



**EMPLOYER HEALTH COVERAGE IN
THE EMPIRE STATE: AN UNCERTAIN FUTURE**

**FINDINGS FROM THE COMMONWEALTH FUND/HEALTH RESEARCH
AND EDUCATIONAL TRUST SURVEY OF EMPLOYER-SPONSORED
HEALTH BENEFITS IN NEW YORK, 2001**

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EXECUTIVE SUMMARY

Employer-sponsored health insurance is the pillar of the health coverage system in New York State, as it is in the rest of the nation. In both New York and the United States, nearly two-thirds of nonelderly residents have private health insurance sponsored by an employer. Following a decline from the late 1980s through the mid 1990s, employer coverage experienced a small rebound in the last few years, during a period of unprecedented economic growth and tight labor markets. It is uncertain how long this trend will last, however. The combination of a weakening economy, higher unemployment, and medical cost inflation is placing pressures on employers to eliminate or scale back benefits for active workers, dependents, and retirees and shift a growing share of costs to employees.

To understand the current and future state of employer coverage in New York State, The Commonwealth Fund commissioned the Health Research and Educational Trust (HRET) to survey a random sample of nearly 600 New York-based firms about their provision of health insurance in 2001. HRET interviewed representatives of firms located within New York City and five adjacent suburban counties, as well as from across the rest of the state. The interviews included questions about the availability of coverage, costs of health insurance, cost-sharing and benefits, health plan enrollment and insurance arrangements, and views on policies and initiatives to strengthen employment-based coverage.

SURVEY HIGHLIGHTS

Health insurance in New York, already expensive, is becoming more costly.

- Monthly premiums in New York average \$261 for single coverage and \$668 for family coverage. The national averages are \$221 for singles and \$588 for families.
- Monthly premiums are highest for both single and family coverage in New York City and lowest in upstate counties. For example, monthly premiums average \$734 for family coverage in the city but just \$540 upstate.
- Premium increases from 2000 to 2001 were large across the board, averaging 9 percent in New York and 11 percent nationally. Cost increases, which were even higher for small firms, were driven largely by double-digit increases in prescription drug benefit costs.

Small firms (with three to 49 employees) receive less value for money spent on health benefits than large firms.

- Small firms pay slightly higher premiums on average but receive less comprehensive coverage in return. For example, prenatal care, outpatient mental health benefits, and inpatient mental health benefits are nearly universal in firms with 200 or more workers but are only available in 92, 86, and 84 percent of small firms, respectively. Seventy-two percent of large firms cover oral contraceptives compared with 42 percent of small firms.

Although employer coverage is as widely offered in New York as elsewhere in the nation, it is far less common in small businesses and low-wage firms.

- New York's employers are slightly more likely to offer health benefits to their employees than are firms nationwide (70% vs. 65%).
- In New York, as in the nation as a whole, the availability and scope of coverage is directly related to firm size; 65 percent of firms statewide with three to nine workers offer coverage while virtually all firms with 200 or more workers do so. Smaller New York firms, however, are more likely to offer coverage than comparably sized firms across the nation. This difference contributes to New York's somewhat higher rate of employer-sponsored coverage.
- Low-wage businesses in New York are much less likely to offer health coverage than those nationwide. Only 41 percent of New York workers employed by low-wage firms—those where 35 percent or more of workers earn \$20,000 or less annually—are offered coverage.

A worker's odds of having coverage through their job are strongly linked to full- or part-time status and length of employment.

- Among employees of New York businesses offering health benefits, nearly half are in firms that do not cover part-time workers, nine of 10 are in firms that do not cover temporary workers, and two-thirds are in firms that do not cover unmarried heterosexual or same-sex partners.

When their firms do offer health coverage, some workers have long waiting periods to become eligible. Most eligible workers accept the coverage offered them.

- Nearly two-thirds (63%) of covered workers in New York State have to wait one month or less before they become eligible for their firm's health benefits. One-third (33%) can get coverage immediately. Yet, more than one of four (27%) must wait three or more months before becoming eligible.
- Workers in low-wage firms are far more likely to have long waiting periods before coverage begins than are workers in non-low-wage firms—54 percent of workers in low-wage firms must wait three or more months compared with just 26 percent in non-low-wage firms.
- Almost half (47%) of workers in small firms must wait three or more months to become eligible for coverage, compared with just one of five (21%) workers in large firms.
- The overwhelming majority of workers who are eligible for their firm's health coverage—82 percent—chooses to enroll.

Retiree coverage was more available in New York than the nation as a whole as of 2001 but is likely to be less available and less generous in the near future.

- Among active workers with employer-sponsored health benefits, only 45 percent work in firms that offer retiree health benefits.
- Large firms in New York are much more likely to offer retiree benefits, as are large firms across the nation. While 37 percent of large firms in New York that offer coverage to active workers also provide retiree benefits, only 3 percent of smaller firms (with less than 200 employees) provide retiree benefits.
- Retiree coverage typically depends on the number of years spent at a firm. On average, New York firms require 16 years of service to qualify for retiree coverage, compared with the national average of 11 years.
- According to benefit manager reports, only 3 percent of New York firms with retiree benefits plan to eliminate them entirely in the next two years. But 21 percent plan to eliminate them for current employees or newly hired workers, 43 percent plan to increase the premium share paid by retirees, and 15 percent plan to increase cost-sharing for prescription drugs.

Employer coverage in New York may become less available and less affordable in the next few years, especially as large firms shift more costs to workers.

- According to employer benefit manager reports, 41 percent of all firms statewide are very or somewhat likely to increase the amount workers pay for health insurance in the next year.
- Larger employers seem even more likely to shift more costs to their workers: 73 percent of firms with 200 or more workers, and 58 percent of firms with 50 to 199 workers, said they planned to do so.
- If firms act as planned, three of four New York workers with employer coverage will see their insurance costs increase.

New York employers believe that job-based health coverage should be a priority for state policymakers. They strongly support various mechanisms to make health insurance more available to their workers, including coordination of their efforts with public coverage programs to help eligible employees become enrolled.

- Eighty-four percent of employers think that it is important for public officials to ensure that small businesses can offer health benefits to their workers. This support does not vary by firm size.
- Nearly all (94%) employers are willing to provide application information to their workers about such public insurance programs as Medicaid, Child Health Plus, and Family Health Plus.
- Three-quarters of employers are interested in subsidizing workers' participation in state-subsidized health insurance programs (77%) or the state employee health plan (78%).

CONCLUSION

The survey found that, as of 2001, the extent and generosity of employer-sponsored coverage in New York was at least as good as job-based coverage nationally. However, the survey was conducted during what may have been the peak period of employer-sponsored coverage, when firms were still confronted with reasonably tight labor markets. Employers are more apt to endure inflation in health care costs when competition for

workers is intense; 2001 may have been the tail end of several years of resiliency in employer-sponsored coverage.

The national and New York economies were slowing down before September 11, 2001. The terrorist attacks of that day only exacerbated these trends. In New York, the destruction of the World Trade Center caused immediate large-scale job loss and displacement. The ongoing economic slump and higher unemployment rate mean that employer-based coverage in New York will probably erode. Widely reported premium increases in the double-digit range, increased demand for mental health services, and rising pharmaceutical costs are placing employers under financial pressures that may lead them to cut back on the availability and generosity of coverage for active workers and retirees.

Creative ways exist to shore up job-based coverage, and New York employers appear eager to try them. The Healthy NY program, which began enrollment in January 2001, helps make coverage more affordable to small businesses, low-income sole proprietors, and low-income uninsured workers. This program could be improved by rolling over unspent funds from the initial year allocation to reduce premiums and induce more businesses to participate. Strategies are needed to combine the strengths of HealthPass—which offers small firms a choice of plans for their employees and the ability to fix their contribution—with mechanisms that would make its premiums more affordable. The use of state funds to provide Consolidated Omnibus Budget Reconciliation Act (COBRA) subsidies to newly laid-off workers could help employees retain coverage while they seek permanent employment. Employers could buy coverage for their employees through public programs, or state and federal dollars could be used to pay the cost-sharing requirements for workers who cannot afford the employer coverage available to them; such systems would combine the strengths of public financing and private delivery.

New York's recent success in expanding such public health insurance programs as Medicaid, Child Health Plus, and Family Health Plus demonstrates the viability of reducing substantially the number of uninsured residents. Enrollment gains in these programs could be counteracted, however, if there is a simultaneous erosion of employer coverage—the single largest source of health insurance in the state. Preserving and strengthening the mainstay of our insurance system so that it continues to provide affordable, comprehensive, and high-quality benefits must be a priority for leaders in both the public and private sectors.

METHODS

The Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001, is a joint product of the Commonwealth Fund and the Health Research and Educational Trust (HRET). The survey consisted of telephone interviews with a random sample of 599 employee benefit and human resource managers of employers in New York State. HRET drew this sample from a Dun & Bradstreet list of the nation's private and public employers with three or more workers. To enhance precision, HRET stratified the sample by industry and by the number of workers in the firm. Interviews were conducted from May to November 2001.

The questionnaire included a core set of questions from the national 2001 Kaiser Family Foundation/HRET Survey of Employer-Sponsored Health Benefits as well as questions specific to New York. It considered costs of health insurance, rates of coverage, eligibility, health plan choice, enrollment patterns, premiums, employee cost-sharing, covered benefits, prescription drug benefits, self-insurance, and views on defined contribution plans. To provide national comparisons, data are also reported here from the 2001 Kaiser Family Foundation/HRET Survey.

Throughout the report, exhibits compare findings by size of firm, region, and wage level. Firm size definitions are usually as follows: small (3–49 workers), medium (50–199 workers), and large (200 or more workers). Selected exhibits further divide medium and small firms. Exhibit M.1 shows the distribution of New York's firms, workers, and covered workers (i.e., those covered by job-based health insurance) by firm size and compares this distribution with the national averages. The New York sample had a higher percentage of firms with 200 or more employers: 71 percent of all New York workers are in firms with at least 200 employees, compared with 66 percent in the United States.

Exhibit M.2 shows that 40 percent of all firms in New York are located in one of the five boroughs of New York City. Another 29 percent of firms are in one of the suburbs of New York City—Nassau, Orange, Rockland, Suffolk, and Westchester Counties, referred to in this report as “suburban”—and the remaining 31 percent are in the rest of the state, referred to as “upstate.” Half of all New York workers are employed in New York City firms, and half of the state's employees with job-based insurance work in the city.

Exhibits also divide New York firms by wage group. Low-wage firms are defined as those in which 35 percent or more of workers earn \$20,000 per year or less. Non-low-wage firms are those with fewer than 35 percent of workers earning \$20,000 or less per year.

