coverage measures included are those defined in Figure 9 which is the same as Figure 1, repeated here for ease of reference.



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 *2008 Washington Employee Benefits Survey*. Fifty-six percent of Washington firms with two or more employees offer health insurance to at least some of their workers. The rates are lower than those suggested by *MEPS-IC Survey* data for Washington - the differences are mainly due to estimates for large firms.

<b>Table 6: Comparison of Employer Health Insurance Sponsor Rates</b> (percentage of firms offering coverage to any employees)					
<b>2008 Washington Employer Health Insurance Database</b>		<b>2010 Kaiser Survey</b> (National Rates)		<b>2008 MEPS-IC Survey</b> (Washington rates)	
<b>Firm Size</b>	<b>Sponsor Rate</b>	<b>Firm Size</b>	<b>Sponsor Rate</b>	<b>Firm Size</b>	<b>Sponsor Rate</b>
2-9	46%	3-9	59%	1-9	41%
10-24	70%	10-24	76%	10-24	62%
25-49	81%	25-49	92%	25-99	88%
50-99	90%	50+	95%	100-999	100%
100-499	96%			1000+	97%
500+	97%				
All (2+)	56%	All (3+)	69%	All (1+)	59%
<p>The 2008 Washington Employee Benefits Survey had a response rate of 61.9%.  The 2010 Kaiser/HRET Employer Health Benefits Survey had a response rate of 73% for the question used to determine employer sponsor rates.  The 2008 MEPS-IC Survey had an 81% response rate, but relatively small (~600) samples at the state level.</p>					

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 six percent of firms offer insurance to at least some of their employees. Of the smallest firms, only 46% offer insurance. The sponsor rate increases with the size of firm; 97% of firms with at least 500 employees offer insurance.
- Firms that have higher wages are also more likely to offer health insurance. Only 26% of firms with average wages in the lowest quartile offer insurance to some of their workers, while 83% 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 21% of firms in accommodation and food services industries at the low end and 84% of wholesale and professional and technical services firms and information 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 that offer. For example, even though only 26% of firms in the lowest wage quartile offer insurance, 54% of employees in the same category are working for firms that offer.
- In 2010, offer rates have increased to 69% according to the Kaiser 2010 HRET Employer Health Benefits Survey.

**Table 7: *Employer Sponsor Rates by Firm Size, Average Wages and Industry:*  
*Washington 2008***

(percentage of firms offering coverage to any employees)	Percent of firms
<b>All Firms</b>	
Total	56%
<b>Firm Size</b>	
2 - 9	46%
10 - 24	70%
25 - 49	81%
50 - 99	90%
100 - 499	96%
500+	97%
<b>Wage Quartiles<sup>(1)</sup></b>	
Lowest 25% of firms	26%
Second 25% of firms	45%
Third 25% of firms	69%
Highest 25% of firms	83%
<b>Industry<sup>(2)</sup></b>	
Agriculture, forestry, fishing	39%
Construction	49%
Manufacturing	74%
Wholesale trade	78%
Retail trade	49%
Transportation & warehousing	63%
Information	84%
Finance & insurance	77%
Real estate & rental	51%
Professional & technical services	84%
Administrative and support services <sup>(3)</sup>	40%
Educational services	57%
Health care and social assistance	62%
Arts, entertainment & recreation	46%
Accommodation and food services	21%
Other services	50%

<sup>(1)</sup> Wages refer to average wages (total wages divided by number of employees).

The lowest 25% of firms have average annual wages of less than \$15,428. The next group has average wages from \$15,428 to \$26,383; the third group has average wages from \$26,383 to \$41,653; the highest group has average wages above \$41,653. Part-time workers included.

<sup>(2)</sup> Most tables in this report include broader industrial categories.

More detailed industry data can be presented here because the *Employee Benefits Survey* has sufficient sample size to estimate offer rates for specific industries. This is not possible for estimates that rely on MEPS-IC data.

<sup>(3)</sup> Administrative and support services includes temporary help services.

Note that the percentage of firms offering health insurance increased by about 19 percentage points from 2006 for the Information industry. This is at least partly because the downturn in the economy caused mainly new and small businesses, those that are less likely to offer insurance, to drop out of the market.

For the Health care and social assistance industry, the percentage of firms offering health care insurance decreased by 13 percentage points since 2006. Most of this decrease took place in the social assistance part of the industry, not the health care part.

Note that the agriculture, forestry and fishing data is somewhat erratic and therefore has a wide margin of error. This is because agricultural firms do not need to report to either DOR or ESD each year. Because of this, year by year comparisons can be misleading.

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 8% whereas some of the 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 34 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.

Table 8: <i>Employer Sponsor Rates by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2008</i>				
(percentage of firms offering coverage to any employees)				
Industry	Below Median Wage		Above Median Wage	
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)
Agriculture, forestry, fishing	27%	46%	46%	87%
Construction	26%	94%	63%	97%
Manufacturing	49%	91%	93%	99%
Wholesale trade	68%	97%	87%	92%
Retail trade	26%	87%	65%	98%
Transportation & warehousing	39%	77%	80%	96%
Information	69%	93%	96%	99%
Finance & insurance	61%	95%	88%	100%
Real estate & rental	16%	95%	78%	94%
Professional & technical services	70%	96%	96%	98%
Administrative and support services	18%	57%	56%	94%
Educational services	28%	91%	77%	100%
Health care and social assistance	37%	90%	79%	95%
Arts, entertainment & recreation	20%	77%	67%	84%
Accommodation and food services	8%	81%	27%	85%
Other services	21%	91%	72%	98%

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

See notes for Table 7. Small samples for some cells can cause relatively wide margin of error. Year to year comparisons for this table may not be reliable.

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, with a slight upturn in 2008 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 2008, while 56% 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 1998-2008, 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 86% in the 2005-2008 period<sup>11</sup>.

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<sup>11</sup> 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 2008*

	Number of employees in firms that offer	Percent of employees in firms that offer
<b>All Firms</b>		
Total	2,160,292	86%
<b>Firm Size</b>		
2 - 9	140,663	47%
10 - 24	189,217	70%
25 - 49	185,579	81%
50 - 99	209,746	91%
100 - 499	528,189	96%
500+	899,548	96%
<b>Wage Quartiles<sup>(1)</sup></b>		
Lowest 25% of firms	147,269	54%
Second 25% of firms	311,994	71%
Third 25% of firms	621,280	91%
Highest 25% of firms	1,072,399	96%
<b>Industry<sup>(2)</sup></b>		
Agriculture, forestry, fishing	1,851	71%
Construction	7,248	77%
Manufacturing	4,236	96%
Wholesale trade	5,454	91%
Retail trade	5,244	86%
Transportation & warehousing	1,705	77%
Information	1,350	97%
Finance & insurance	2,605	96%
Real estate & rental	1,973	78%
Professional & technical services	8,297	95%
Administrative and support services <sup>(3)</sup>	2,305	73%
Educational services	1,055	97%
Health care and social assistance	6,526	92%
Arts, entertainment & recreation	819	72%
Accommodation and food services	2,123	60%
Other services	3,879	74%

<sup>(1)</sup> Wages refer to average wages (total wages divided by number of employees).

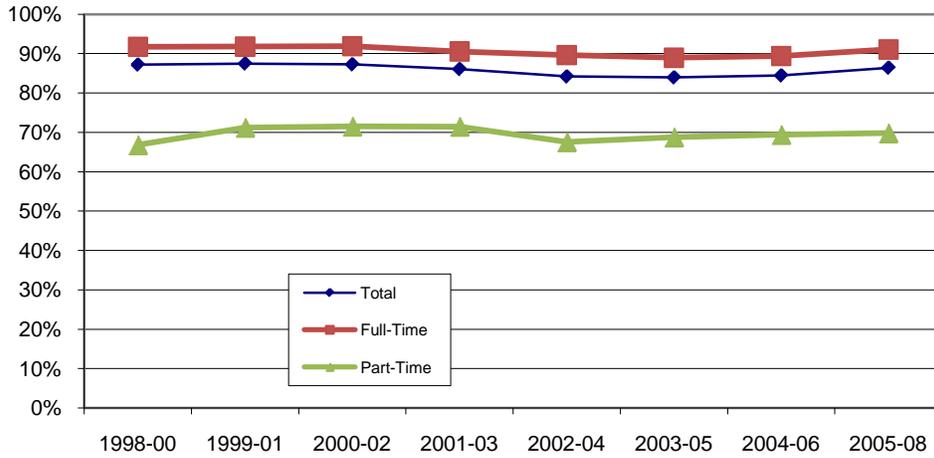
The lowest 25% of firms have average annual wages of less than \$15,428. The next group has average wages from \$15,428 to \$26,383. The third group has average wages from \$26,383 to \$41,653. The highest group has average wages above \$41,653. Note that these averages include part-time workers.

<sup>(2)</sup> Most tables in this report include broader industrial categories. More detailed industry data

can be presented here because the *Employee Benefits Survey* has sufficient sample size to estimate offer rates for specific industries. This is not possible for estimates that rely on MEPS-IC data.

<sup>(3)</sup> Administrative and support services includes temporary help services.

