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Issue Brief

Employer-Sponsored Health Insurance in New York

Findings from the 2003 Commonwealth Fund/HRET Survey

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ABSTRACT: A 2003 Commonwealth Fund/Health Research and Educational Trust survey of 576 New York State firms found that, in order to manage rising health costs, employers are increasing the share of the insurance premium that employees pay, delaying the start of benefits, and increasing cost-sharing at the point of service. This has enabled employers to preserve health benefits, but has raised costs for workers and their families. On average, workers' contributions for family coverage rose 54 percent, from $1,392 per year in 2001 to $2,148 per year in 2003. During that time period, fewer workers selected family coverage. Employers are receptive to a wide range of approaches to make coverage more available and affordable for their employees, but they have limited familiarity with public programs that could cover their lower-wage workers, such as Healthy New York, Family Health Plus, or Child Health Plus.

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Background

In New York, as in the nation, employment-based health insurance covers more people than any other insurance source. Despite financial stress on employers over the last several years from a weak economy, higher unemployment, and medical cost inflation, employers continue to value health insurance for its positive impact on recruitment and productivity and have kept it in place for their workers. What's more, New York's public insurance programs have been expanding, improving the safety net for low-wage families who are not offered job-based coverage.

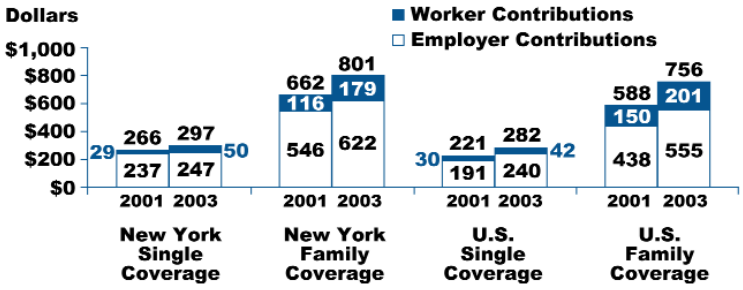
The Commonwealth Fund commissioned the Health Research and Educational Trust (HRET) to survey a random sample of 576 New York firms about their provision of health insurance in 2003. Firms were interviewed within New York City, its five suburban counties, and across the rest of the state. The survey repeats many of the questions asked in a 2001 HRET/Commonwealth Fund survey of New York firms, allowing an analysis of trends. We examine whether there has been any weakening of employer-sponsored health insurance and whether the state's employers are making more use of public health insurance programs than they have in the past. The experiences of New York employers are contrasted

with those of all employers in the nation, based on the Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001 and 2003.

Employers report that, in order to manage rising health costs, they are increasing the share of the premium employees must pay, delaying the start of benefits, and increasing cost-sharing at the point of service. While these steps have enabled most employers to maintain their commitment to offering health insurance coverage, families' insurance costs have soared. Further, low-wage workers may be unable to afford these higher costs.

Just half of New York's low-wage workers are covered through their employer. Few employers have considered options to work with the state to enroll their low-income workers in programs that may be affordable both for employers and employees.

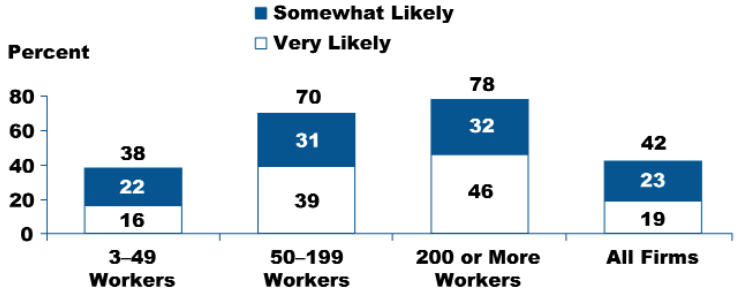
Figure 1. Change in Average Monthly Worker Premium Contributions in New York and U.S., 2001 and 2003



Note: All changes from 2001 to 2003 are statistically different at $p < 0.05$, except for New York Single Coverage. Average premiums are for the benefit plan that enrolls the most employees in each firm.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003; U.S. data from Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001 and 2003. Weight: covered workers.

Figure 2. Percentage of Firms That Will Increase Amount Workers Pay for Health Insurance in Next Year, by Firm Size, 2003



Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003. Weight: firms.

Premiums and Cost-Sharing Continue to Rise

Already expensive, health insurance in New York, especially family coverage, is becoming more costly. Insurance for an individual cost an average of $297 per month in 2003, and $801 a month for families (Table 1). Yet, premiums are rising more slowly in New York than in the country as a whole. Average premiums rose 11.4 percent between 2002 and 2003 in New York, compared with 13.9 percent in the nation, based on the Kaiser/HRET survey of employer health benefits.