Because firms were selected randomly, it is possible to use statistical weights to extrapolate the results to statewide (as well as industry and firm size) averages. This allows findings to be presented based on the number of total workers, the workers covered by health plans, and the number of firms. Exhibits may not sum up to 100 percent due to rounding.

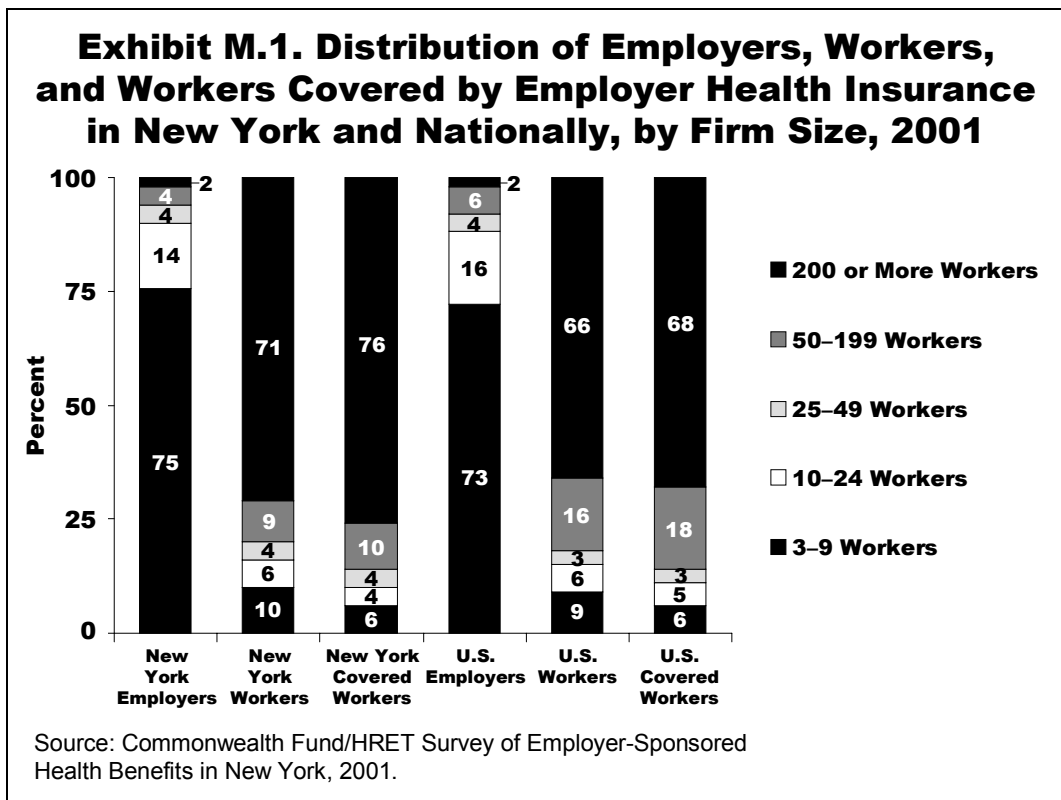
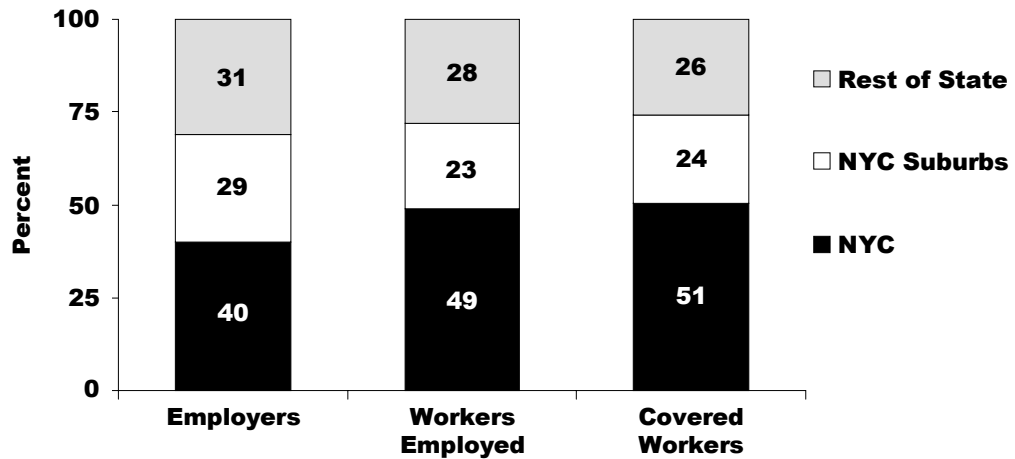


Exhibit M.2. Distribution of Employers, Workers, and Workers Covered by Employer Health Insurance in New York, by Region, 2001



Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

1. AVAILABILITY OF COVERAGE

Offer Rates

New York firms are about as likely as firms nationally to offer health benefits to their workers, although New York’s low-wage firms are less likely to offer coverage. Within the state, small, low-wage, and upstate companies are less likely to provide health benefits than their large, higher-wage, New York City/suburban counterparts. New York firms that do not offer health benefits most often cite expensive premiums as the reason for not doing so.

- New York employers are slightly more likely to offer health benefits to their employees than are firms nationally (70% vs. 65%) (Exhibit 1.1). While virtually all large employers offer health benefits in New York, the smallest firms (with three to nine workers) are far less likely to do so (99% vs. 65%) However, the smallest New York firms are more likely to offer health benefits than the smallest firms nationally (65% vs. 58%); this contributes to the higher overall rates of employer-sponsored coverage in New York.
- Upstate New York firms are less likely to offer health benefits to their workers (65%) than are either New York City or suburban firms (70% and 74%, respectively) (Exhibit 1.2).
- New York firms with a high percentage of low-wage workers are far less likely to offer health benefits to their workers than are firms with fewer low-wage workers (41% vs. 75%) (Exhibit 1.3). Moreover, low-wage firms in New York are less likely to offer health benefits than are low-wage firms nationally (41% vs. 52%).
- New York firms that do not offer health benefits most often cited “premiums being too high” (64%) as a very important factor for not offering health benefits, followed by “employees are covered elsewhere” (42%) (Exhibit 1.4).

Eligibility and Participation

More than four of five workers in firms that provide health benefits qualify for that coverage and the overwhelming majority chooses to participate. However, only about half of part-time workers and less than one of 10 temporary workers have access to employer-sponsored coverage. Other workers in firms that offer coverage do not enroll because they cannot afford their share of premium costs or they have alternate coverage through a spouse.

Among eligible workers, two-thirds work at a firm with a waiting period of one month or less for new employees. However, one of four works at a firm requiring a waiting period of three months or longer for new employees. Low-wage firms, which often have transient workforces, are more likely to impose longer waiting periods before coverage begins: one-half of employees working at low-wage firms face a waiting period of three months or more when hired.

- Eighty-five percent of New York workers at firms offering coverage are eligible for their firm's health benefits and 82 percent of them "take-up," or accept, this coverage (Exhibit 1.5). Eligibility and take-up rates are similar to national levels.
- Sixty-nine percent of workers employed by firms that offer health benefits are covered by those benefits (Exhibit 1.6). The coverage rate is lowest among workers in upstate firms, at 65 percent. Upstate workers are also the least likely to be eligible for coverage; 80 percent of upstate workers are eligible, compared with 86 percent of workers in both New York City and the suburbs.
- Participation rates vary by firm size. While employees of small firms are not less likely to be eligible for coverage than employees of medium and large firms, they choose to participate less in employer-sponsored coverage. Seventy-five percent of employees working for small firms take up coverage, compared with 86 and 83 percent of employees of medium and large firms, respectively. Employees of small firms are also less likely to be covered (64%) than are employees of medium (73%) and large (69%) firms (Exhibit 1.6).
- Eligibility, participation, and coverage rates vary notably between low-wage and non-low-wage firms. Among employees of low-wage firms offering coverage, only 46 percent are covered by their employer, compared with 71 percent of employees working for non-low-wage firms. This low rate is a reflection of the lower eligibility and lower participation rates in low-wage firms (Exhibit 1.6).
- When asked why employees do not adopt coverage for which they are eligible, most (61%) New York employers said that employees have coverage elsewhere (Exhibit 1.7). However, 17 percent of employers indicated that workers turn down coverage because they cannot afford the employee share of the premium.
- Varying rates of eligibility among firms that offer coverage are due in part to the hours of work required to be eligible.
- Coverage of part-time workers is more prevalent than coverage of temporary workers. About half (53%) of New York workers are employed by firms that offer health

benefits to part-time workers. Only 8 percent of workers are employed by firms that offer coverage to temporary workers as well as regular employees (Exhibit 1.8). These offer rates are fairly consistent with national levels.

- About one-third of New York employees (36%) work for firms that would cover nontraditional partners. This rate is double the national average of 18 percent. Nontraditional partners include same-sex or unmarried heterosexual couples.
- Waiting times before new employees are eligible for benefits also affect eligibility and participation rates.
- One-third of covered workers in New York have no waiting period before they are eligible for their firm's health benefits. Two-thirds work at firms with waiting periods of one month or less. However, 27 percent work at firms that require new employees to wait at least three months before they are eligible (Exhibit 1.9).
- Workers in low-wage firms are far more likely to have long waiting periods before coverage begins than are workers in non-low-wage firms: 54 percent of workers in low-wage firms have waiting periods of three or more months compared with 26 percent of workers in non-low-wage firms. Fourteen percent of workers in low-wage firms wait four or more months as new hires.
- Waiting periods are also longer in small firms. Nearly half (47%) of employees of small firms are required as new employees to wait three months or longer compared with 21 percent of employees at firms with 200 or more employees.

Retiree Benefits

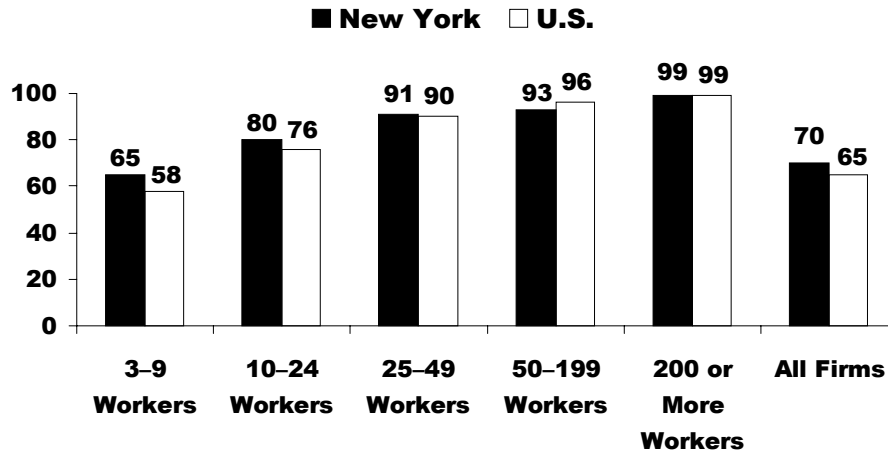
In New York, less than half of active workers in firms offering health benefits are also covered by retiree health benefits. Although retiree health coverage is somewhat more commonly offered in New York than nationally, workers in New York must accrue more years of active service in order to qualify compared with the national average. Workers in New York City must work at a firm for an average of 16 years before being eligible for retiree health benefits. Based on benefit managers' reports, retiree benefits are likely to erode in New York in the next two years.