**Figure 10: Employee Health Insurance Offer Rates (by FT/PT status)  
(percentage of employees in firms that offer)  
3-Year Moving Averages**

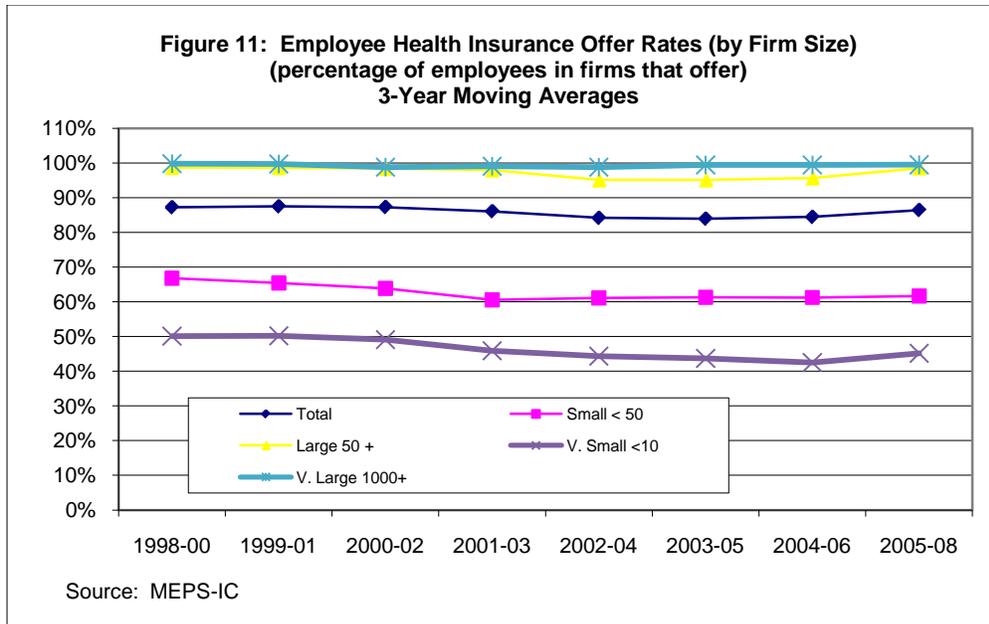


Source: MEPS-IC

**Table 10: Employee Health Insurance Offer Rates: Washington  
(percentage of employees who work in firms that offer coverage)**

	All Employees	Employees in firms with		Full- time workers	Part- time workers
		< 50 workers	50+ workers		
<b>Annual 2008</b>	86%	62%	99%	93%	62%
<b>3-Year Averages</b>					
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%
2005-08	86%	62%	99%	91%	70%

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.”<sup>12</sup> Among Washington firms that offer health insurance, 75 percent of workers are eligible to participate.

The percentage of part-time employees who are eligible for their employer’s coverage is much smaller than the percentage of full-time employees (24% for part time compared to 88% for full time) .

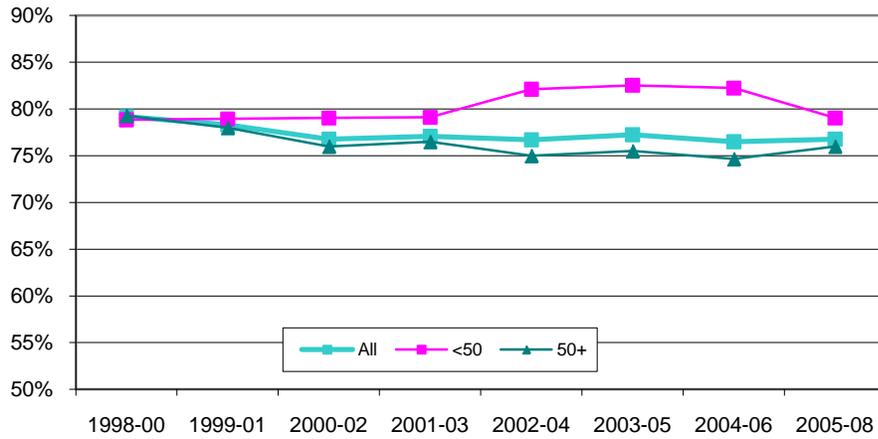
<sup>12</sup> 2008 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).

**Table 11: Employee Health Insurance Eligibility Rates: Washington (percentage of employees eligible among those in firms that offer coverage)**

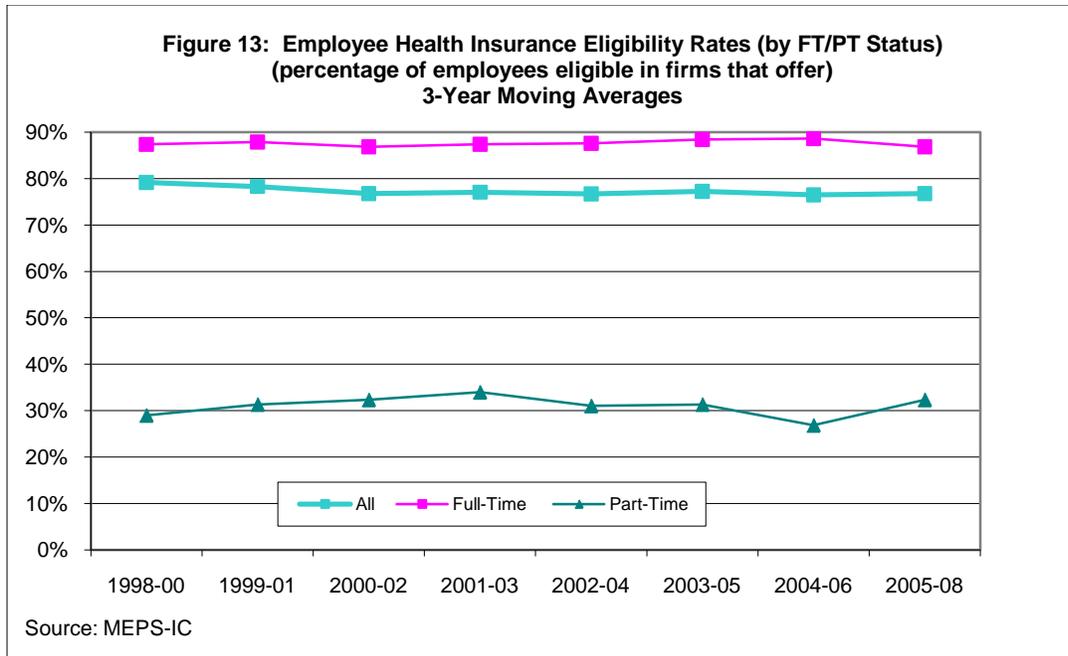
	All Employees	Employees in firms with < 50 workers	Employees in firms with 50+ workers	Full-time workers	Part-time workers
<b>Annual</b> 2008	75%	79%	74%	88%	24%
<b>3-Year Averages</b>					
1998-00	79%	79%	79%	87%	29%
1999-01	78%	79%	78%	88%	31%
2000-02	77%	79%	76%	87%	32%
2001-03	77%	79%	77%	87%	34%
2002-04	77%	82%	75%	88%	31%
2003-05	77%	83%	76%	88%	31%
2004-06	77%	82%	75%	89%	27%
2006-08	77%	79%	76%	87%	32%

Source: MEPS-IC Survey

**Figure 12: Employee Health Insurance Eligibility Rates (percentage of employees eligible in firms that offer) 3-Year Moving Averages**



Source: MEPS-IC



### Employee Take-Up Rates

Among workers who are eligible for employer-provided health insurance in Washington, 84 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.

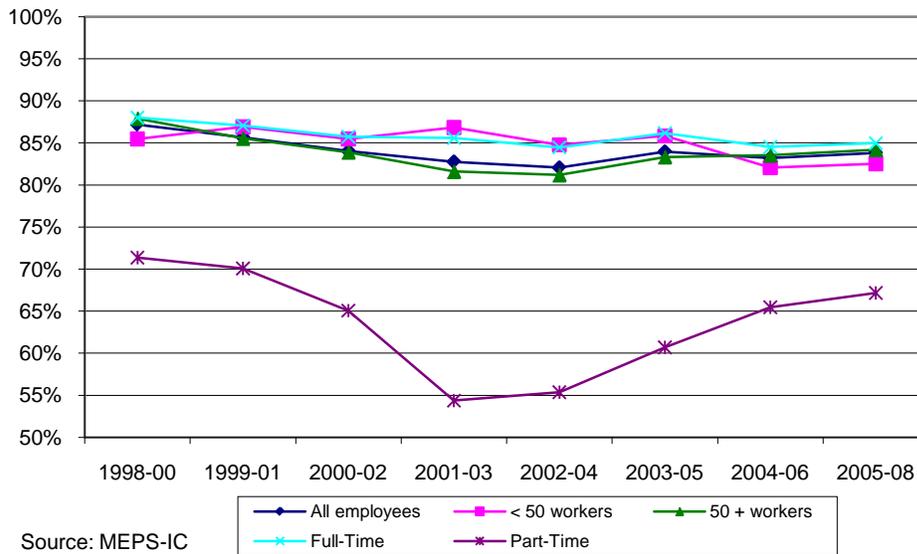
While employee offer rates are considerably lower for employees in small firms than employees in large firms, employees in smaller firms *were* more likely to take-up coverage when it was offered...until recently. The moving average for years 2004-2006 appears to reflect a turning point for employees in small firms – coverage since then has neither been available nor affordable.

