

# Data Bulletin

Findings from the Medical Expenditure Panel Survey – Insurance Component



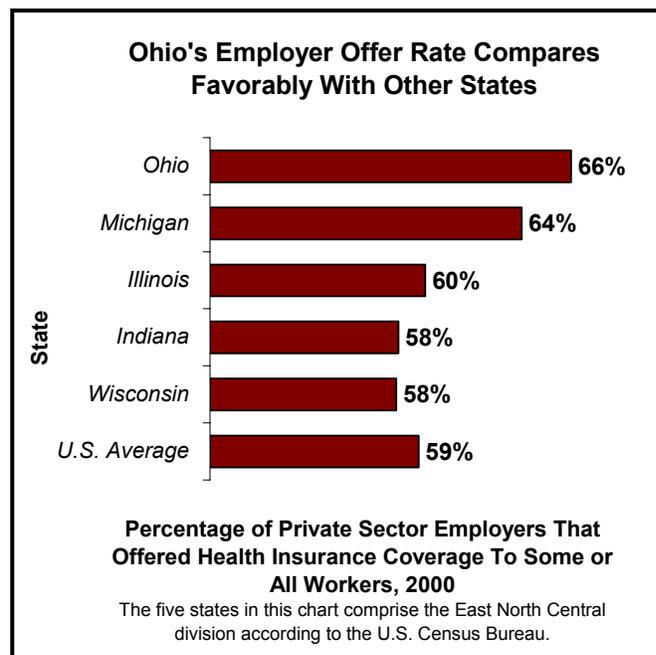
## Employer Sponsored Health Insurance Coverage in Ohio, 2000

By Dave Dorsky

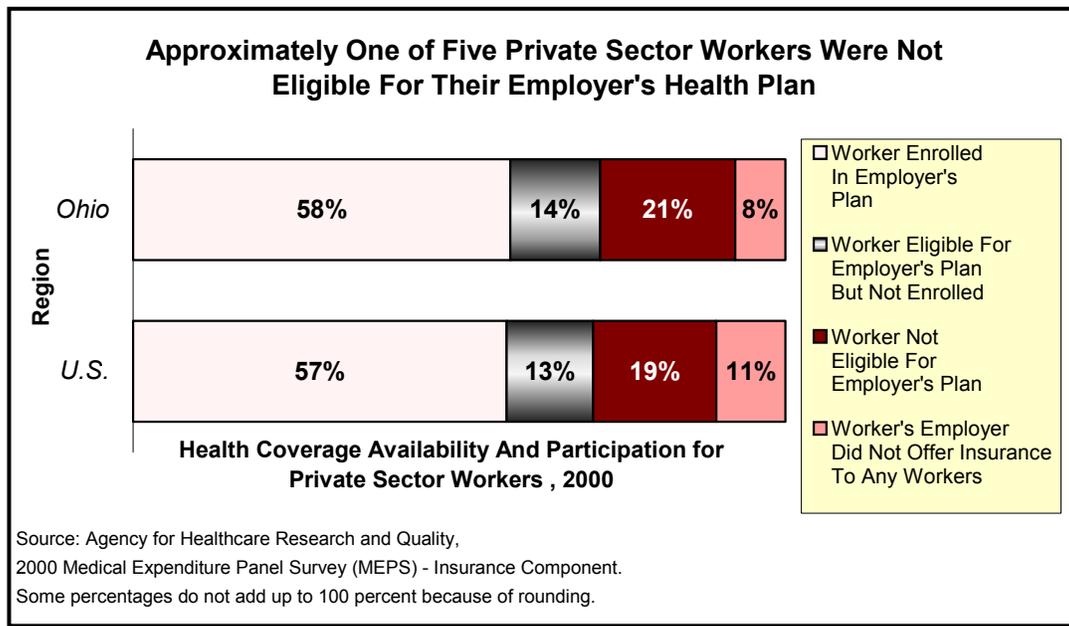
Center for Public Health Data and Statistics  
January, 2003

**Two-thirds (66 percent) of Ohio's private sector employers offered health insurance coverage to some or all of their employees, compared to 59 percent of U.S. firms.**

- Ohio's employer offer rate was also significantly higher than most other Midwestern states.
- Only 8 percent of Ohio workers were employed by a firm without a health insurance plan, versus 11 percent of U.S. workers.<sup>a</sup> However, many workers are not eligible for their employer's health plan because they do not work enough hours to qualify for benefits, have not fulfilled a waiting period for benefits, or work for a company that only offers benefits to certain classes of employees such as management or union workers.
- Approximately one of five Ohio workers (21 percent) and U.S. workers (19 percent) were not eligible for their employer's health plan.
- Many eligible workers do not enroll for coverage because they have other insurance, or they are unable or unwilling to pay the required employee share of the premium. More than one of ten Ohio and U.S. workers were eligible for but not enrolled in their company's health plan.