- Retiree coverage in New York, as in the nation, is offered mainly by larger employers. Among large New York firms that cover active workers, 37 percent also offer retiree health benefits, compared with 34 percent nationally. Among New York's smaller firms (three to 199 workers) that offer coverage to active workers, only 10 percent

offer retiree health benefits compared with 3 percent of smaller firms nationally (Exhibit 1.10).

- Less than half (45%) of active workers employed by firms that provide health insurance are also offered retiree health benefits by their firm (Exhibit 1.11).
- Forty-three percent of active workers in New York are in firms that currently offer both a pension plan and retiree health benefits, while 49 percent are in firms that offer just a pension plan. In contrast, just 6 percent are in firms that currently offer neither (Exhibit 1.11).
- On average, workers in New York firms must put in more years of active service before they qualify for retiree health benefits than workers nationally (16 years vs. 11 years) (Exhibit 1.12). Workers in New York City firms have the longest eligibility requirements—nearly 18 years—while those in New York’s suburban firms that offer retiree benefits have the shortest, at 11 years.
- Judging from reports by health benefit managers, in the near future the scope of retiree benefits could deteriorate and the costs of health benefits to retirees could increase. Three-quarters of covered workers work in firms where managers say they are very or somewhat likely to increase the retiree’s share of premiums, while half (48%) of covered workers work in firms where managers say they expect to increase cost-sharing for prescriptions. Six to 9 percent of workers are in firms that expect to eliminate retiree benefits altogether or eliminate benefits for new employees.
- Overall, workers in New York firms with retiree health coverage are more likely than workers nationally to face reduced benefits. Based on the survey, 80 percent of New York workers with retiree benefits could experience a reduction in coverage in the next two years, compared with 63 percent of workers nationally (Exhibit 1.13).

Exhibit 1.1 Percentage of New York and U.S. Firms Offering Health Benefits, by Firm Size, 2001



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

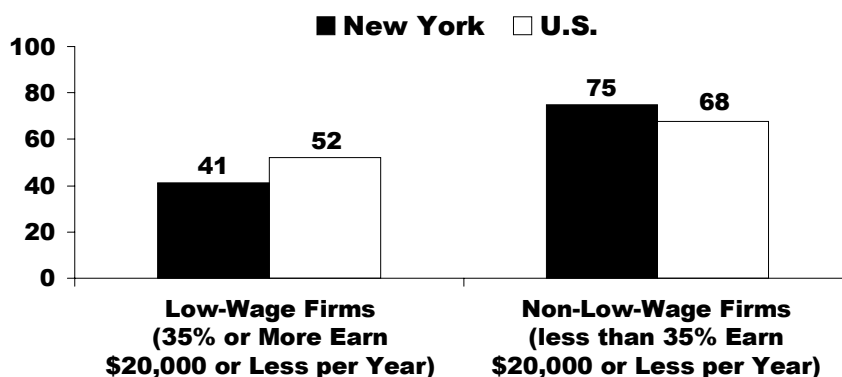
Exhibit 1.2 Percentage of New York Firms Offering Health Benefits, by Firm Size and Region, 2001

	% of Firms Offering Health Benefits
All Firms	70%
Firm Size	
Small (3-49 workers)	68%
Medium (50-199 workers)	93
Large (200 or more workers)	99
Region	
NYC	70%
NYC Suburbs	74
Rest of state	65

Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

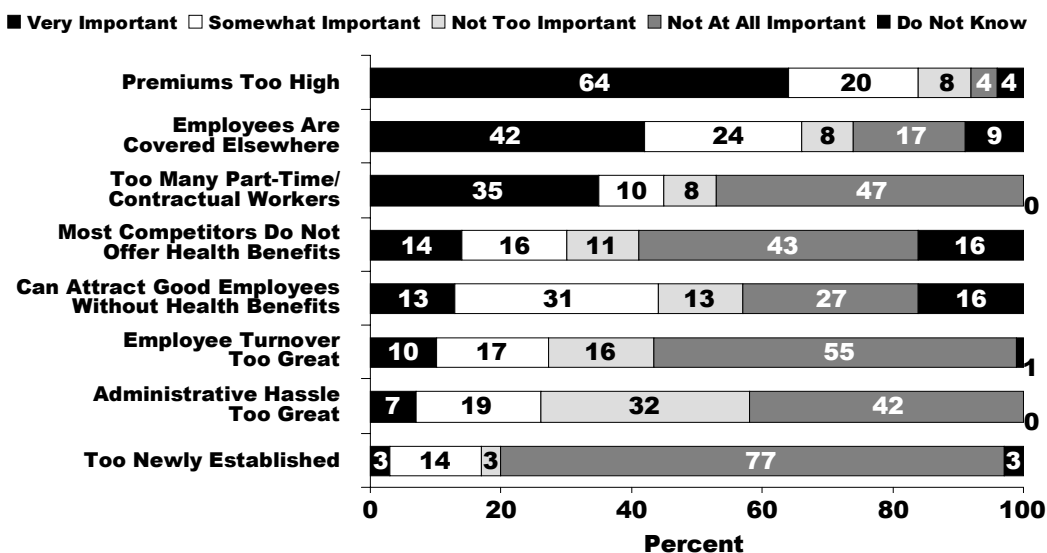
Exhibit 1.3 Percentage of New York and U.S. Firms Offering Health Benefits, by Percentage of Workforce that Is Low Wage, 2001



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

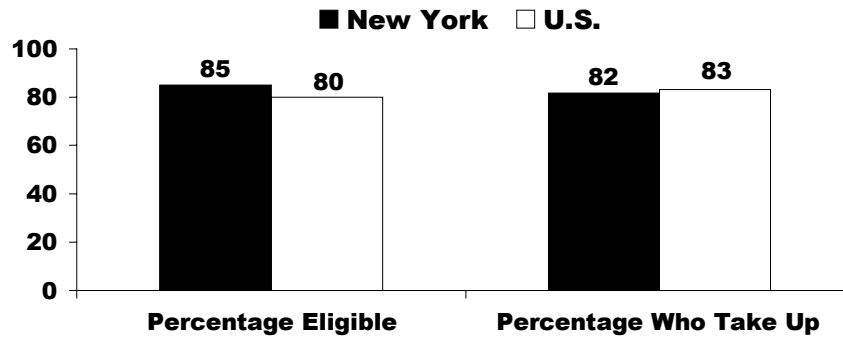
Exhibit 1.4 Reasons New York Firms Do Not Offer Health Benefits, 2001



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

**Exhibit 1.5 Among Firms Offering Health Benefits,
Percentage of Workers Who Are Eligible for Coverage
and Percentage Who Take Up Coverage,
New York and U.S., 2001**



Weight: workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

**Exhibit 1.6 Eligibility, Take-Up, and Coverage in New York,
by Firm Size and Region, 2001**

	Workers Eligible for Health Insurance	Participation (Take-up Rate)	Workers Covered by Health Insurance
All Firms	85%	82%	69%
Firm Size			
Small (3–49 workers)	86%	75%	64%
Medium (50–199 workers)	85	86	73
Large (200 or more workers)	84	83	69
Region			
NYC	86%	81%	69%
NYC Suburbs	86	84	72
Rest of state	80	82	65
Wage Level*			
Low-Wage Firms	75%	65%	46%
Non-Low-Wage Firms	85	83	71

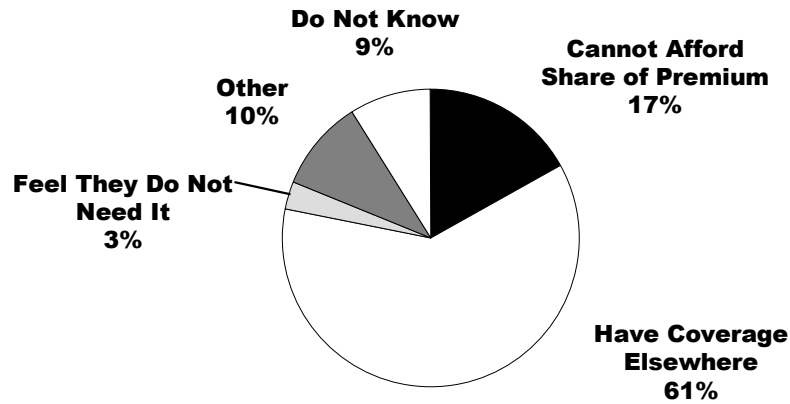
Coverage is not the exact product of eligibility and participation due to item non-response and rounding.

* Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

Weight: workers.