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

Annual 3-Year Averages	All Employees	Employees in firms with		Full- time workers	Part- time workers
		< 50 workers	50+ workers		
2008	85%	86%	85%	86%	70%
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%
2005-08	84%	83%	84%	85%	67%

Source: MEPS-IC Survey

**Figure 14: Employee Health Insurance Take-Up Rates (by FT/PT Status)**  
(percentage who take-up among those who are eligible)  
3-Year Moving Averages



Source: MEPS-IC

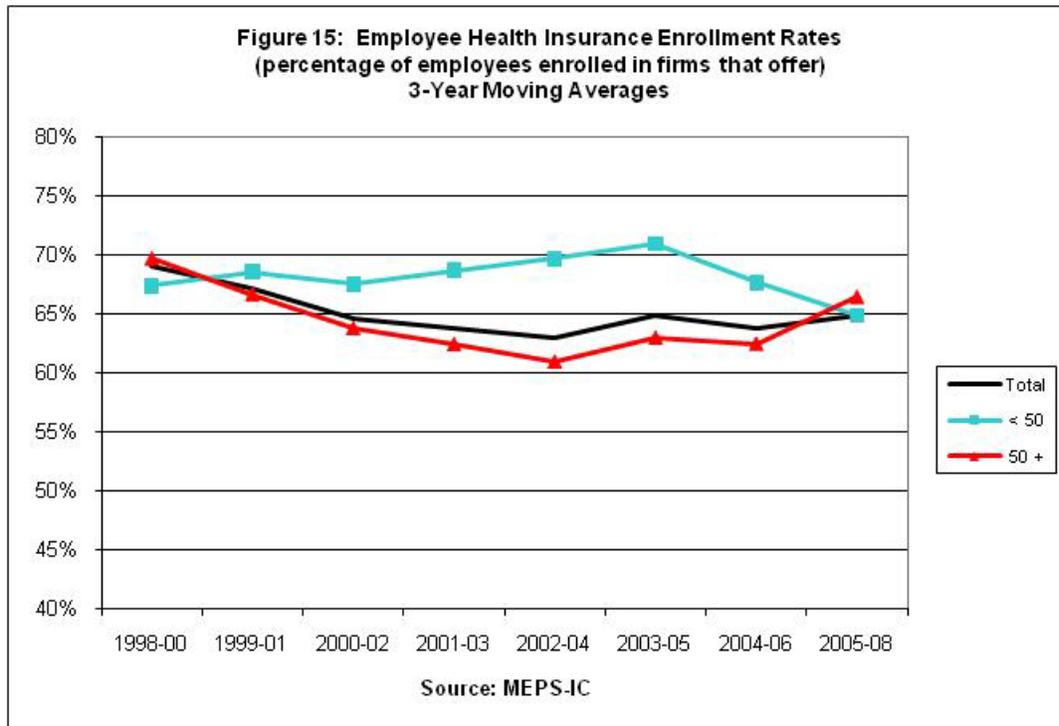
### Employee Enrollment Rates

Among Washington firms that offer health insurance to at least some workers, 67 percent of employees are enrolled in own employer-provided coverage. This is not the same as the “coverage” rate in which the denominator is employees in all firms (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.<sup>13</sup> 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 24 percent).

<b>Table 13: Employee Health Insurance Enrollment Rates: Washington</b> (percentage of employees enrolled among those in firms that offer coverage)					
Annual 3-Year Averages	All Employees	Employees in firms with		Full- time workers	Part-time workers
		< 50 workers	50+ workers		
2008	67%	68%	67%	75%	24%
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%	*
2005-08	65%	66%	64%	75%	*

\* Data for 2006 and 2008 do not meet standards of reliability or precision.  
Source: MEPS-IC Survey



<sup>13</sup> 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.

## Employee Coverage Rates

Among all workers in private sector firms with two or more employees, including those in firms that do not offer insurance, 55 percent have health coverage provided by their employer.<sup>14</sup> Note that workers who do not have own-employer provided health insurance could receive coverage through other sources and are therefore not necessarily uninsured, as described in Section 3.

<b>Table 14: Coverage Rates in Own Employer-Provided Health Insurance: Washington 2008</b>				
	<b>Number Enrolled (1,000s)</b>	<b>Number Not Enrolled (1,000s)</b>	<b>Coverage Rate<sup>(1)</sup></b>	<b>Percent Not Enrolled</b>
Total	1,387	1,128	55%	45%
Firm Size				
2 - 9	96	204	32%	68%
10 - 24	114	155	42%	58%
25 - 99	235	225	51%	49%
100 - 999	463	318	59%	41%
1000 and above	478	226	68%	32%
Wage Quartile <sup>(2)</sup>				
Lowest 25% of firms	76	199	28%	72%
Second 25% of firms	168	271	38%	62%
Third 25% of firms	396	283	58%	42%
Highest 25% of firms	746	375	67%	33%
Industry <sup>(3)</sup>				
Agriculture, forestry, fishing	32	49	39%	61%
Manufacturing	233	71	77%	23%
Construction	83	88	49%	51%
Transportation and Warehousing	80	63	56%	44%
Wholesale trade	79	38	68%	32%
Finance, insurance, real estate	139	57	71%	29%
Retail Trade	109	133	45%	55%
Professional services	507	298	63%	37%
Other services	125	331	27%	73%

<sup>(1)</sup> 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.

<sup>(2)</sup> Wages refer to average wages (total wages divided by number of employees).  
 The lowest 25% of firms have average annual wages of less than \$15,428. The next group has average wages from \$15,428 to \$26,383. The third group has average wages from \$26,383 to \$41,653. The highest group has average wages above \$42,358. Note that these averages include part-time workers.

<sup>(3)</sup> '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).

<sup>14</sup> According to the Bureau of Labor Statistics, *National Compensation Survey March 2009* - <http://www.bls.gov/news.release/ebs2.nr0.htm> - 74% of full-time private industry workers in the US had access to employee health benefits in 2010.

An interesting comparison of Table 9 and Table 14 shows that while approximately 2,160,000 employees work for firms that offer insurance, only about 1,387,000 are actually covered by their own employer.

	<b>Below Median Wage</b>		<b>Above Median Wage</b>		<b>Median Income</b>
	<b>Small Firms</b>	<b>Large Firms</b>	<b>Small Firms</b>	<b>Large Firms</b>	
Agriculture, forestry, fishing	12,981	4,349	13,227	18,308	\$18,645
Construction	20,858	473	39,529	27,250	\$31,684
Manufacturing	11,723	3,829	11,553	44,076	\$33,426
Wholesale trade	13,813	10,636	8,005	5,486	\$49,271
Retail trade	25,197	13,765	28,903	64,541	\$18,748
Transportation & warehousing	6,443	30,763	6,166	19,202	\$34,275
Information	3,513	6,020	3,058	22,574	\$47,758
Finance & insurance	3,333	542	4,735	14,068	\$38,970
Real estate & rental	6,565	885	5,594	5,244	\$23,625
Professional & technical services	12,566	16,653	15,929	26,154	\$43,968
Administrative and support services	15,009	20,481	18,604	37,282	\$23,536
Educational services	6,135	961	3,198	71,438	\$23,773
Health care and social assistance	22,368	17,173	21,019	64,578	\$26,286
Arts, entertainment & recreation	7,870	4,802	4,735	17,248	\$14,208
Accommodation and food services	37,129	7,008	53,117	56,057	\$12,357
Other services	16,384	7,685	17,845	9,965	\$24,553

<sup>(1)</sup> Median is on the firm level based on the average wage of each firm.

## 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 2008 *Washington Employer Health Insurance Database* suggests that 55 percent of private sector workers are enrolled in health insurance provided by their own employer. The comparable estimate from 2008 *Current Population Survey* (CPS) data for Washington is 59 percent. CPS data suggest that an additional 12 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.

Table 16: *Estimates for Own-Employer Provided and Other Health Insurance: Washington State*  
*Percent of Employed Persons Obtaining Health Insurance From Various Sources*

	2008 Washington Employer Health Insurance Database	2008 Current Population Survey (CPS) Data for Washington <sup>(1)</sup>			2008 Washington State Population Survey <sup>(2)</sup>			
	Own Employer	Own Employer	Other Employer	Own & Other	Own & Other Employer	Public Program	Self- Purchased Military, Other	Uninsured
All Firms	55%	59%	12%	72%	76%	4%	5%	15%
Industry								
Agriculture, forestry, fishing	39%	16%	12%	28%	41%	15%	7%	37%
Manufacturing	77%	82%	5%	87%	88%	2%	2%	8%
Construction	49%	54%	15%	69%	67%	3%	4%	26%
Transportation & warehousing <sup>(3)</sup>	56%	72% <sup>(3)</sup>	3%	75%	85% <sup>(3)</sup>	3%	5%	12%
Wholesale trade <sup>(4)</sup>	68%	57% <sup>(4)</sup>	13%	69%	87%	3%	4%	6%
Finance, insurance, real estate	71%	69%	9%	78%	86%	3%	5%	6%
Retail trade <sup>(4)</sup>	45%	66% <sup>(4)</sup>	15%	81%	70%	6%	6%	19%
Professional services <sup>(5)</sup>	63%	66%	15%	81%	85%	3%	6%	6%
Other services <sup>(6)</sup>	27%	31%	17%	48%	53%	8%	7%	32%

<sup>(1)</sup> 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.  
<sup>(2)</sup> 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).  
<sup>(3)</sup> The CPS and WSPS estimates for transportation and warehousing also include utilities; the Employer Database estimates do not.  
<sup>(4)</sup> CPS data are reported for wholesale and retail trade combined.  
<sup>(5)</sup> 'Professional services' includes information, professional and technical services, educational services and health care.  
<sup>(6)</sup> '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 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:

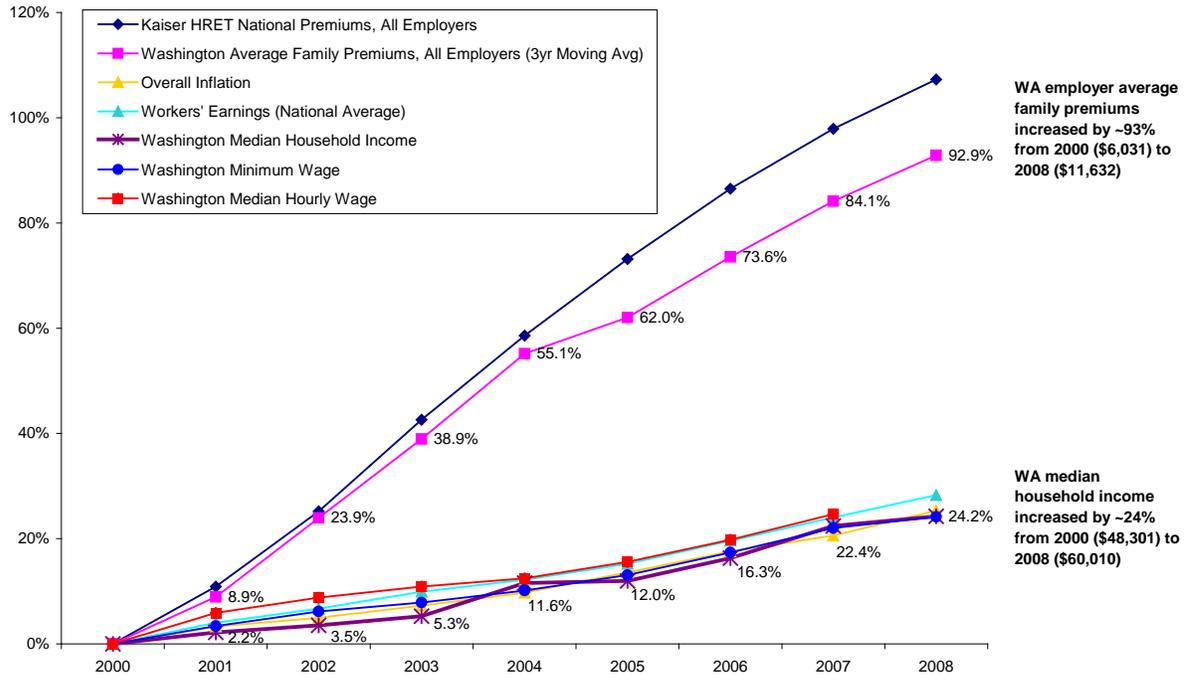
- The percentage of Washington residents without health insurance in 2008 remained roughly the same, moving from 10.6 percent in 2006 to 11 percent in 2008. About one in nine Washingtonians was uninsured (almost 726,000 people).
- Overall, the characteristics of Washington’s uninsured population remain 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 based on the Washington State Population Survey.