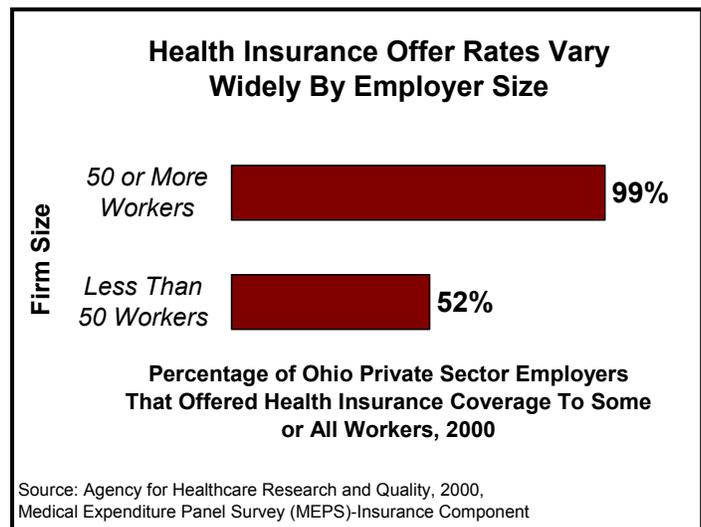
<sup>a</sup> The percentage of workers offered insurance is much greater than the percentage of firms that offer insurance because most employees work for large firms that typically offer coverage, while most firms are small companies less likely to offer insurance.



- From 1998 to 2000, the percentage of Ohio workers eligible for health coverage through their job did not change significantly.<sup>b</sup> However, the percentage of eligible employees who declined coverage increased from 15 percent to 19 percent, mirroring national trends. A sharp rise in required employee premium contributions is a likely contributor to this trend.

### Small businesses are much less likely than large employers to offer coverage to any workers.<sup>c</sup>

- Only about half (52 percent) of small businesses in Ohio offered coverage to any employees, while nearly all (99 percent) of large businesses offered coverage. Similar disparities existed nationwide.
- Among employees in firms that offered insurance, eligibility rates did not vary significantly by employer size. However, eligible workers in large Ohio firms were more likely to enroll than their counterparts in small firms (83 percent versus 73 percent).