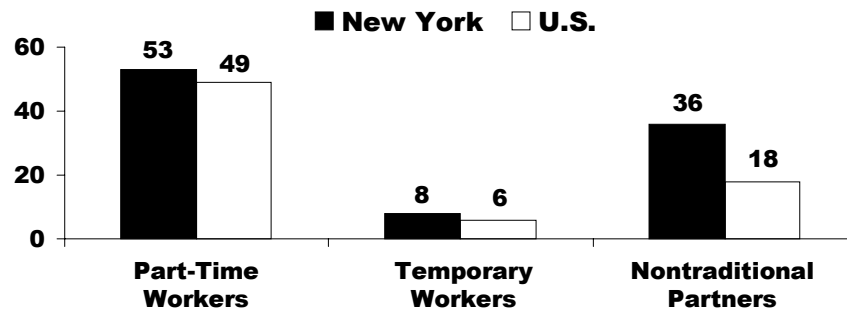
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 1.7 Percentage of New York Firms Citing Various Reasons Why Workers Decline Coverage for Which They Are Eligible, 2001



Weight: firms.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 1.8 Among Firms that Offer Health Benefits, Percentage of Workers in New York and the U.S. Employed in Firms Offering Health Benefits to Part-Time Workers, Temporary Workers, and Nontraditional Partners, 2001



Weight: workers.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

**Exhibit 1.9 Among Firms that Offer Health Benefits in New York,
Percentage of Workers with Various Times to Wait for Coverage,
by Firm Size, Region, and Wage Level, 2001**

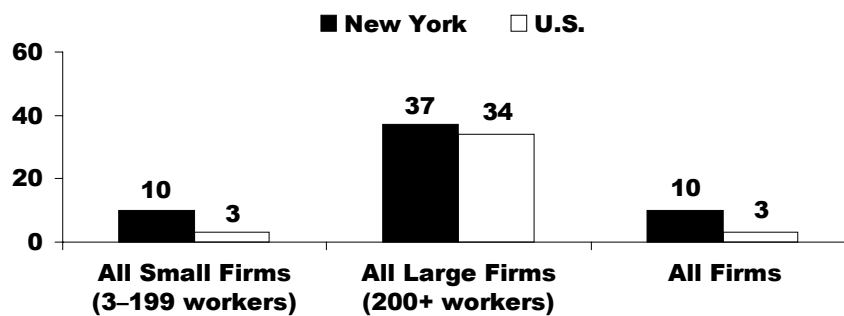
	No Wait for Coverage	One- Month Wait	Two- Month Wait	Three- Month Wait	Four or More Months Wait
All Firms	33%	30%	10%	20%	7%
Firm Size					
Small firms (3–49 workers)	17%	28%	8%	31%	16%
Medium firms (50–199 workers)	12	40	8	31	7
Large firms (200+ workers)	39	29	11	17	4
Region					
NYC	43%	27%	8%	19%	4%
NYC Suburbs	25	31	4	22	18
Rest of state	22	35	21	19	4
Wage Level*					
Low-Wage Firms	12%	18%	16%	40%	14%
Non-Low-Wage Firms	34	30	10	19	7

Weight: workers.

* Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

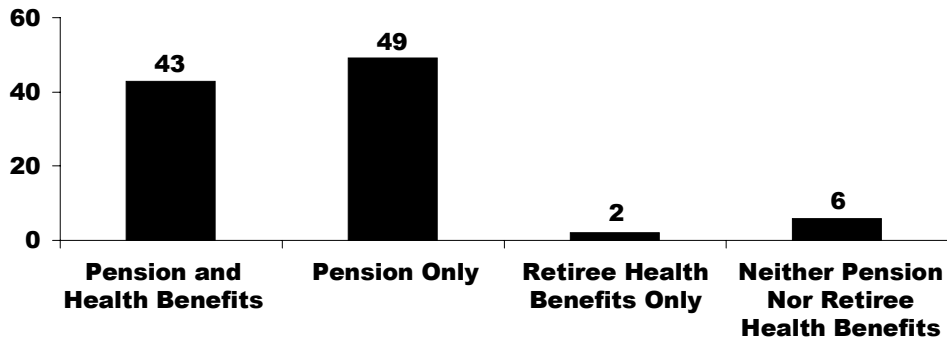
**Exhibit 1.10 Among Those Offering Health Benefits
to Active Workers, Percentage of New York and
U.S. Firms Offering Retiree Health Benefits,
by Firm Size, 2001**



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

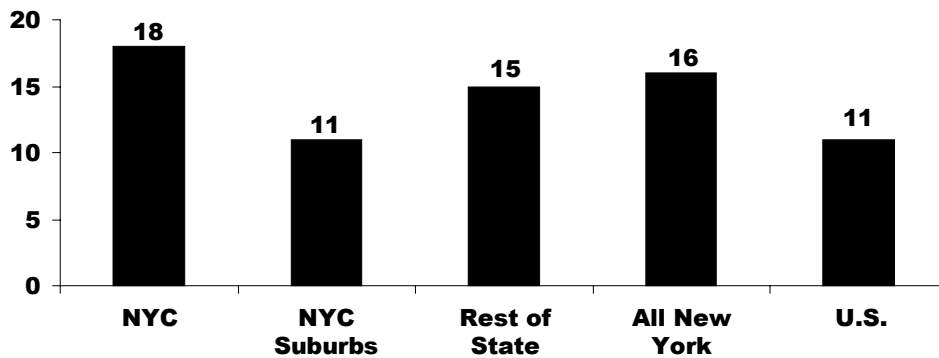
Exhibit 1.11 Among Firms that Offer Active Worker Health Benefits in New York, Percentage of Active Workers Who Are On Track To Be Offered Pension Plans, Retiree Health Benefits, or Both, 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

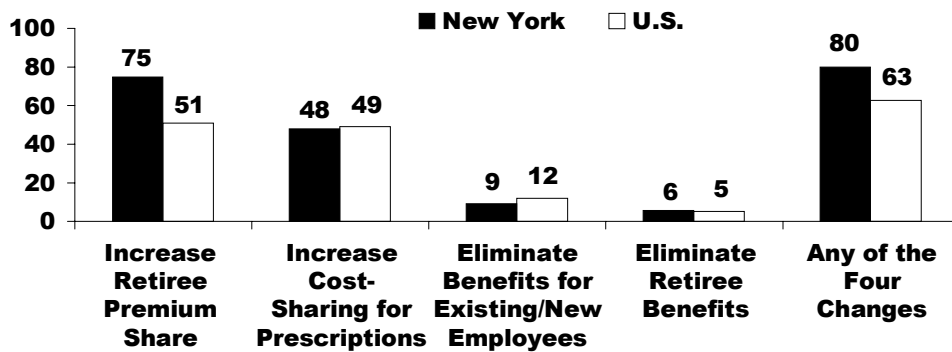
Exhibit 1.12 Average Years of Service Required to Qualify for Retiree Health Benefits in New York and the U.S., 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 1.13 Percentage of Covered Workers in New York and U.S. Firms Where Firm Manager Said They Are Very or Somewhat Likely to Experience the Following Changes to Retiree Health Benefits in the Next Two Years, 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

2. COST OF HEALTH INSURANCE

Health insurance in New York is expensive compared with the national average of employer groups. Moreover, costs are increasing rapidly: premiums climbed in New York by 9 percent from 2000 to 2001 and by 11 percent nationally during the same period—the largest national increase since 1991. Prescription drugs are a major driver of increased costs. Small firms pay especially high premiums and often receive fewer benefits in return for the money they spend.

- In New York, monthly premiums average \$261 for single coverage and \$668 for family coverage, higher than the national averages for single and family coverage (Exhibit 2.1). Premiums are generally higher for conventional plans than for other plan types, although family premiums for New York's preferred provider organizations (PPOs) are the most expensive, at \$730 per month. Managed care premiums are the least expensive, at \$224 for single and \$575 for family coverage.
- Within New York State, monthly premiums are highest in New York City for both single and family coverage, and lowest for workers in upstate firms (Exhibit 2.2). Monthly family premiums average \$734 for workers in New York City, compared with just \$540 for those in upstate firms.
- Premium increases from 2000 to 2001 were slightly lower in New York than nationally (9% vs. 11%) (Exhibit 2.3). Premiums for smaller firms increased more than premiums for larger firms. Nationally, premium increases averaged 17 percent for firms with three to 9 workers compared with 10 percent for firms with 200 or more workers.
- Among New York employers that separate costs of prescription drugs from the rest of health insurance costs, prescription drug costs increased 16 percent in 2001, the same rate of increase experienced by national employers (Exhibit 2.4). Increases were highest in conventional health plans, at 18 percent.
- Workers in small firms get less value from their health benefits than workers in large firms (Exhibit 2.5). They pay more for their coverage and are less likely to have various benefits covered by their health plans. For example, just 42 percent of workers in small firms have coverage for oral contraceptives, compared with 72 percent of workers in large firms.
- Low-wage firms pay higher in-network and out-of-network deductibles than non-low-wage firms but receive about the same or slightly fewer covered benefits in return. For example, the average PPO in-network deductible for a low-wage firm is \$137, almost twice as high as the average for non-low-wage firms (\$75) (Exhibit 2.6).

**Exhibit 2.1 Average Monthly Premium Costs in New York and the U.S.,
by Plan Type, 2001**

	Single		Family	
	New York	U.S.	New York	U.S.
Average of All Plans	\$261	\$221	\$668	\$588
Conventional	\$365	\$238	\$691	\$640
HMO	224	200	575	545
PPO	282	228	730	600
POS	250	222	641	588

Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

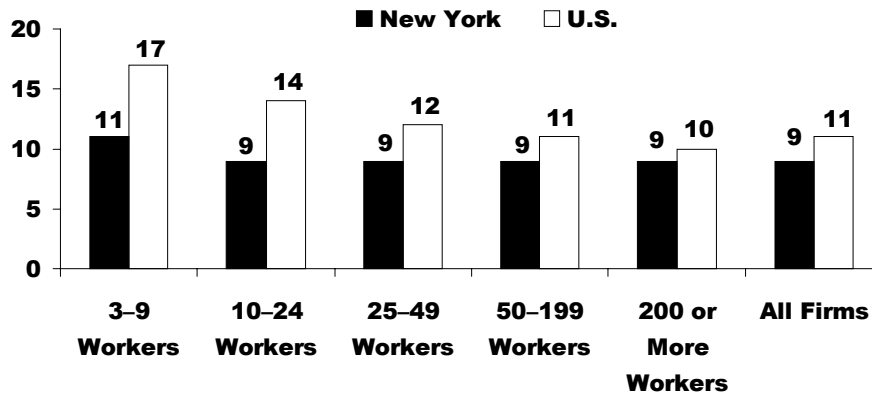
**Exhibit 2.2 Monthly Premium Costs in New York,
by Firm Size and Region, 2001**

	Single Coverage	Family Coverage
All Firms	\$261	\$668
Firm Size		
Small firms (3–49 workers)	\$283	\$641
Medium firms (50–199 workers)	254	667
Large firms (200+ workers)	258	674
Region		
NYC	\$277	\$734
NYC Suburbs	270	666
Rest of state	223	540

Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

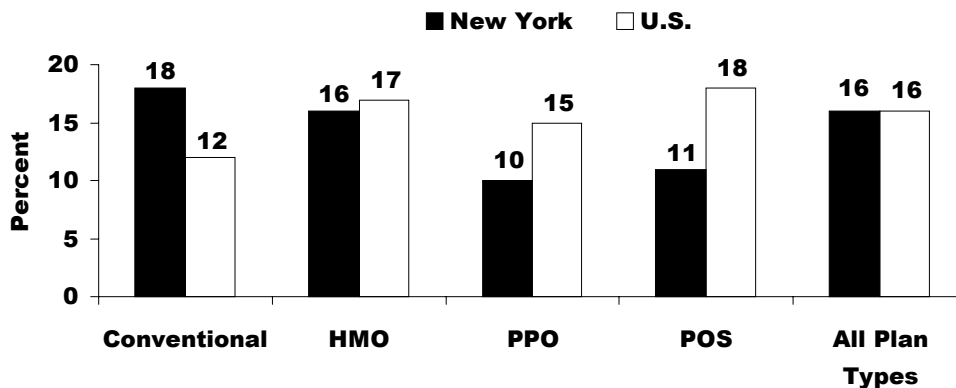
Exhibit 2.3 Percentage Change in Premiums in New York and the U.S., by Firm Size, 2000 to 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 2.4 Average Increase in Prescription Drug Costs Among Firms that Carve Out Their Prescription Drug Benefits, New York and U.S., 2000 to 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