- 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 percentage 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 proportion of being uninsured grew from about 18% to 33%.
- The 2008 WSPS 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 data 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%.

**Figure 16: Cumulative Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 2000-2008**



Sources:  
 Kaiser Family Foundation and Health Research & Educational Trust, 2008 Employer Benefits Survey; Medical Expenditure Panel Survey - Insurance Component, 1996-2006; United States Department of Labor, Bureau of Labor Statistics; Washington State Office of Financial Management; Washington State Department of Labor and Industries; Washington State Employment Security Department, Labor Market and Economic Analysis Branch

## Section 4: Health Insurance Premiums and Cost-Sharing

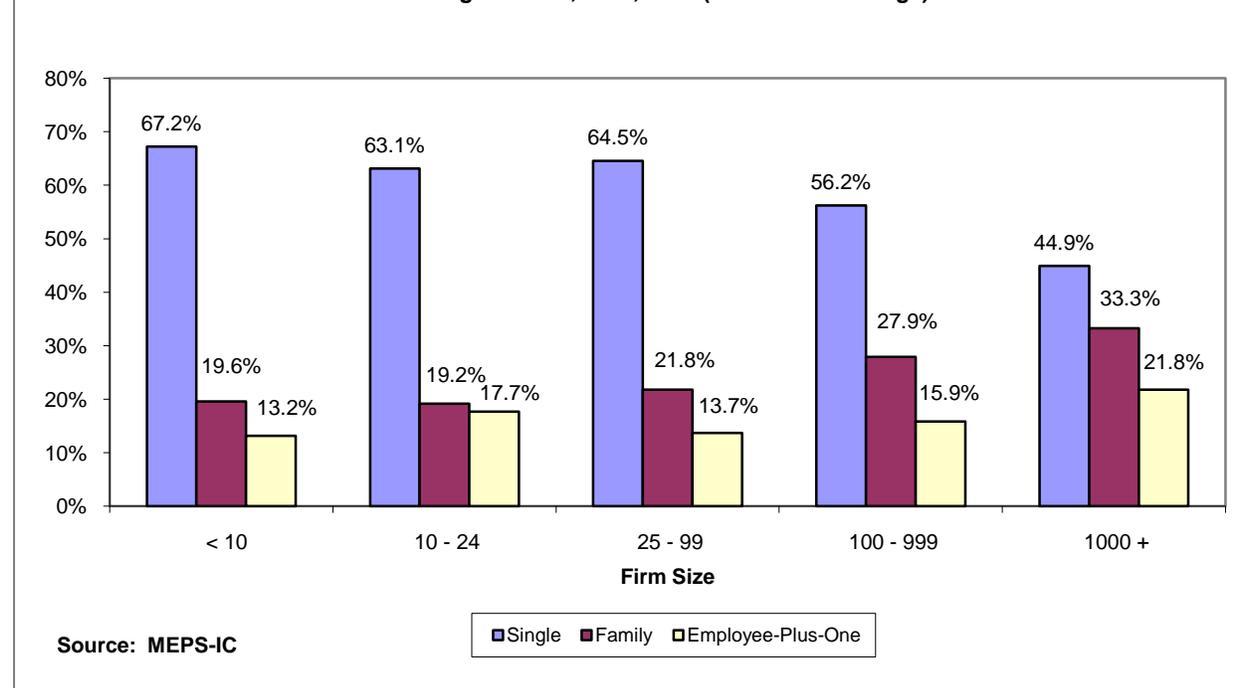
Health insurance premiums vary substantially by type of coverage—single, family, employee-plus-one—and the shares of enrollees in different types of coverage affect employer health care costs. Higher percentages of enrollees in larger firms are enrolled in family coverage.

**Table 17: Percentage of Enrollees in Single, Family and Employee-Plus-One Coverage:**

	2005-2008 (3 year average)					
	Washington			United States		
	Single	Family	PlusOne	Single	Family	PlusOne
<b>All</b>	53%	28%	18%	49%	33%	18%
<b>Small Firms</b>	66%	19%	14%	59%	27%	14%
<b>Large Firms</b>	49%	31%	20%	47%	34%	19%

Source: MEPS-IC

**Figure 17: Employer Health Insurance Coverage by Type and Firm Size: Washington 2005, 2006, 2008 (Three-Year Average)**



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 2008, but premiums have continued to increase substantially during the past few years. Premiums, employer contributions, and employee contributions in 2009 and 2010 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.<sup>15</sup> Given the relatively small *MEPS-IC* sample sizes for individual states, trends are examined by using three-year moving averages.<sup>16</sup>

<sup>15</sup> 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.

<sup>16</sup> Data for employee-plus-one premiums are available only starting in 2001; so moving averages are not used for this series.

## Coverage Types and Premium 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 37 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 in Washington until the modest increase in 2008. 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).

<b>Table 18: Percentage of Employees Enrolled in Plans that Required No Employee Contribution</b>			
	<b>Single Coverage</b>	<b>Family Coverage</b>	<b>Employee-Plus-One</b>
<b>Washington State</b>			
2004	46.9%	18.1%	16.0%
2005	43.4%	22.6%	16.0%
2006	34.4%	18.4%	13.9%
2008	37.30%	21.40%	16.20%
<b>United States</b>			
2004	23.7%	14.7%	9.5%
2005	23.1%	13.4%	12.7%
2006	21.9%	12.6%	11.6%
2008	22.0%	10.7%	9.4%

Source: *MEPS-IC*.

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

Source: Estimated from *MEPS-IC* survey.

Table 20: *Employer-Provided Health Insurance Premiums: Single Coverage*

	Total Premium	Employer Contribution	Employee Contribution	Employee Share
<b>Washington State</b>				
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%
2008(MEPS-IC)	\$4,056	\$3,433	\$623	15%
<b>United States (Kaiser)</b>				
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:**

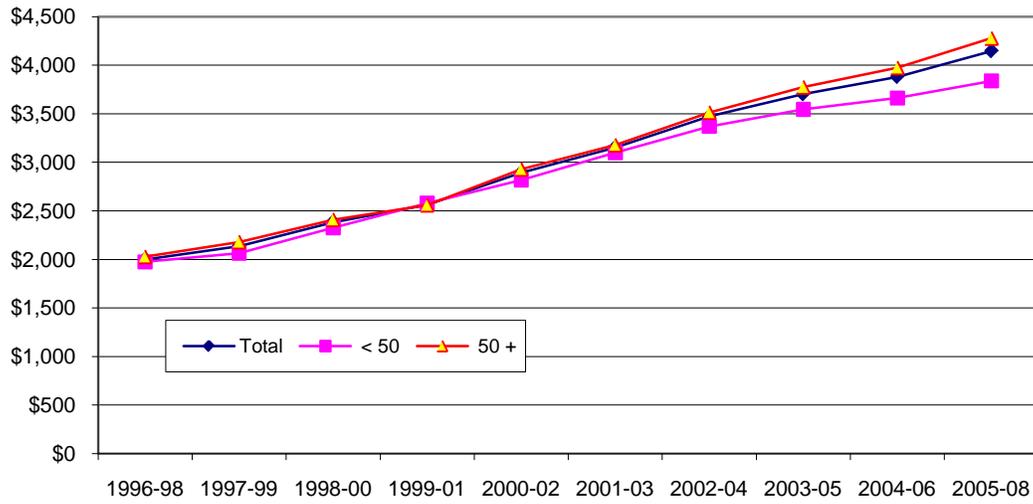
MEPS-IC Survey (2008)

Kaiser/HRET Employer Health Benefits Survey (2008)

The Washington premiums and contributions for 2004-2006 are taken from *MEPS-IC*.

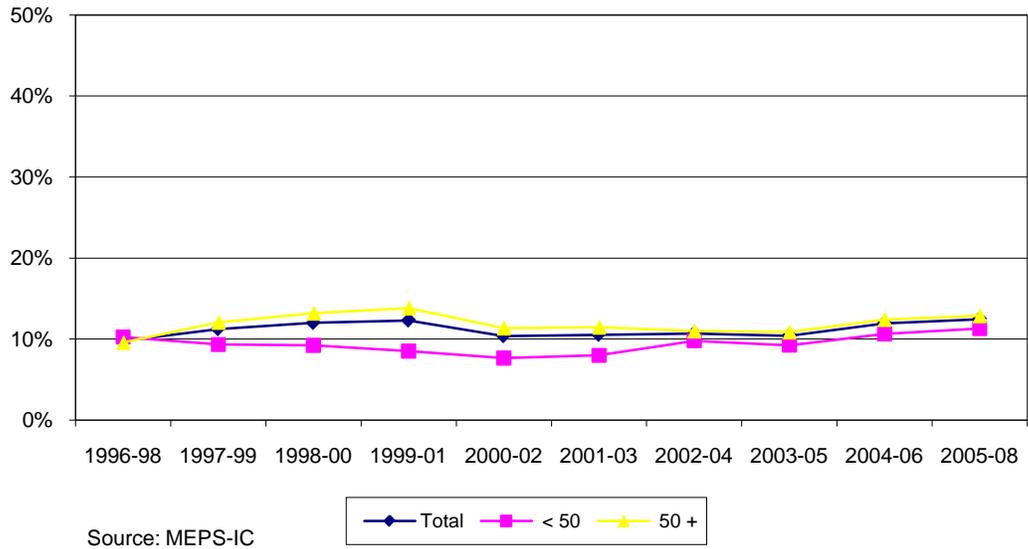
Washington estimates for 2007 and 2008 rely on national premium inflation factors derived from the Kaiser/HRET survey.