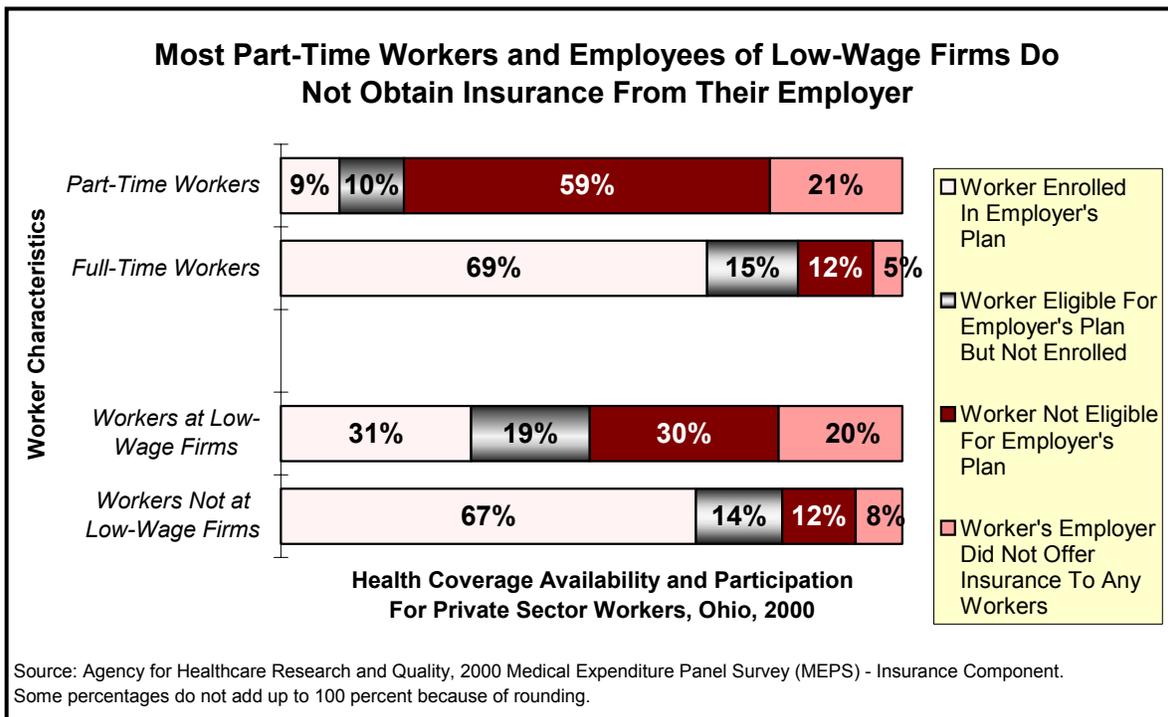


<sup>b</sup> The percentage of employees in establishments that offered health insurance increased significantly, but this was offset by a decline in the percentage of eligible employees among firms that offered coverage. In the U.S., there was a slight increase in both categories.

<sup>c</sup> Unless otherwise stated, small businesses are firms with less than 50 employees, while large businesses are firms with 50 or more employees.

**Most part-time workers and half of all workers at low-wage firms did not have access to a health plan through their employer.<sup>d</sup>**

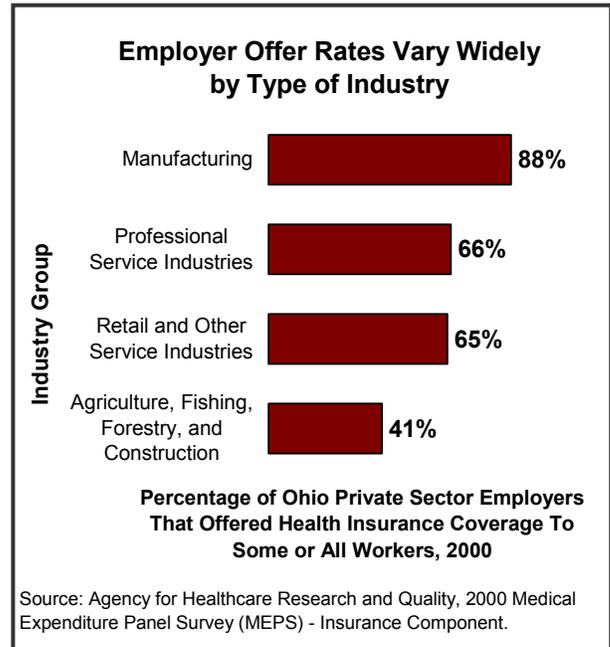
- Nearly three of five part-time workers (59 percent) were not eligible for their employer’s health plan. In addition, about one of five part-time workers (21 percent) were employed by a firm that did not offer coverage to any employees. In contrast, more than four of five full-time workers (84 percent) were eligible to participate in a health insurance plan sponsored by their employer.
- Even when coverage is available for part-time workers, it is often not affordable because of relatively high employee contribution and low income levels. Only 9 percent of part-time workers were enrolled in a health plan sponsored by their employer, compared to about two-thirds (69 percent) of full-time workers. The percentage of eligible part-time workers who enrolled for coverage declined from 64 percent in 1998 to 48 percent in 2000 (not shown). Among eligible full-time workers, 83 percent enrolled in 2000, down from 87 percent in 1998.
- Low-wage firms were less likely than other businesses to offer coverage to any employees (56 percent versus 67 percent). Only half (50 percent) of workers at low-wage firms had access to a health plan sponsored by their employer, versus 81 percent of workers at other firms.
- Only about one-third (31 percent) of workers at low-wage firms were insured by their employer, compared to two-thirds (67 percent) of workers at other firms. Even when eligible for coverage, workers at low-wage firms had substantially lower enrollment rates than their higher-wage counterparts (62 percent versus 83 percent).