**Exhibit 2.5 Covered Benefits, Monthly Single Premium,
and Deductible Costs in New York, by Firm Size, 2001**

	All Firms	Small (3–49 Workers)	Medium (50–199 Workers)	Large (200+ Workers)
Average Monthly Single Premiums	\$261	\$283	\$254	\$258
PPO In-network deductible	\$76	\$178	\$109	\$67
PPO Out-of-network deductible	\$329	\$479	\$337	\$321
Covered Benefits				
Annual Physicals	97%	96%	96%	98%
Prescription Drugs	99%	95%	99%	100%
Prenatal Care	99%	92%	99%	100%
Annual OB/GYN Visits	99%	96%	99%	100%
Oral Contraceptives	68%	42%	81%	72%
Outpatient Mental Health	97%	86%	99%	99%
Inpatient Mental Health	97%	84%	97%	99%

Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

**Exhibit 2.6 Covered Benefits, Monthly Single Premium, and Deductible
Costs in New York, by Percentage of Workforce that Is Low Wage, 2001**

	All Firms	Low-Wage*	Non-Low-Wage
Average Monthly Single Premiums	\$261	\$237	\$263
PPO In-network Deductible	\$76	\$137	\$75
PPO Out-of-network Deductible	\$329	\$464	\$326
Benefits			
Annual Physicals	97%	94%	98%
Prescription Drugs	99%	97%	99%
Prenatal Care	99%	99%	99%
Annual OB/GYN Visits	99%	99%	99%
Oral Contraceptives	68%	58%	69%
Outpatient Mental Health	97%	95%	97%
Inpatient Mental Health	97%	94%	97%

Weight: covered workers.

* Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

3. EMPLOYEE PREMIUM SHARES AND BENEFITS

When faced with substantial increases in health insurance premiums, employers have in the past responded by passing along part of the increased costs to their employees. In response, workers may seek out less expensive options or choose not to take up health care coverage at all. In 2001, covered workers in New York firms paid a slightly lower share of the total premium for health coverage than workers nationally. However, many New York firms, especially large ones, are planning to increase the amount that workers have to contribute in 2002. If firms act as planned, three of four New York workers with employer coverage will see their insurance costs increase.

- Worker premium contributions for single coverage in New York are comparable to national premiums, averaging \$33 monthly (Exhibit 3.1). Contributions for family coverage are slightly less for New York workers, at \$136 per month versus \$150 nationally.
- As a percentage of the total monthly cost, New York workers pay a somewhat smaller share of the total premium than do workers nationally—13 versus 15 percent for single coverage, and 20 versus 27 percent for family coverage (Exhibit 3.2).
- New York workers in small firms and low-wage firms pay the most in monthly premiums for family coverage in terms of dollars and as a percentage of total monthly costs. Workers in small firms contribute 26 percent of monthly premiums for family coverage compared with 19 percent among workers in large firms. Workers in low-wage firms pay 28 percent of monthly premiums for family coverage compared with 20 percent among workers in non-low-wage firms (Exhibit 3.3).
- Workers in New York are more likely to have either three-tier or two-tier cost-sharing for prescription drugs than are workers nationally (86% vs. 73%) (Exhibit 3.4). (Two-tier cost-sharing mandates one price for generic drugs and another price for brand-name drugs; three-tier cost-sharing mandates one price for generics, one for preferred drugs, and another for nonpreferred drugs.) Only 9 percent of New York workers pay the same for their prescriptions, regardless of the drug type.
- New Yorkers are slightly less likely to be in plans with a formulary that restricts which drugs are covered than are workers nationally (52% vs. 58%) (Exhibit 3.5). New Yorkers are most likely to have a formulary if they are enrolled in a managed care plan and least likely if they are enrolled in a conventional plan (64% vs. 32%).

- Workers in New York generally have not experienced reductions in their level of benefits compared with one year ago; 88 percent of workers have had no benefit reductions (Exhibit 3.6).
- Eighteen percent of New York firms are very likely to increase the amount that workers pay for health insurance in the next year, and 23 percent are somewhat likely to do so (Exhibit 3.7). Considerably more large firms (200 or more workers) are very likely to increase employee contributions, compared with the smallest firms (three to nine workers) (42% vs. 15%).
- More workers in New York firms are very likely to experience an increase in the amount they pay for health insurance in the next year than are workers nationally (47% vs. 43%) (Exhibit 3.8).

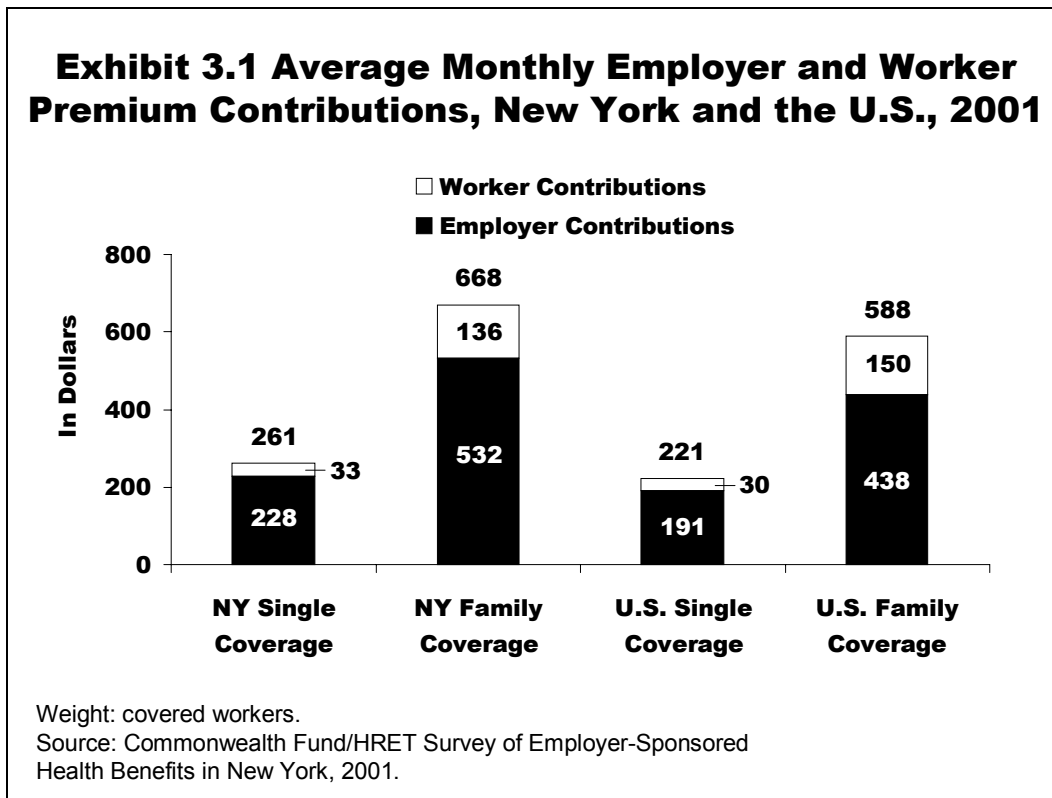
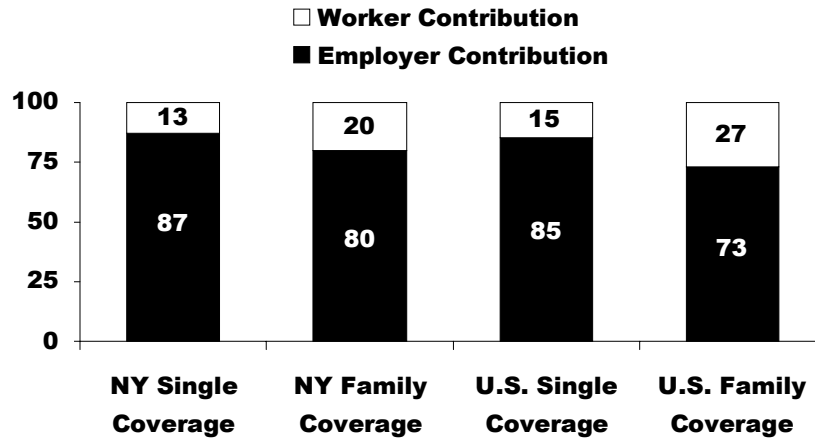


Exhibit 3.2 Average Monthly Percentages of Employer and Worker Premium Contributions, New York and the U.S., 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 3.3 Average Monthly Worker Premium Contributions in New York, by Firm Size and Wage Level, 2001

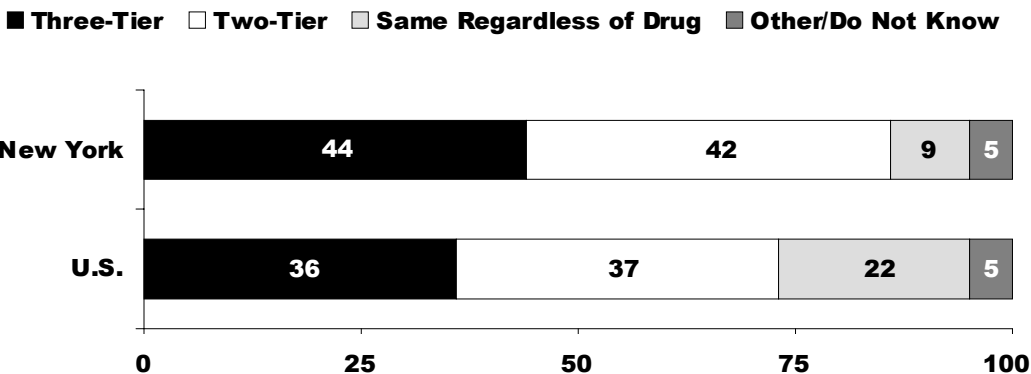
	Single Coverage		Family Coverage	
	Absolute Worker Contribution	Percentage Worker Contribution	Absolute Worker Contribution	Percentage Worker Contribution
All Firms	\$33	13%	\$136	20%
Firm Size				
Small (3–49 workers)	\$33	12%	\$164	26%
Medium (50–199 workers)	40	15	142	22
Large (200+ workers)	33	13	130	19
Wage Level*				
Low-Wage	\$41	17%	\$164	28%
Non-Low-Wage	33	13	134	20

Weight: covered workers.

* Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

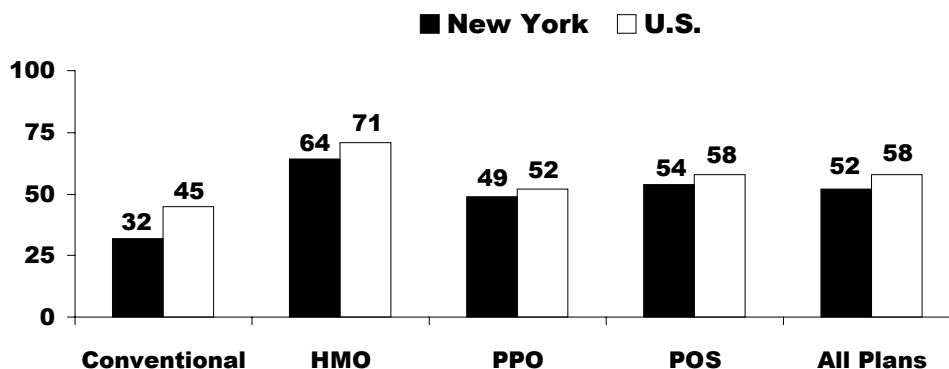
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 3.4 Percentage of Covered Workers Facing Various Cost-Sharing Formulas for Prescription Drug Benefits, New York and the U.S., 2001



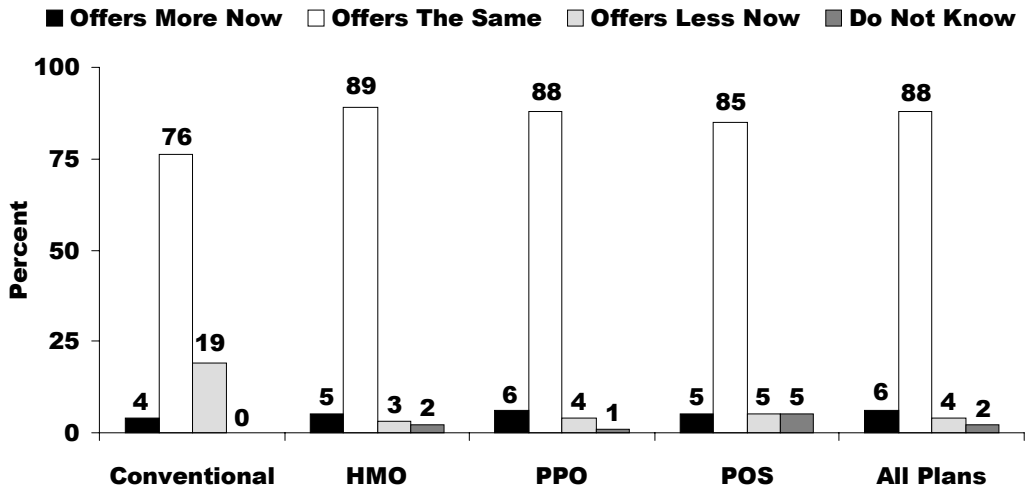
Weight: covered workers.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 3.5 Percentage of Covered Workers in Plans with a Formulary that Restricts Which Drugs Will Be Covered, New York and the U.S., by Plan Type, 2001



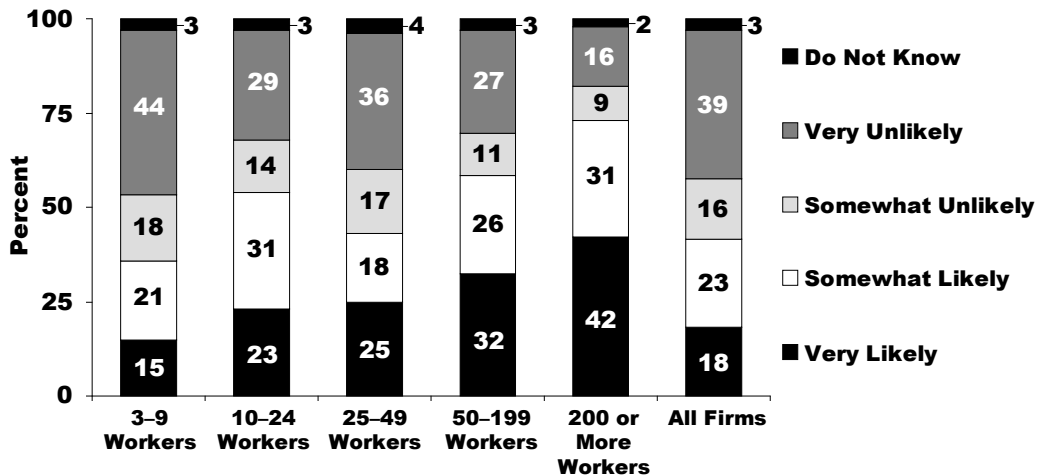
Weight: covered workers.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 3.6 Level of Benefits Compared with Last Year in New York, by Plan Type, 2001



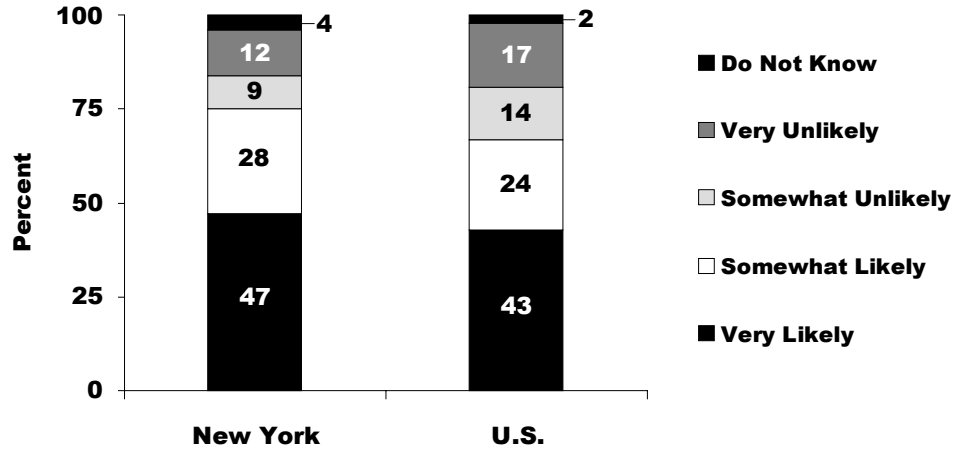
Weight: covered workers.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 3.7 Likelihood that New York Employers Will Increase the Amount that Workers Pay for Health Insurance in the Next Year, by Firm Size, 2001



Weight: firms.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 3.8 Likelihood the Amount Covered Workers Pay for Health Insurance Will Increase in the Next Year, New York and the U.S., 2001



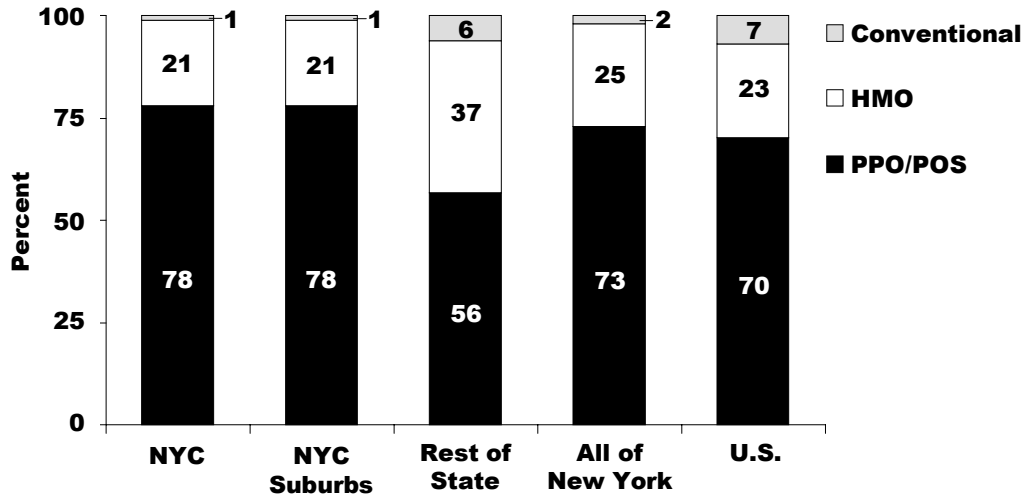
Weight: covered workers.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

4. HEALTH PLAN ENROLLMENT, CHOICE, AND INSURANCE ARRANGEMENTS

Health plan enrollment patterns in New York are comparable to those across the nation, with nearly three-quarters of workers (73%) enrolled in either a PPO or a point-of-service (POS) plan. One of four workers is enrolled in a managed care plan. Workers in New York firms are more likely than workers nationally to be offered a choice of health plans. Firms say the most important factors in choosing which plans to offer their workers are the number of physicians in plan networks and premium costs.

- Thirty-seven percent of upstate workers are enrolled in managed care plans, while 21 percent of both New York City and suburban workers are enrolled in managed care plans. Upstate workers are less likely to be enrolled in PPO or POS plans (Exhibit 4.1). Health plan enrollment across New York as a whole is comparable to national patterns.
- New York firms are more likely to offer their workers a choice of health plans than are firms nationally (18% vs. 10%) (Exhibit 4.2) New York's small firms (three to 49 workers) are far more likely than large ones (200 or more workers) to offer just one plan (85% vs. 31%).
- Workers in New York are also more likely to have a choice of health plans than are workers nationally (Exhibit 4.3). Among New York firms that offer coverage, two-thirds of workers have a choice of health plan, while nationally 60 percent of workers have a choice. In small firms, 76 percent of New York workers have no choice of plans compared with 88 percent of workers nationally.
- A majority (73%) of New York firms surveyed cited both the cost of the health plan and the number of physicians in the network as “very important” criteria in selecting a health plan for their workers (Exhibit 4.4). Sixty-five percent of firms cited the health plan having a range of benefit options as very important.
- The percentage of New York workers covered by employer insurance with preexisting condition clauses, which allow temporary exclusion from coverage for health conditions that existed prior to enrollment, is considerably higher among low-wage firms than non-low-wage firms (38% vs. 9%) (Exhibit 4.5). Workers in low-wage firms are also more likely to have longer waiting periods for coverage of such conditions—93 percent must wait four months or longer for coverage.