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

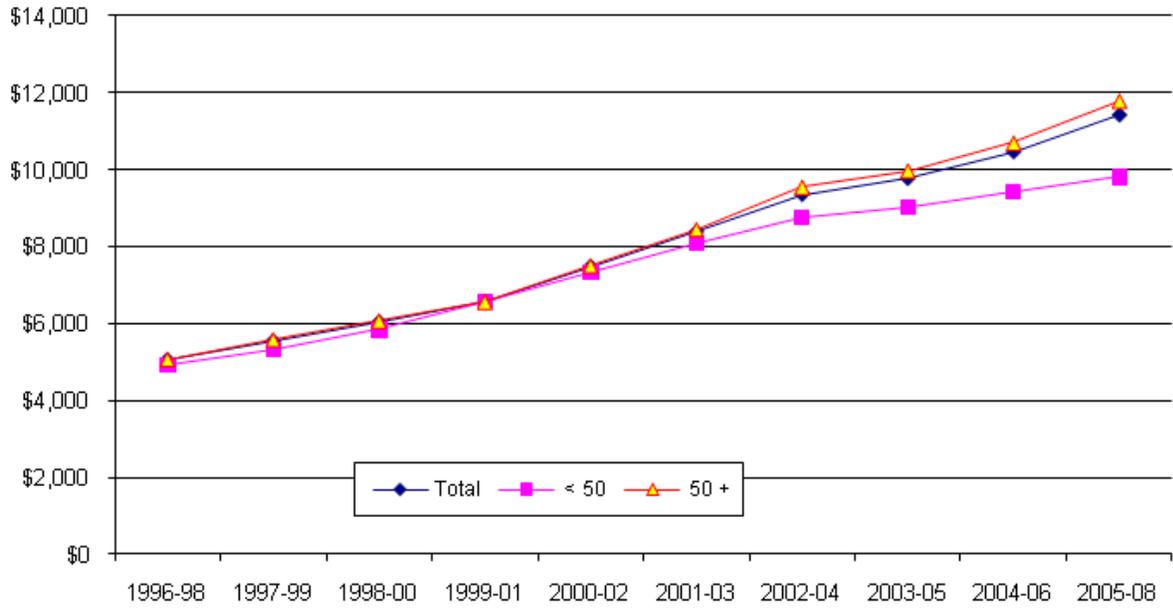


Source: MEPS-IC

Figure 19: Employer Health Insurance Employee Share of Single Premium  
(3-year Moving Averages)

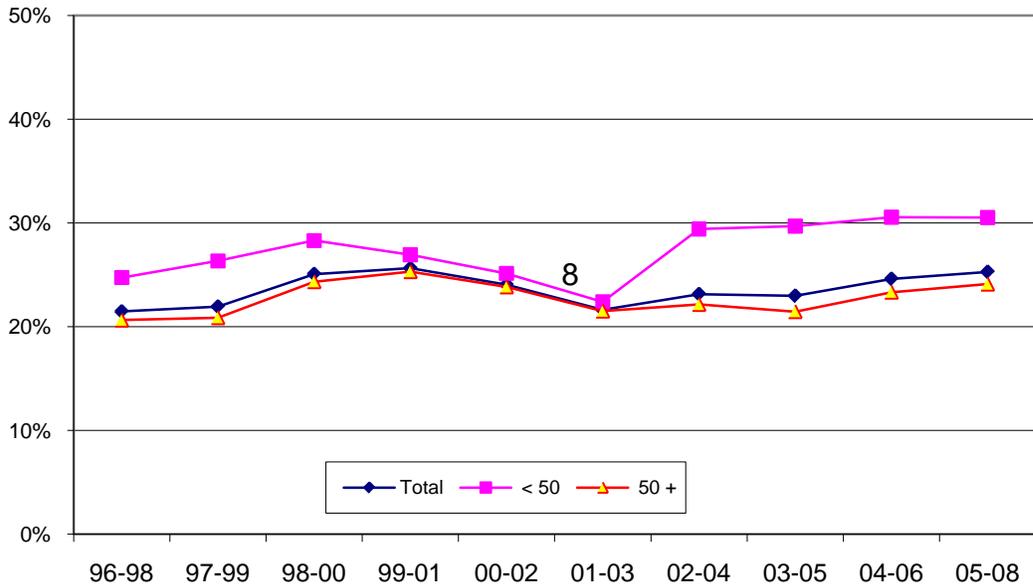


**Figure 20: Employer Health Insurance Average Family Premiums  
(3-Year Moving Averages)**



Source: MEPS-IC

Figure 21: **Employer Health Insurance Employee Share of Family Premium  
(3-year Moving Averages)**



Source: MEPS-IC

Table 21: *Employer-Provided Health Insurance Premiums: Family Coverage*

	Total Premium	Employer Contribution	Employee Contribution	Employee Share
<b>Washington State</b>				
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%
2008 (MEPS-IC)	\$13,036	\$9,778	\$3,258	25%
<b>United States (Kaiser)</b>				
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:**

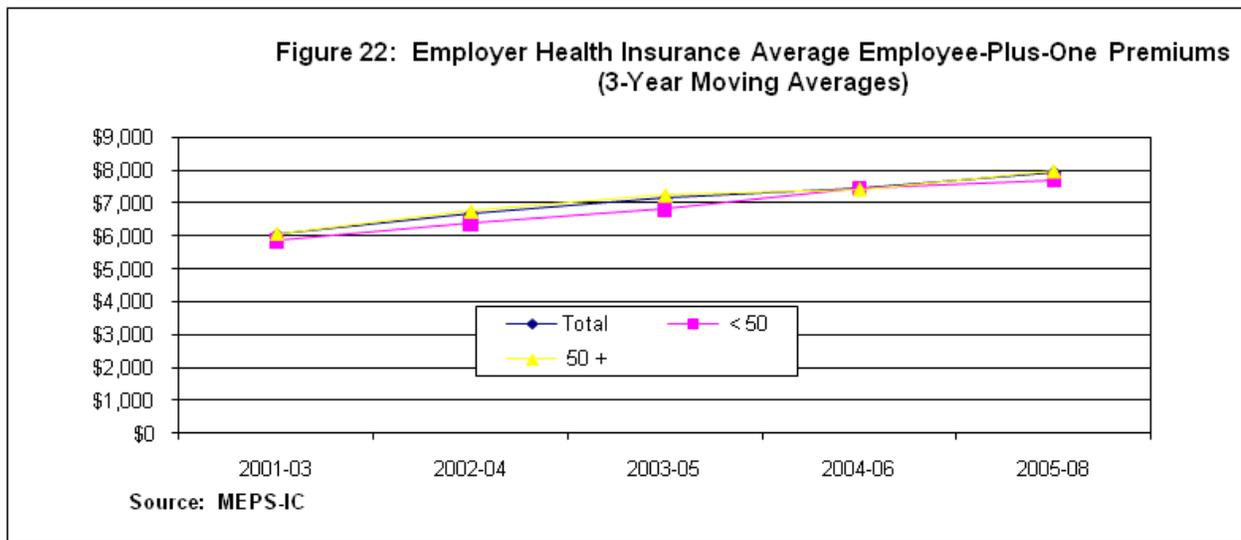
MEPS-IC Survey

Kaiser/HRET Employer Health Benefits Survey (2008)

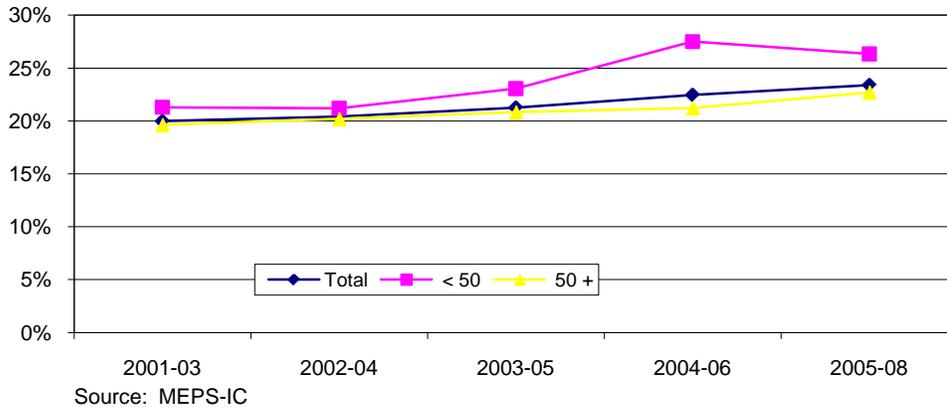
The Washington premiums and contributions for 2004-2008 are taken from *MEPS-IC*.