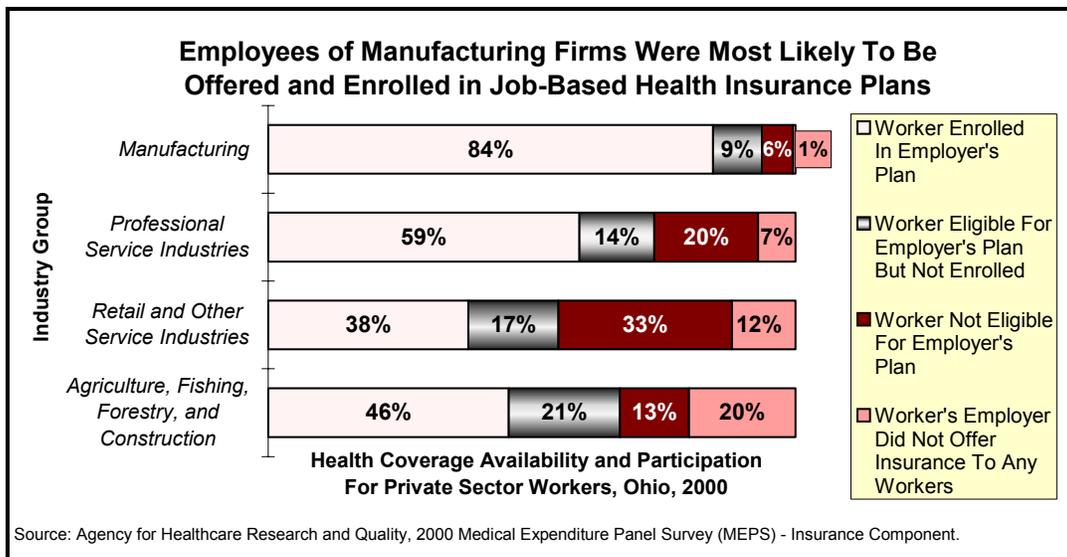
<sup>d</sup> Low-wage firms are employers reporting that 50 percent or more of their workers were low-wage. Low-wage is defined as earnings at or below \$9.50 per hour, which was the 25<sup>th</sup> percentile for all hourly wages in the United States based on data from the Bureau of Labor Statistics. The definition of part-time varied by employer, but was generally less than 35 hours per week.

**Employers in manufacturing industries were most likely to offer coverage.**

- Nearly nine of ten employers in the manufacturing industries (88 percent) offered health insurance to some or all employees, compared to less than half (41 percent) of employers in the agriculture, fishing, forestry, and construction industries. About two-thirds of retail and service employers offered coverage<sup>e</sup>
- One-third (33 percent) of retail and other service employees were not eligible for their employer’s health plan, compared to only 6 percent of workers in manufacturing. The relatively high percentage of part-time workers in the retail and service industries is a major contributor to this difference since part-time workers are much less likely to be eligible for coverage. However, retail and service workers also had the lowest eligibility rates among full-time employees.



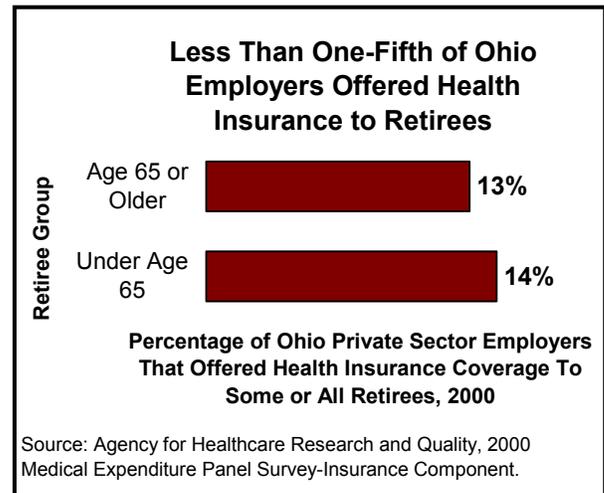
- Nearly one-third of eligible workers in the retail, other service, agriculture, fishing, forestry, and construction industries declined an insurance offer from their employer, versus only 10 percent of eligible manufacturing employees and 19 percent of eligible professional services employees. Relatively high required employee premium contributions in the retail and other services industries are a likely contributor to low enrollment rates for those employees. The average required annual employee contribution for retail and service employees was \$622.26 for single coverage and \$1,838.33 for family coverage, compared to \$476.81 and \$1,086.12 for manufacturing employees. Retail and service employees are more likely to be low wage as well.