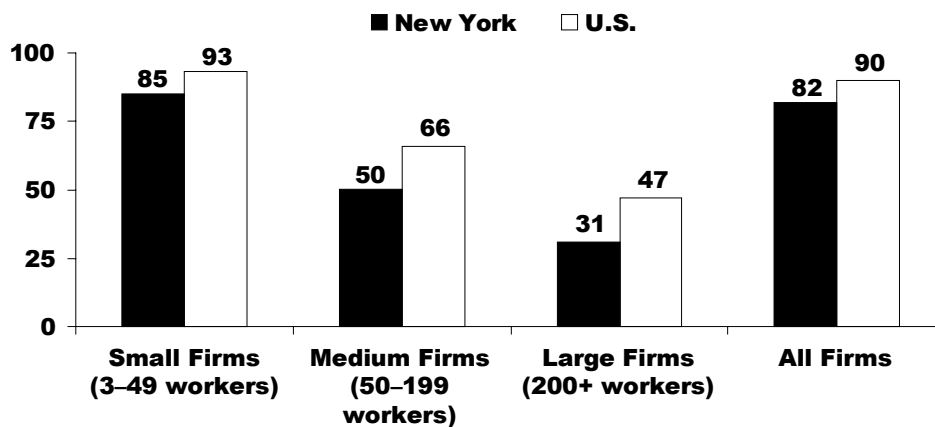
Exhibit 4.1 Health Plan Enrollment for Covered Workers in New York and the U.S., by Region, 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

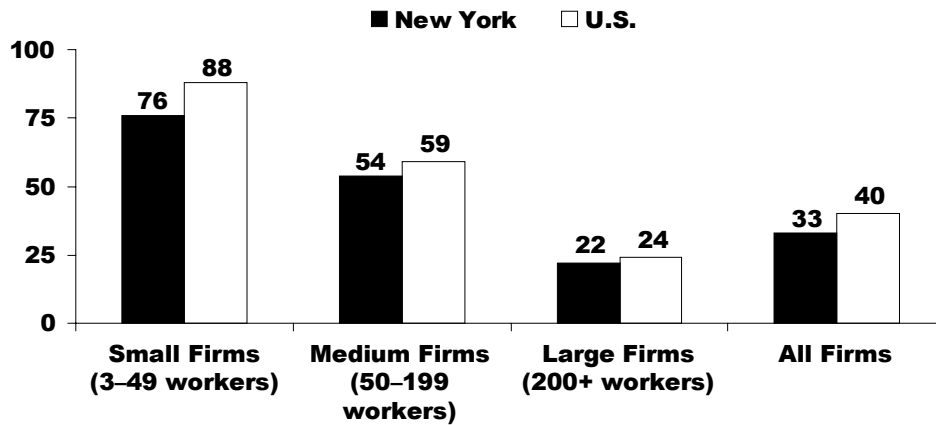
Exhibit 4.2 Percentage of New York and U.S. Firms Offering Only One Health Plan, by Firm Size, 2001



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

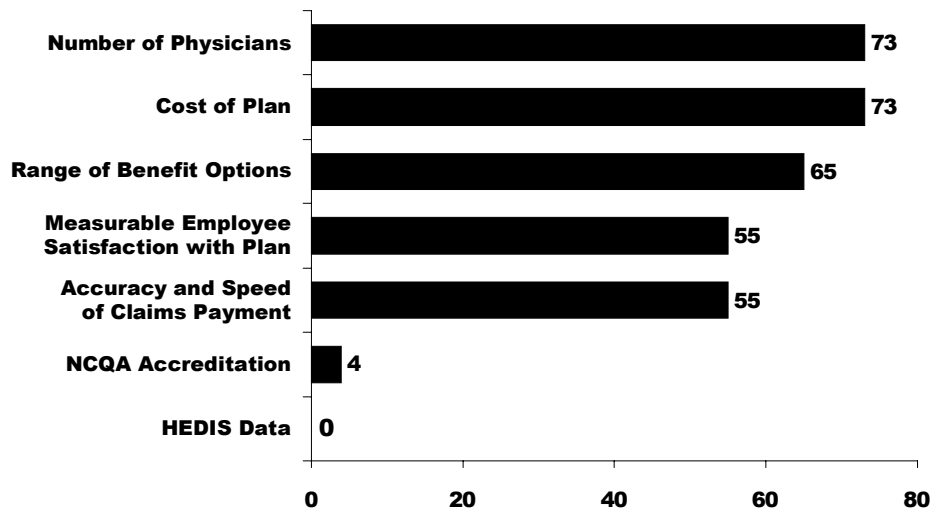
Exhibit 4.3 Percentage of Covered Workers in New York and the U.S. with Only One Health Plan, by Firm Size, 2001



Weight: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 4.4 Percentage of New York Firms Citing Various Factors as “Very Important” in Selecting a Health Plan, 2001



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

**Exhibit 4.5 Percentage of Covered Workers in New York with
Preexisting Condition Clauses and Waiting Periods for Coverage of
Such Conditions, by Percentage of Workforce that Is Low Wage,* 2001**

	All Firms	Low-Wage Firms	Non-Low-Wage Firms
Have Preexisting Condition Clause	10%	38%	9%
Wait for Coverage of Preexisting conditions			
1-3 Month Waiting Period	27%	7%	31%
4+ Month Waiting Period	73%	93%	69%

Weight: covered workers.

* Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

5. EMPLOYER VIEWS AND HEALTH POLICY PERSPECTIVES

New York employers are receptive to a wide range of approaches to make coverage more available and affordable to their employees. Yet, employers often have limited understanding of public coverage programs and little familiarity with recent government initiatives aimed at helping businesses provide coverage. Employers are interested in helping workers apply for Medicaid or Child Health Plus—or even subsidizing such coverage—but do not know how public programs compare with private coverage. Familiarity with recent initiatives to help small firms provide coverage, such as the Healthy NY program, is very low. Nonetheless, firms of all sizes believe that elected officials should focus on this issue. With premiums going up, employers are more likely to use traditional cost-containment measures, such as shifting costs to workers, rather than to restructure their health benefits using approaches such as defined contributions.

- Approximately two-thirds (69%) of New York employers are aware that Medicaid and Child Health Plus are available to low-income workers (Exhibit 5.1). Awareness of these programs is more widespread among large firms (200 or more workers) than smaller firms (three to 199 workers). A greater percentage of upstate employers are aware of these programs (79%) than suburban employers (70%) or New York City employers (61%). Interestingly, firms with a high percentage of low-wage workers are no more likely to have knowledge of such programs than are firms with a smaller share of such workers.
- Nearly all (94%) New York employers are willing to provide application information to employees eligible for state-subsidized health insurance (Exhibit 5.2).
- The majority of New York firms (52%) report that they do not know how the health benefits provided by their firm compare with those provided by Medicaid or Child Health Plus (Exhibit 5.3). Thirty-one percent of firms believe Medicaid and Child Health Plus are either somewhat or much worse, while 7 percent feel they are somewhat or much better.
- Sixty percent of employers feel it is very important that New York elected officials ensure that small businesses are able to offer health benefits to their workers, and an additional 24 percent feel that it is somewhat important (Exhibit 5.4). Small and large firms are equally likely to see this issue as very important.

- A substantial majority of small, low-wage firms is very or somewhat interested in subsidizing workers' participation in public employee health coverage programs (77%) and state employee health programs (78%) (Exhibit 5.5).
- Among the small firms that are Healthy NY's intended targets, familiarity with the program is low, at just 10 percent (Exhibit 5.6). Small firms in suburban New York are more familiar with the program than urban firms (15% vs. 2%).
- Twenty-six percent of small New York City firms are familiar with HealthPass, a purchasing cooperative for small employers (Exhibit 5.7). Of this 26 percent, 15 percent are currently participating in the program, 36 percent have considered it but are not currently participating, and 49 percent have not considered participating (Exhibit 5.8).
- Just 5 percent of New York firms would be very likely to stop offering or reduce health benefits if public health insurance or tax credits became available to low-income workers, but an additional 12 percent would be somewhat likely to do so (Exhibit 5.9). Smaller firms (with three to 199 workers) would be more likely to stop offering or reduce benefits than large employers (200 or more workers).
- More than half of New York firms (53%) report that they are very unlikely to switch to a defined contribution approach to health benefits within the next five years, and another 19 percent are somewhat unlikely (Exhibit 5.10).

Exhibit 5.1 New York Employers' Knowledge of Medicaid and Child Health Plus Availability to Low-Income Workers, by Firm Size, Region, and Wage Level,* 2001

	Aware Medicaid/Child Health Plus Are Available	Not Aware Medicaid/Child Health Plus Are Available	Do Not Know
Firm Size			
All Small firms (3–199 workers)	69%	8%	23%
All Large firms (200+ workers)	82	5	13
Region			
NYC	61	12	27
NYC Suburbs	70	2	28
Rest of state	79	7	15
Wage Level			
Low-Wage Firms	69	7	25
Non-Low-Wage Firms	69	8	23
All Firms	69%	8%	23%

Weight: firms.

* Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

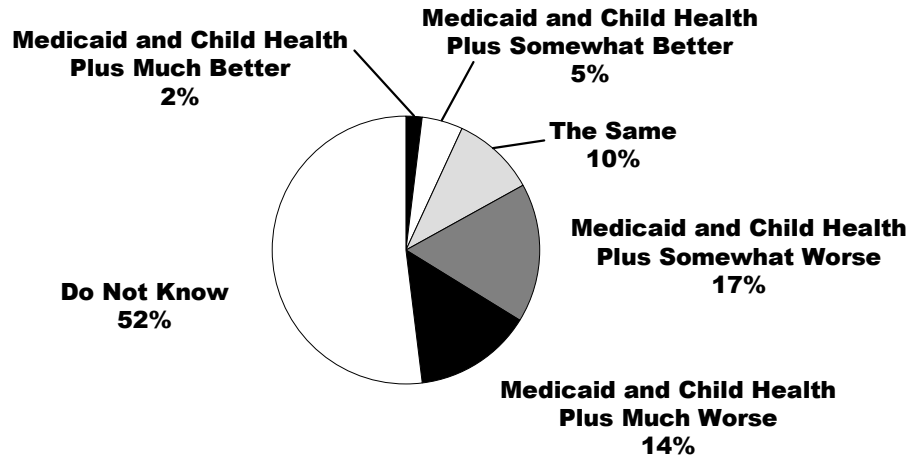
Exhibit 5.2 Percentage of New York Employers Willing to Provide Application Information to Employees Eligible for State-Subsidized Health Insurance, by Firm Size and Wage Level,* 2001

	Willing to Provide Information on Applying for State-Subsidized Insurance
Firm Size	
All Small Firms (3–199 workers)	94%
All Large Firms (200+ workers)	88
Wage Level	
Low-Wage	90
Non-Low-Wage	95
All Firms	94%

Weight: firms.