Table 22: <i>Employer-Provided Health Insurance Premiums:</i> <i>Employee-Plus-One Coverage</i>				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
<b>Washington State</b>				
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%
2008 (MEPS-IC)	\$7,355	\$5,208	\$2,147	29%
<b>United States</b>				
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%
2008 (MEPS-IC)	\$8,535	\$2,303	\$6,232	73%

**Source:**  
MEPS-IC Survey  
Premiums and contributions for 2004-2006 and 2008 are taken from *MEPS-IC*.



**Figure 23: Employer Health Insurance Employee Share of Employee-Plus-One Premium (3-Year Moving Averages)**



### Estimated Employee Premium Contributions

Employee contributions to employer-provided health insurance were also estimated. The average contribution paid by an enrolled employee was \$1,794 per year in 2008. Employees paid 22.2% of the total premium. (See Table 23)

**Table 23: *Employee Contributions to Employer-Provided Health Insurance, by Firm Size, Wages and Industry: Washington 2008***

	<b>Total Employee Contributions (millions \$)</b>	<b>Average Contribution Per Enrollee (\$)</b>	<b>Worker Share of Healthcare Premiums</b>
All Firms	\$2,488	\$1,794	22.2%
Firm Size			
2 - 9	\$120	\$1,247	16.3%
10 - 24	\$193	\$1,690	22.5%
25 - 99	\$454	\$1,928	26.2%
100 - 999	\$891	\$1,925	24.2%
1000 and above	\$830	\$1,736	19.8%
Wage Quartile <sup>(1)</sup>			
Lowest 25% of firms	\$139	\$1,837	24.4%
Second 25% of firms	\$304	\$1,806	24.1%
Third 25% of firms	\$714	\$1,801	22.4%
Highest 25% of firms	\$1,331	\$1,783	21.5%
Industry			
Agriculture, forestry, fishing	\$38	\$1,189	16.2%
Manufacturing	\$377	\$1,619	19.9%
Construction	\$145	\$1,738	22.9%
Transportation & warehousing	\$146	\$1,822	21.1%
Wholesale trade	\$147	\$1,854	23.6%
Finance, insurance, real estate	\$255	\$1,836	21.7%
Retail trade	\$219	\$2,009	29.7%
Professional services <sup>(1)</sup>	\$924	\$1,822	21.6%
Other services <sup>(2)</sup>	\$238	\$1,904	25.8%

Estimates are for private sector firms with two or more employees.  
Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix II* for a discussion of the methodology.

<sup>(1)</sup> 'Professional services' includes information, professional and technical services, educational services and health care.

<sup>(2)</sup> 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

## 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 coverage<sup>17</sup> (single, family, employee-plus-one), and employer premiums for different types of coverage.

Tables 24-25 summarize estimated employer expenditures. Estimates in Table 24 reflect the employer expenditures in 2008 associated with providing comprehensive coverage to *active employees*.<sup>18</sup> 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 \$5,681 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 6.8 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.<sup>19</sup> So, estimates in Table 24 underestimate total employer health care expenditures. Table 25 attempts to address this by inflating the expenditure estimates to reflect the 2008 costs of optional coverage plans.<sup>20</sup> This adjustment increases the estimated employer health expenditures in 2008 to about 7.7 percent of total payrolls

Health insurance premiums have been increasing rapidly, as was shown in Figure 16. Table 26 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 reports<sup>21</sup> 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.

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<sup>17</sup> See *Appendix I* for a detailed description of the estimation methodology.

<sup>18</sup> Costs associated with retiree medical benefits are not included in any of these tables.

<sup>19</sup> 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.

<sup>20</sup> 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.

<sup>21</sup> BLS reports are available at: [http://www.bls.gov/schedule/archives/eccec\\_nr.htm](http://www.bls.gov/schedule/archives/eccec_nr.htm)

**Table 24: Estimated Employer Health Insurance Expenditures for Active Employees:  
Washington 2008**

	Total Health Expenditures	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)	Expenditures Relative to Wages (%)	
		(Millions \$)	All Firms		Firms That Offer	All Firms
	All Firms	\$7,872	\$3,132	\$3,664	\$5,681	6.8%
Firm Size						
2 - 9	\$560	\$1,862	\$3,979	\$5,804	5.7%	10.8%
10 - 24	\$599	\$2,228	\$3,166	\$5,253	6.0%	7.6%
25 - 99	\$1,154	\$2,508	\$2,921	\$4,904	5.9%	6.5%
100 - 999	\$2,518	\$3,229	\$3,364	\$5,442	6.9%	7.2%
1000 and above	\$3,041	\$4,321	\$4,485	\$6,359	7.4%	7.6%
Wage Quartile <sup>(1)</sup>						
Lowest 25% of firms	\$388	\$1,416	\$2,638	\$5,142	12.5%	23.3%
Second 25% of firms	\$866	\$1,970	\$2,776	\$5,142	9.4%	16.1%
Third 25% of firms	\$2,231	\$3,286	\$3,595	\$5,627	9.7%	10.5%
Highest 25% of firms	\$4,387	\$3,914	\$4,093	\$5,877	5.4%	5.5%
Industry						
Agriculture, forestry, fishing	\$177	\$2,196	\$3,102	\$5,574	8.9%	11.9%
Manufacturing	\$1,372	\$4,514	\$4,694	\$5,894	7.2%	7.3%
Construction	\$492	\$2,568	\$4,487	\$5,279	8.7%	11.0%
Transportation & warehousing	\$441	\$3,451	\$3,353	\$6,152	5.1%	6.0%
Wholesale trade	\$428	\$3,657	\$4,036	\$5,413	6.2%	6.8%
Finance, insurance, real estate	\$468	\$4,267	\$2,263	\$6,007	6.4%	7.1%
Retail trade	\$3,041	\$1,941	\$3,996	\$4,302	7.0%	7.2%
Professional services <sup>(2)</sup>	\$834	\$3,779	\$4,632	\$5,997	7.1%	7.4%
Other services <sup>(3)</sup>	\$619	\$1,358	\$2,017	\$4,955	5.2%	6.8%

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). Some of these plans include dental, vision and prescription benefits, and some do not. The costs for optional coverage plans (for dental, vision, prescription, long-term care) are not included in these estimates.

<sup>(1)</sup> Wages refer to average wages (total wages divided by number of employees). In 2008, the lowest 25% of firms have average annual wages of less than \$15,428. The next group has average wages from \$15,428 to \$26,383. The third group has average wages from \$26,383 to \$41,653. The highest group has average wages above \$41,653. Note that these averages include part-time workers.

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

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

**Table 25: Estimated Employer Health Insurance Expenditures Including the Cost  
Optional Coverage: Washington 2008**

	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	\$8,340	\$3,318	\$3,881	\$6,019	7.2%	7.7%
Firm Size						
2 - 9	\$593	\$1,972	\$4,216	\$6,149	6.1%	11.5%
10 - 24	\$634	\$2,361	\$3,354	\$5,565	6.4%	8.1%
25 - 99	\$1,222	\$2,657	\$3,094	\$5,195	6.3%	6.9%
100 - 999	\$2,668	\$3,420	\$3,564	\$5,765	7.3%	7.6%
1000 and above	\$3,222	\$4,577	\$4,752	\$6,736	7.8%	8.0%
Wage Quartile <sup>(1)</sup>						
Lowest 25% of firms	\$411	\$1,500	\$2,794	\$5,447	13.2%	24.6%
Second 25% of firms	\$917	\$2,087	\$2,941	\$5,447	10.0%	17.0%
Third 25% of firms	\$2,363	\$3,482	\$3,808	\$5,962	10.3%	11.2%
Highest 25% of firms	\$4,648	\$4,146	\$4,336	\$6,226	5.7%	5.9%
Industry						
Agriculture, forestry, fishing	\$188	\$2,327	\$3,287	\$5,905	9.4%	12.6%
Manufacturing	\$1,454	\$4,782	\$4,973	\$6,244	7.6%	7.8%
Construction	\$521	\$2,720	\$4,753	\$5,593	9.3%	11.6%
Transportation & warehousing	\$467	\$3,656	\$3,552	\$6,518	5.4%	6.4%
Wholesale trade	\$453	\$3,874	\$4,276	\$5,734	6.5%	7.2%
Finance, insurance, real estate	\$496	\$4,520	\$2,397	\$6,364	6.8%	7.6%
Retail trade	\$3,222	\$2,056	\$4,233	\$4,558	7.4%	7.6%
Professional services <sup>(2)</sup>	\$884	\$4,003	\$4,907	\$6,353	7.5%	7.8%
Other services <sup>(3)</sup>	\$656	\$1,438	\$2,137	\$5,249	5.5%	7.2%

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).

<sup>(1)</sup> Wages refer to average wages (total wages divided by number of employees). In 2008, the lowest 25% of firms have average annual wages of less than \$15,428. The next group has average wages from \$15,428

to \$26,383. The third group has average wages from \$26,383 to \$41,653. The highest group has average wages above \$42,358. Note that these averages include part-time workers.

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

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

Table 26: *Employer Costs for Employee Compensation in Private Industry: United States 2008*  
Average Costs Per Employee Per Hour

	Total Compensation	Wages & Salaries <sup>(1)</sup>	Health Insurance	Health Insurance Costs as as a Percentage of:	
				Total Compensation	Wages & Salaries <sup>(1)</sup>
All Workers	\$27.35	\$20.18	\$1.95	7.1%	9.7%
Pacific Region <sup>(2)</sup>	\$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 <sup>(3)</sup>	\$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*.

<sup>(1)</sup> Includes supplemental pay (overtime premium, shift differentials, and nonproduction bonuses).

<sup>(2)</sup> Includes Alaska, California, Hawaii, Oregon, Washington.

<sup>(3)</sup> Includes food and accommodation.

### Employer Health Insurance Expenditures in Perspective

As shown in Tables 24-25 employer health care costs now accounts for a significant share of employee compensation costs - health care is a major cost of doing business. Tables 27-28 put health insurance expenditures in perspective – Washington firms typically spend more on health care than they pay in Business & Occupation (B&O) Tax. In 2008, businesses with 2 or more employees spent more for health insurance (2.1% of gross business income [GBI] on average) than they did for total state taxes (2.0% of GBI).