<sup>e</sup> State level data from the MEPS is limited to these general industry groupings. The manufacturing category also includes a small number of mining employers and workers. The retail and other services category also includes “unknown”. An “All Others” category is not shown.

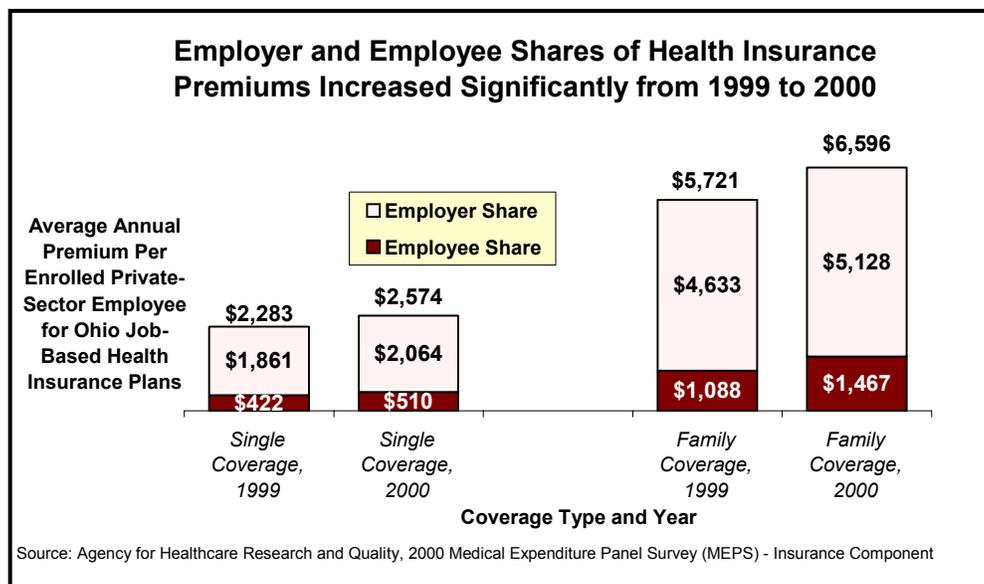
**Most retirees do not have access to health insurance coverage through a former employer.**

- In 2000, only one of seven Ohio employers (14 percent) offered health insurance coverage to retirees under age 65. Lack of job-based insurance for early retirees can put their access to health care at risk since coverage for some health conditions may be unaffordable or unavailable.
- One of eight Ohio employers (13 percent) offered health insurance to retirees age 65 and older. For most senior retirees, job-based insurance supplements Medicare. Employer provided health plans for seniors typically assist with cost sharing and cover items not included in Medicare such as prescription drugs.
- Retiree offer rates for Ohio employers were close to national and regional averages.<sup>f</sup>
- Few small companies offer retiree benefits. According to a recent national survey, only 5 percent of firms with less than 200 employees offered any retiree coverage, versus one-third (34 percent) of larger firms.<sup>1</sup>



**From 1999 to 2000, average premiums for job-based health insurance in Ohio increased by 13 percent for single coverage and 15 percent for family coverage.**

- Many employers responded to premium increases by substantially raising the require employee contribution, especially for family coverage. From 1999 to 2000, the average employee premium share



<sup>f</sup> Ohio employer offer rates for retirees appeared to be slightly higher than national and regional averages, but differences were not statistically significant.

for family coverage in Ohio increased by nearly 50 percent.<sup>g</sup> Ohio's average required employee contribution in 2000 was significantly higher than Michigan, but consistent with most other U.S. and Midwestern states.

- Required employee contributions at low-wage firms were substantially higher than at other firms. The average required Ohio employee share for family coverage was \$2,004.92 at low-wage firms and \$1,286.96 at other firms.<sup>h</sup>
- 2000 premiums for Ohio employers were close to the national average and several other Midwestern states. However, on average Ohio employers paid significantly less than Illinois and Michigan employers.