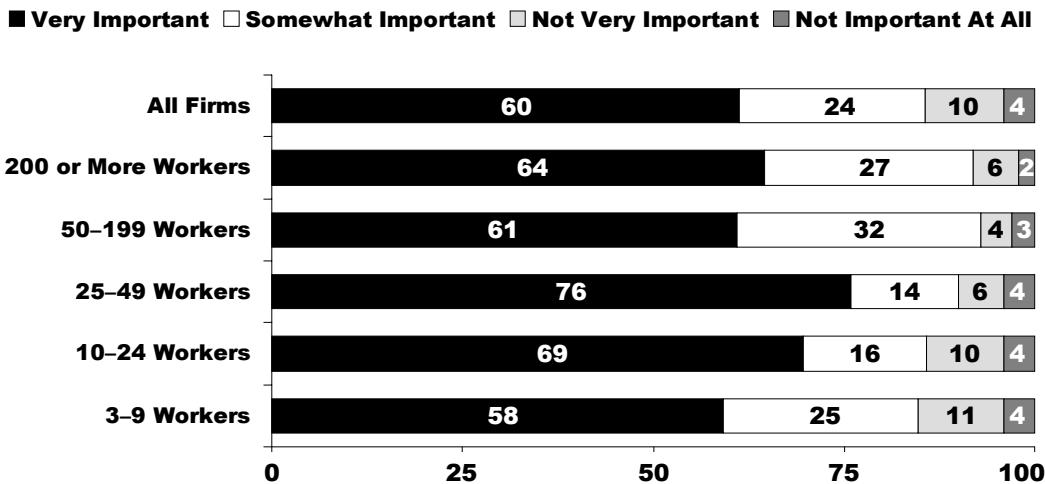
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.3 New York Employers' Perceptions of How Health Benefits Provided to Their Workers Compared with Those Provided by Medicaid and Child Health Plus, 2001



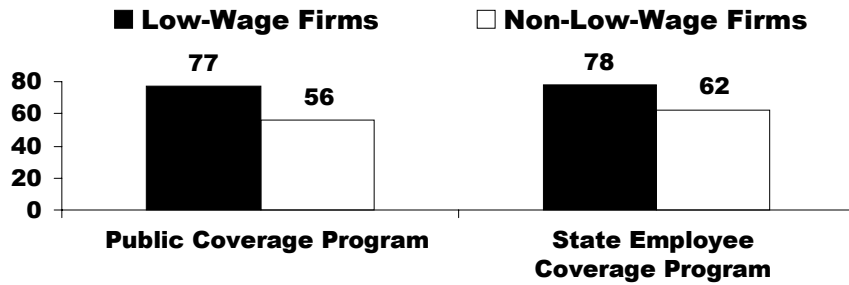
Weight: firms.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.4 Percentage of New York Firms that Feel It Is Important that New York Elected Officials Ensure that Small Businesses Offer Health Benefits, 2001



Weight: firms.
 Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.5 Percentage of All Small Firms* in New York Who Are Very or Somewhat Interested in Subsidizing Workers' Participation in Public Coverage and State Employee Coverage Programs, by Wage Level, 2001**



Weight: firms.

*Firms with 3-49 workers.

**Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year.

Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.6 Familiarity with Healthy New York Among Small Firms* in New York, by Region and Wage Level, 2001**

	Familiar with Healthy NY
Region	
NYC	2%
NYC Suburbs	15
Rest of state	14
Wage Level	
Low-Wage	14
Non-Low-Wage	9
All Firms	10%

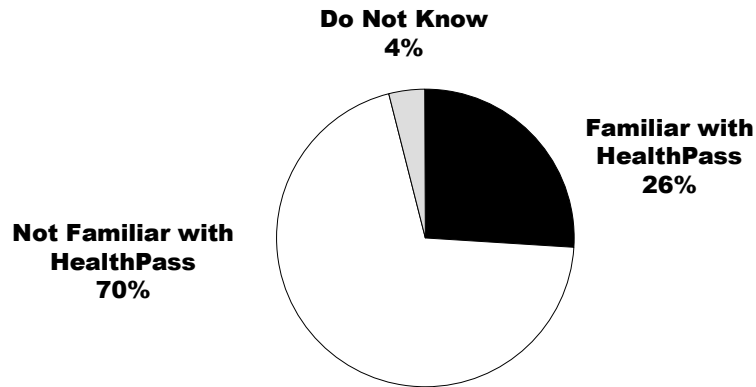
Weight: firms.

* Firms with 3-49 workers.

** Low-wage firms are those with 35% or more of workers earning \$20,000 or less per year. Non-low-wage firms are those with less than 35% of workers earning \$20,000 or less per year.

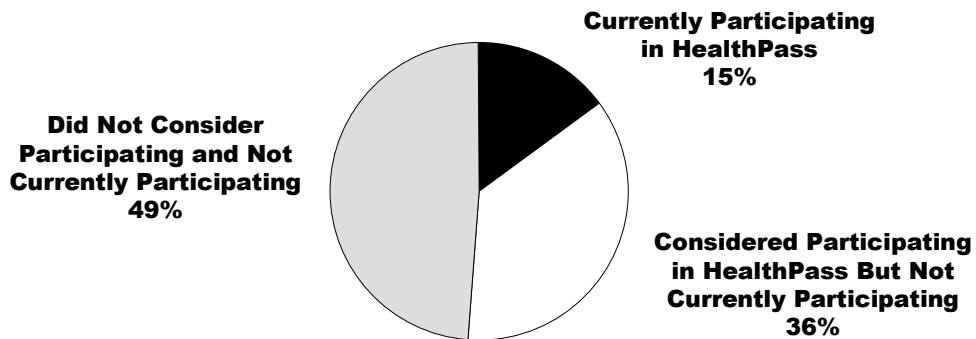
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.7 Familiarity with HealthPass Among Small Firms* in New York City, 2001



Weight: firms.
* Firms with 3–49 Workers.
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.8 Among Small Firms* in New York City Familiar with HealthPass, Percentage of Small Firms that Are Participating, 2001



Weight: firms.
* Firms with 3–49 Workers.
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

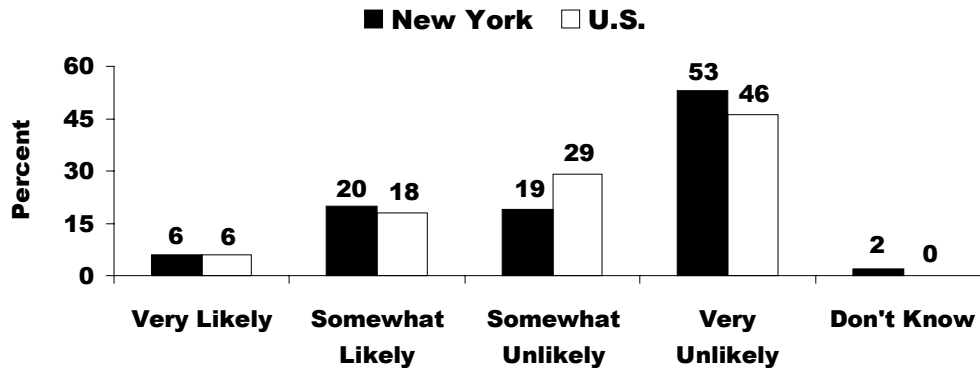
Exhibit 5.9 Likelihood that New York Firms Would Stop Offering or Reduce Health Benefits if Public Health Insurance or Tax Credits for Public Health Insurance Became Available to Low-Income Workers, by Firm Size and Wage Level,* 2001

	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely	Do Not Know
Firm Size					
All Small Firms (3–199 workers)	5%	12%	38%	38%	7%
All Large Firms (200+ workers)	1	4	15	76	4
Wage Level					
Low-Wage	2	1	66	30	1
Non-Low-Wage	6	13	34	40	7
All Firms	5%	12%	37%	39%	6%

Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

Exhibit 5.10 Likelihood that New York and U.S. Firms Would Switch to Defined Contribution Within the Next Five Years, 2001



Weight: firms.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2001.

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#507 *Lessons from a Small Business Health Insurance Demonstration Project* (February 2002). Stephen N. Rosenberg, PricewaterhouseCoopers LLP. This report finds that the recently concluded pilot project, the Small Business Health Insurance Demonstration, launched by New York City in 1997, was successful in providing a comprehensive, low-cost insurance option for firms with two to 50 workers. But poor implementation and marketing, plus flaws in product design, prevented the program from catching on among small businesses.

#485 *Implementing New York's Family Health Plus Program: Lessons from Other States* (November 2001). Rima Cohen and Taida Wolfe, Greater New York Hospital Association. Gleaned from research into the ways 13 other states with public health insurance systems similar to New York's have addressed these matters, this report examines key design and implementation issues in the Family Health Plus (FHP) program and how Medicaid and the Child Health Plus program could affect or be affected by FHP.

#484 *Healthy New York: Making Insurance More Affordable for Low-Income Workers* (November 2001). Katherine Swartz, Harvard School of Public Health. According to the author, Healthy New York—a new health insurance program for workers in small firms and low-income adults who lack access to group health coverage—has so far been able to offer premiums that are substantially less than those charged in the private individual insurance market.

#458 *Expanding Access to Health Insurance Coverage for Low-Income Immigrants in New York State* (March 2001). Deborah Bachrach, Karen Lipson, and Anthony Tassi, Kalkines, Arky, Zall & Bernstein, LLP. This study of health insurance coverage among New York State's legal immigrants finds that nearly 170,000 low-income adults who would otherwise be eligible for public insurance programs are denied coverage solely because of their immigration status.

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#435 *Emergency Department Use in New York City: A Survey of Bronx Patients* (November 2000). John Billings, Nina Parikh, and Tod Mijanovich, New York University. This issue brief, one of three produced from the authors' research, reveals that nearly three-quarters of patients who use

New York City hospital emergency departments do so to get treatment for conditions that are either not emergencies or can be treated in a primary care setting.

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#264 *The Commonwealth Fund Survey of Health Care in New York City* (March 1998). David R. Sandman, Cathy Schoen, Catherine DesRoches, and Meron Makonnen. This survey of more than 4,000 New York City residents, conducted by Louis Harris and Associates, Inc., found that a New Yorker was 50 percent more likely to be uninsured than the average American, that the vast majority of the City's uninsured live in working families and have low incomes, and that the City's public hospitals, emergency rooms, and clinics provide an important safety net for the uninsured.