Table 27: *Summary of Washington Employer Health Insurance Database, 2008*

**Estimates for private sector firms with 2 or more employees and Gross Business Income > 0**

	Number of Firms	Total Payroll (millions \$)	B&O tax (1) (millions \$)	Total taxes, premiums and contributions (2)		Employer health ins. expend. (no optional)	
				Total (millions \$)	Rate (% of gross business income)	Total (millions \$)	Rate (% of gross business income)
All Firms	102,039	\$ 117,002	\$ 2,641	\$ 7,767	2.0%	\$ 7,872	2.1%
<b>Firm Size</b>							
2 - 9	71,357	\$ 9,777	\$ 346	\$ 1,031	2.1%	\$ 560	1.1%
10 - 24	17,433	\$ 9,942	\$ 271	\$ 847	2.2%	\$ 599	1.5%
25 - 99	9,908	\$ 19,486	\$ 487	\$ 1,558	2.0%	\$ 1,154	1.5%
100 - 999	3,119	\$ 36,455	\$ 782	\$ 2,360	2.0%	\$ 2,518	2.1%
1000 and above	222	\$ 41,342	\$ 755	\$ 1,970	2.1%	\$ 3,041	3.3%
<b>Wage Quartile<sup>(1)</sup></b>							
Lowest 25% of firms	25,519	\$ 3,110	\$ 86	\$ 434	3.2%	\$ 388	2.9%
Second 25% of firms	25,567	\$ 9,198	\$ 209	\$ 907	2.6%	\$ 866	2.5%
Third 25% of firms	25,531	\$ 23,030	\$ 419	\$ 1,507	2.3%	\$ 2,231	3.4%
Highest 25% of firms	25,422	\$ 81,663	\$ 1,928	\$ 4,918	1.8%	\$ 4,387	1.6%
<b>Industry</b>							
Agricultures, forestry, fishing	4,755	\$ 1,992	\$ 10	\$ 143	8.7%	\$ 177	10.7%
Manufacturing	5,698	\$ 19,075	\$ 476	\$ 1,121	1.2%	\$ 1,372	1.5%
Transportation and warehousing	2,702	\$ 5,622	\$ 97	\$ 396	2.1%	\$ 492	1.3%
Construction	14,710	\$ 8,707	\$ 181	\$ 1,010	2.7%	\$ 441	3.5%
Wholesale trade	7,034	\$ 6,951	\$ 299	\$ 560	0.9%	\$ 428	0.8%
Retail trade	10,652	\$ 7,303	\$ 264	\$ 614	1.1%	\$ 468	2.9%
Professional services (3)	23,690	\$ 43,517	\$ 669	\$ 1,973	3.8%	\$ 3,041	0.9%
Finance, Insurance, Real Estate	7,519	\$ 11,816	\$ 446	\$ 973	2.8%	\$ 834	6.2%
Other services (4)	25,279	\$ 12,018	\$ 200	\$ 975	3.6%	\$ 619	2.4%

(1) B&O include 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 28: Employer Health Insurance Expenditures as a Percentage of Wages and Gross Business Income, All Firms, Washington 2008**

	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 <sup>22</sup>	Health Exp. Incl. Optional as % of Wages	Health Exp. Incl. Optional as % of GBI
All Firms	\$117,002	\$379,765	\$7,872	\$8,340	6.7%	2.1%	7.1%	2.2%
Firm Size								
2 - 9	\$9,777	\$49,695	\$560	\$593	5.7%	1.1%	6.1%	1.2%
10 - 24	\$9,942	\$39,244	\$599	\$634	6.0%	1.5%	6.4%	1.6%
25 - 99	\$19,486	\$76,826	\$1,154	\$1,222	5.9%	1.5%	6.3%	1.6%
100 - 999	\$36,455	\$120,983	\$2,518	\$2,668	6.9%	2.1%	7.3%	2.2%
1000 and above	\$41,342	\$93,017	\$3,041	\$3,222	7.4%	3.3%	7.8%	3.5%
Wage Quartile <sup>(1)</sup>								
Lowest 25% of firms	\$3,110	\$13,566	\$388	\$411	12.5%	2.9%	13.2%	3.0%
Second 25% of firms	\$9,198	\$34,245	\$866	\$917	9.4%	2.5%	10.0%	2.7%
Third 25% of firms	\$23,030	\$65,139	\$2,231	\$2,363	9.7%	3.4%	10.3%	3.6%
Highest 25% of firms	\$81,663	\$266,815	\$4,387	\$4,648	5.4%	1.6%	5.7%	1.7%
Industry								
Agr., forestry, fishing	\$1,992	\$1,650	\$178	\$189	9.0%	10.8%	9.5%	11.5%
Manufacturing	\$19,075	\$94,563	\$1,369	\$1,451	7.2%	1.4%	7.6%	1.5%
Construction	\$8,707	\$36,883	\$439	\$465	5.0%	1.2%	5.3%	1.3%
Transpo. and warehousing	\$5,622	\$18,643	\$613	\$650	10.9%	3.3%	11.6%	3.5%
Wholesale trade	\$6,951	\$59,556	\$432	\$458	6.2%	0.7%	6.6%	0.8%
Finance, ins.& real estate	\$10,546	\$27,576	\$743	\$787	7.0%	2.7%	7.5%	2.9%
Retail trade	\$7,303	\$54,901	\$463	\$491	6.3%	0.8%	6.7%	0.9%
Professional services <sup>(2)</sup>	\$43,517	\$52,242	\$3,057	\$3,239	7.0%	5.9%	7.4%	6.2%
Other services <sup>(3)</sup>	\$12,018	\$26,922	\$614	\$651	5.1%	2.3%	5.4%	2.4%

<sup>(1)</sup> Wage Quartiles are based on average wages (total wages divided by number of employees). The lowest 25% of firms have avg. annual wages of less than \$15,428. The next group has avg. wages from \$15,428 to \$26,383.

The third group has average wages from \$26,383 to \$41,653. The highest group has average wages above \$41,653.

Note that these averages include part-time workers.

<sup>(2)</sup> Professional services include information, professional and technical services, educational services and health care.

<sup>(3)</sup> 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.

<sup>22</sup> Note that there are differences in data between 2006 and 2008 for this table. The main difference is that in 2006, NAICS 55, 21 and 22 were excluded due to small sample size. In order to compare the total percentages for 2006 and 2008, the 2008 percentages were calculated with NAICS 55, 21 and 22 excluded. With these NAICS excluded the trend is that health care expenditures as a percentage of wages and GBI has increased slightly from 2006. Without the NAICS, the 2008 percentage of expenditures divided by wages are 6.9% and 7.3% with optional.

## 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 102,039 firms in the *Employer Health Insurance Database (EHID)* were synthetically estimated using data from two surveys—the *2008 Washington Employee Benefits Survey (EBS)* and the *2008 Medical Expenditure Panel Survey—Insurance Component (MEPS-IC)*.

### Firm level health insurance sponsor status

*EBS* data were used to synthetically estimate offer statuses of firms in the *EHID*. First, for firms that responded to the survey, *EBS* data was merged into the *EHID* on a firm level basis. Methodology for other firms follows. The firms that responded to the *EBS* were stratified into groups based on firm size, industry and average wage levels.<sup>23</sup> 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 *2008 Employee Benefits Survey* report. The validity of the procedure ultimately depends upon how representative the *EBS* survey responses are; the *EBS* response rate was 61.9 percent.

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

Report enrollment rates by industry are based on *MEPS-IC* data. The 2008 average enrollment rate in Washington is around 55 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 (2005-08) for firm size-industry groups were calculated for the United States. These rates were then scaled by an adjustment factor comparing the relationship between Washington and the US, to produce the employment-weighted average rates observed for Washington<sup>24</sup> in Table 29.

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<sup>23</sup> 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.

<sup>24</sup> The employment weights were derived from the firm size-industry employment levels observed for Washington.

Three Year Average Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	66%	49%	53%	52%	75%
Manufacturing	70%	68%	72%	80%	86%
Construction	71%	65%	65%	58%	69%
Transportation & warehousing	67%	62%	65%	71%	77%
Wholesale trade	76%	72%	73%	76%	79%
Finance, insurance, real estate	75%	73%	74%	76%	80%
Retail trade	63%	52%	55%	56%	46%
Professional services	69%	63%	63%	63%	71%
Other services	60%	46%	36%	38%	44%
Employment-Weighted Average	63.5%				
Source: Estimated from <i>MEPS-IC</i> 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.

(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 4,394	\$ 4,349	\$ 3,934	\$ 3,035	\$ 3,082
Mining and Manufacturing	\$ 3,960	\$ 3,386	\$ 3,187	\$ 3,365	\$ 3,523
Construction	\$ 3,828	\$ 3,284	\$ 3,168	\$ 3,218	\$ 3,306
Utilities	\$ 3,872	\$ 3,318	\$ 3,156	\$ 3,776	\$ 3,669
Wholesale trade	\$ 4,208	\$ 3,601	\$ 3,383	\$ 3,375	\$ 3,384
Finance, insurance, real estate	\$ 4,499	\$ 4,092	\$ 3,877	\$ 3,907	\$ 3,477
Retailing	\$ 3,830	\$ 3,406	\$ 2,968	\$ 2,868	\$ 2,988
Professional services	\$ 4,181	\$ 4,008	\$ 3,833	\$ 3,878	\$ 3,955
Other services	\$ 4,014	\$ 3,911	\$ 3,510	\$ 3,349	\$ 3,146
Employment -Weighted Average	\$ 3,835				
Source: Estimated from <i>MEPS-IC</i> data					

<b>Table 31: Employer contributions to Family Premiums: Washington 2005 – 2008 Three Year Average</b>					
(\$ per enrollee per year)					
<b>Industry</b>	<b>Firm Size</b>				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 8,022	\$ 10,075	\$ 9,946	\$ 10,509	\$ 6,382
Mining and Manufacturing	\$ 9,469	\$ 7,840	\$ 8,127	\$ 8,826	\$ 9,631
Construction	\$ 9,160	\$ 8,157	\$ 8,264	\$ 9,283	\$ 8,243
Utilities	\$ 9,668	\$ 8,450	\$ 9,079	\$ 9,469	\$ 10,258
Wholesale trade	\$ 9,954	\$ 8,098	\$ 7,948	\$ 8,687	\$ 10,075
Finance, insurance, real estate	\$ 10,331	\$ 9,937	\$ 8,835	\$ 9,862	\$ 9,730
Retailing	\$ 9,193	\$ 8,087	\$ 6,242	\$ 6,303	\$ 8,092
Professional services	\$ 9,991	\$ 8,893	\$ 8,151	\$ 8,910	\$ 10,698
Other services	\$ 9,260	\$ 9,201	\$ 8,167	\$ 8,049	\$ 8,403
Employment -Weighted Average	\$ 9,778				
Source: Estimated from <i>MEPS-IC</i> data					