Average premium levels and increases were similar for small and large firms. However, averages disguise greater variability of premiums among small firms. Large firms typically have a large number of healthy, low-risk enrollees that subsidize a relatively small number of high risks. On the other hand, many small businesses have a disproportionate number of high risks that make them uninsurable or forced to pay very high premiums, while others can obtain relatively low "preferred" rates because they have no high risks. The higher worker turnover in small firms also contributes to premium volatility.<sup>2</sup>

### **Recent trends suggest that Ohio is experiencing erosion of job-based health coverage.**

From 2000 to 2002, Ohio along with the rest of the country experienced an economic downturn while health care costs soared. During this period, average premiums for employer-sponsored health plans in the U.S. increased by 25 percent. Most employers responded to these cost increases and a struggling economy by increasing the employee share of premiums. From 2000 to 2002, required employee premium contributions in the U.S. increased by 37 percent for single coverage and 26 percent for family coverage. Some small employers responded by dropping coverage entirely. The percentage of U.S. firms with less than 200 employees that offered coverage to any workers declined from 67 percent to 61 percent.<sup>1</sup> From 2000 to 2001, the percentage of Ohio workers ages 18 to 64 with coverage through their own or another family member's work declined from 80 percent to 78 percent.<sup>3</sup>

Health insurance premiums are widely expected to increase by more than 10 percent in 2003, marking the third consecutive year of double-digit increases.<sup>4</sup> More firms are expected to decide that offering health insurance to employees is no longer affordable. In one recent national survey, five percent of employers reported that they were very likely or somewhat likely to drop coverage.<sup>1</sup> Substantial additional increases in required employee contributions are also likely, resulting in further erosion of coverage. Employees of small businesses may be especially vulnerable to losing their job-based health insurance. One-sixth (17 percent) of U.S. firms with less than 25 employees recently reported that they were likely to respond to continued double-digit premium increases by no longer offering coverage.<sup>5</sup>

Low-income and part-time employees are also at especially high risk for losing job-based coverage. Compared to full-time and higher income workers, part-time and low-income employees are already disadvantaged in several ways. Low-income and part-time workers are less likely to work for an employer that offers insurance. Even when they work for a firm that does sponsor coverage, these employees are much less likely to be eligible

<sup>g</sup> The average reported increase for single coverage was 23 percent, but this was not statistically significant. Large variances in the required employee share resulted in average estimates that were relatively imprecise, limiting the ability to detect all but very large differences.

<sup>h</sup> The disparity for single coverage in Ohio was much smaller (\$550.36 versus \$441.37) and was not statistically significant. However, similar disparities nationally and in most other states suggest that the reported difference for single coverage in Ohio represents an actual disparity rather than survey margin of error.

for the plan. Finally, since their required premium contributions tend to be higher despite lower wages, part-time and low-income workers eligible for coverage are more likely to have difficulty absorbing any future cost increases.

## NOTES

All statistics unless otherwise stated are based on the Medical Expenditure Panel Survey – Insurance Component (MEPS-IC), Agency for Healthcare Research and Quality (AHRQ), Center for Cost Financing Studies. The MEPS-IC is an annual nationwide survey of business establishments that collects information about employer-sponsored health insurance in the United States. This report summarizes Ohio-specific information from detailed tables that are published on AHRQ’s web site at [http://www.meps.ahrq.gov/Data\\_Pub/IC\\_Tables.htm](http://www.meps.ahrq.gov/Data_Pub/IC_Tables.htm).

In 2000, the MEPS-IC incorporated significant changes in industry classification and the definition of low-wage firms. Therefore, 2000 summaries by industry and wage level are not directly comparable to earlier years.

References to statistical significance refer to 90% confidence intervals and are based on the standard errors published in the AHRQ MEPS-IC tables.

The information in this report is not directly comparable to results from household surveys such as the Current Population Survey or the Ohio Family Health Survey. These surveys differ in target population, sample design, content, and mode of administration. Reported differences between surveys may be the result of these and other methodological differences rather than actual variation or change in the population.

Additional information about the MEPS-IC survey methodology, tables, and publications is available from the AHRQ web site at <http://www.meps.ahrq.gov/MEPSDATA/ic/2000/technote2000.htm>.

## REFERENCES

- <sup>1</sup> *Employer Health Benefits, 2002 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust.
- <sup>2</sup> *Are Health Insurance Premiums Higher for Small Firms*, The Synthesis Project, Policy Brief #2, The Robert Wood Johnson Foundation, September 2002.
- <sup>3</sup> *Health Insurance Coverage in Ohio, 1999-2001*, Ohio Department of Health, Center for Public Health Data and Statistics.
- <sup>4</sup> “Health Care Cost Increases Expected to Continue Double-Digit Pace in 2003”, Hewitt Associates, Press Release, 10/14/02.
- <sup>5</sup> *National Survey of Small Businesses*, The Henry J. Kaiser Family Foundation, April, 2002.

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