<b>Table 32: Employer contributions to Employee-Plus-One Premiums: Washington 2005 – 2008, Three year aver</b>					
(\$ per enrollee per year)					
<b>Industry</b>	<b>Firm Size</b>				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 7,154	\$ 6,962	\$ 6,724	\$ 5,374	\$ 4,799
Mining and Manufacturing	\$ 6,403	\$ 5,645	\$ 5,160	\$ 5,829	\$ 6,214
Construction	\$ 6,471	\$ 5,057	\$ 4,631	\$ 5,326	\$ 5,381
Utilities	\$ 5,046	\$ 4,907	\$ 4,668	\$ 6,573	\$ 6,099
Wholesale trade	\$ 6,699	\$ 5,912	\$ 5,385	\$ 5,486	\$ 6,014
Finance, insurance, real estate	\$ 6,542	\$ 7,249	\$ 5,836	\$ 6,008	\$ 5,883
Retailing	\$ 6,666	\$ 5,107	\$ 4,328	\$ 4,131	\$ 5,016
Professional services	\$ 6,514	\$ 5,807	\$ 5,679	\$ 5,790	\$ 6,609
Other services	\$ 6,338	\$ 5,888	\$ 5,068	\$ 5,276	\$ 5,266
Employment -Weighted Average	\$ 5,208				
Source: Estimated from <i>MEPS-IC</i> 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.

<b>Table 33: Percentage of Enrollees in Single Coverage: Washington</b>					
3 year average: 2005-2008		Firm Size			
Industry	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	52%	60%	65%	55%	51%
Mining and Manufacturing	61%	59%	53%	44%	37%
Construction	54%	55%	53%	47%	47%
Utilities	58%	51%	51%	48%	42%
Wholesale trade	61%	58%	54%	47%	40%
Finance, insurance, real estate	58%	57%	56%	52%	43%
Retailing	66%	63%	61%	60%	56%
Professional services	64%	64%	64%	58%	44%
Other services	63%	62%	65%	61%	52%
Employment -Weighted Average	55%				

Source: Estimated from MEPS-IC data

<b>Table 34: Percentage of Enrollees in Family Coverage: Washington</b>					
3 year average: 2005-2008		Firm Size			
Industry	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	30%	25%	24%	31%	34%
Mining and Manufacturing	24%	24%	27%	34%	38%
Construction	29%	28%	28%	34%	32%
Utilities	28%	30%	30%	31%	33%
Wholesale trade	25%	27%	28%	33%	34%
Finance, insurance, real estate	26%	27%	25%	29%	32%
Retailing	22%	22%	24%	25%	23%
Professional services	22%	21%	21%	25%	33%
Other services	24%	23%	21%	23%	27%
Employment -Weighted Average	27%				

Source: Estimated from MEPS-IC data

Table 35: <i>Percentage of Enrollees in Employee-Plus-One Coverage: Washington</i> 3 year average: 2005-2008					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	18%	15%	12%	13%	15%
Mining and Manufacturing	15%	16%	20%	22%	25%
Construction	17%	17%	19%	18%	21%
Utilities	14%	19%	19%	20%	25%
Wholesale trade	15%	15%	18%	20%	26%
Finance, insurance, real estate	15%	15%	19%	19%	25%
Retailing	13%	15%	15%	15%	21%
Professional services	14%	14%	15%	17%	23%
Other services	13%	14%	14%	16%	20%
Employment -Weighted Average	18%				
Source: Estimated from <i>MEPS-IC</i> data					

**Employer Total Costs**

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:

$$\begin{aligned} \text{Employer health insurance expenditure} = & \\ & (\text{total enrolled}) * (\text{percent in single coverage}) * (\text{employer contribution for single coverage}) + \\ & (\text{total enrolled}) * (\text{percent in family coverage}) * (\text{employer contribution for family coverage}) + \\ & (\text{total enrolled}) * (\text{percent in employee-plus-one coverage}) * (\text{employer contribution for employee-plus-one coverage}) \end{aligned}$$

These estimates reflect employer<sup>25</sup> 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. (See Table 25.)

**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.

<sup>25</sup> Employee contributions are not included in these figures. These are reported separately.

<b>Table 36: Employee contributions to Single Premiums: Washington 200</b>					
(\$ per enrollee per year) <b>Industry</b>	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 431	\$ 431	\$ 431	\$ 431	\$ 431
Mining and Manufacturing	\$ 468	\$ 634	\$ 661	\$ 630	\$ 620
Construction	\$ 519	\$ 652	\$ 650	\$ 620	\$ 712
Utilities	\$ 809	\$ 899	\$ 871	\$ 829	\$ 666
Wholesale trade	\$ 514	\$ 577	\$ 718	\$ 669	\$ 643
Finance, insurance, real estate	\$ 493	\$ 547	\$ 680	\$ 629	\$ 751
Retailing	\$ 620	\$ 813	\$ 871	\$ 928	\$ 778
Professional services	\$ 491	\$ 536	\$ 671	\$ 698	\$ 675
Other services	\$ 607	\$ 712	\$ 785	\$ 877	\$ 898
Employment -Weighted Average	\$ 683				
Source: Estimated from <i>MEPS-IC</i> data					

<b>Table 37: Employee contributions to Family Premiums: Washington 2008</b>					
(\$ per enrollee per year) <b>Industry</b>	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 2,151	\$ 2,151	\$ 2,151	\$ 2,151	\$ 2,151
Mining and Manufacturing	\$ 2,265	\$ 3,310	\$ 3,246	\$ 2,408	\$ 2,177
Construction	\$ 2,036	\$ 3,117	\$ 3,224	\$ 2,825	\$ 2,983
Utilities	\$ 2,564	\$ 4,184	\$ 3,303	\$ 3,152	\$ 2,376
Wholesale trade	\$ 1,773	\$ 3,244	\$ 3,813	\$ 3,454	\$ 2,436
Finance, insurance, real estate	\$ 2,547	\$ 3,402	\$ 3,748	\$ 3,123	\$ 2,901
Retailing	\$ 2,408	\$ 3,669	\$ 4,321	\$ 4,441	\$ 3,032
Professional services	\$ 2,565	\$ 3,760	\$ 4,414	\$ 3,959	\$ 2,755
Other services	\$ 2,386	\$ 3,124	\$ 3,622	\$ 4,166	\$ 3,744
Employment -Weighted Average	\$ 3,258				
Source: Estimated from <i>MEPS-IC</i> data					

Table 38: <i>Employee contributions to Employee-Plus-One Premiums: Washington 2008</i>					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$ 1,472	\$ 1,472	\$ 1,472	\$ 1,472	\$ 1,472
Mining and Manufacturing	\$ 1,629	\$ 1,771	\$ 2,289	\$ 1,748	\$ 1,376
Construction	\$ 1,314	\$ 2,057	\$ 2,475	\$ 2,114	\$ 2,051
Utilities	\$ 2,021	\$ 2,652	\$ 2,733	\$ 2,032	\$ 1,656
Wholesale trade	\$ 1,472	\$ 1,930	\$ 2,445	\$ 1,885	\$ 1,518
Finance, insurance, real estate	\$ 2,010	\$ 1,827	\$ 2,446	\$ 2,287	\$ 1,792
Retailing	\$ 1,407	\$ 2,835	\$ 2,766	\$ 2,860	\$ 1,951
Professional services	\$ 1,682	\$ 2,349	\$ 2,593	\$ 2,363	\$ 1,744
Other services	\$ 1,701	\$ 2,091	\$ 2,501	\$ 2,486	\$ 2,233
Employment -Weighted Average	\$ 2,147				

Source: Estimated from *MEPS-IC* data

## Appendix II: Probability of an Employer Coverage Offer

Logistic regressions were estimated using data from the *2008 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 390 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 (3.418) 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 information industry are more than 3.4 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 .497 times that of the economy-wide average firm.

The average wage variable shows that firms with wages above median wage are over 5 times (5.38) more likely than firms below median wage to offer health insurance.

**Table 39: *Probability of Employer Health Insurance Offer:*  
*Logistic Regression Dependent Variable: Offer Status***

<b>Variable</b>	<b>Odds Ratio Estimates</b>	<b>95% Wald Confidence Limits</b>	
Median Wage (based on average firm wages)	5.38	5.21	5.556
Firm Size compared to 2-9 employee firms			
10-24	3.418	3.273	3.569
25-49	6.34	5.887	6.828
50-99	12.744	11.230	14.462
100-499	24.704	20.513	29.751
500+	33.845	21.048	54.422
Industry Variables (compared to the economy as a whole)			
Agriculture, forestry, fishing	0.294	0.269	0.32
Construction	0.497	0.466	0.53
Manufacturing	1.192	1.024	1.387
Wholesale trade	2.73	2.519	2.958
Retail trade	0.475	0.441	0.512
Transportation & warehousing	0.903	0.808	1.01
Information	3.412	2.927	3.977
Finance & insurance	2.567	2.316	2.844
Real estate & rental	0.613	0.56	0.67
Professional & technical services	4.239	3.921	4.582
Administrative and support services	0.301	0.278	0.327
Educational services	0.579	0.511	0.657
Health care and social assistance	0.911	0.85	0.976
Arts, entertainment & recreation	0.331	0.066	0.077
Accommodation and food services	0.071	0.066	0.077
Other services	0.596	0.554	0.641
Number of observations (firms)	100,699		
Model Statistics			
Akaike Information Criterion	100,511		
Percent concordant pairs	82.4		
Somers's D	0.667		