HMO premiums are considerably lower than PPO premiums and are more often chosen in upstate New York, making average premiums upstate much lower than in the city. Family premiums paid upstate average $703 per month, compared with $816 per month in the city.[1]

Workers are paying a greater share of premiums than they have in the past. Between 2001 and 2003, the percent of the premium that employees pay rose from 11 percent to 18 percent for individuals and from 17 percent to 23 percent for families (Table 2). The effect of greater premium-sharing on families' budgets is significant. On average, families' monthly insurance payments rose 54 percent, from $116 a month in 2001 to $179 per month in 2003 (Figure 1). Employers expect the trend toward higher employee costs to continue. Forty-two percent of all firms statewide say they are very or somewhat likely to increase the amount workers pay for health insurance in the next year (Figure 2). New York employees nonetheless pay about 11 percent less than do workers in the rest of the nation for family coverage.

The impact of higher premiums may be related to a decrease in New York workers enrolling in family coverage. Forty percent of covered workers chose family coverage in 2003, compared with 49 percent in 2001.

Offer and Take-Up Rates Have Not Changed, but the Terms Have Worsened

Although premium increases were the norm for New York firms, these higher costs did not keep most firms from continuing to offer benefits to their employees. Employers strongly believe that offering health benefits helps them to recruit and retain employees. Sixty-three percent say that it has a major impact on recruitment

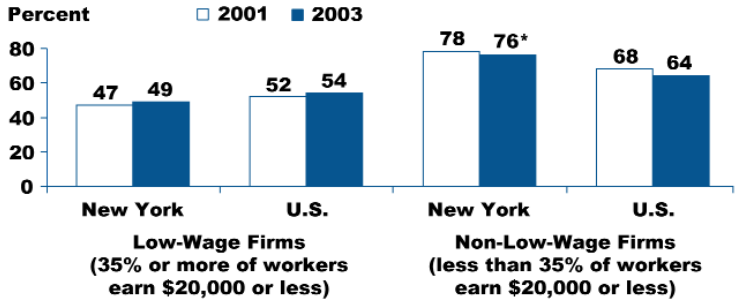
[1] Average premiums reported in the survey are for the benefit plan that enrolls the most employees in each firm.

and retention and another 19 percent say that it has a minor impact. The proportion of employers offering health coverage is somewhat higher in New York than elsewhere in the nation (70 percent vs. 66 percent). Low-wage firms are an exception: in New York, firms where 35 percent or more of workers earn $20,000 or less are somewhat less likely to provide insurance than in the rest of the nation (49 percent vs. 54 percent) (Figure 3). Eighty-five percent of firms that do not offer coverage report that high premiums were a very important deterrent (Figure 4).

Sixty percent of firms statewide with three to nine workers offer coverage, while virtually all firms with 200 or more workers do so. However, smaller firms in New York are more likely to offer coverage than comparably sized firms nationally. This difference contributes to the somewhat higher overall offer rate in New York than the national average (Figure 5). Among firms offering health benefits, take-up rates in New York average 85 percent, resulting in a rate of 69 percent of workers actually obtaining job-based health insurance (Table 3). Workers upstate and in low-wage firms are less likely than workers in other parts of the state or in non-low-wage firms to be offered coverage. When they are offered job-based coverage, they are notably less likely to enroll. This results in coverage rates for upstate workers of just 61 percent and for workers in low-wage firms of just 52 percent.

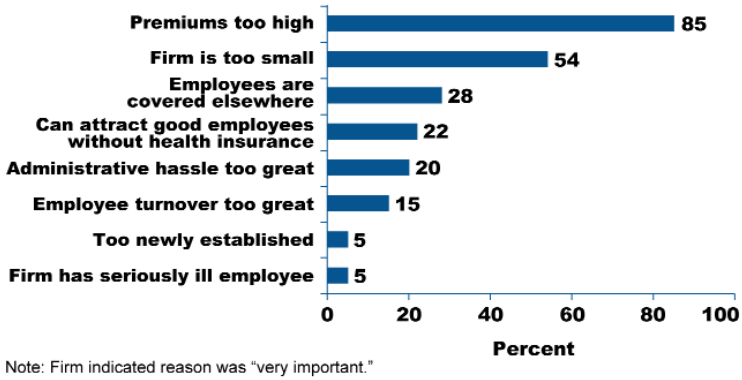
A major shift has occurred in the start date of benefits for New York workers. More employers are not offering benefits until workers have been employed for three months or longer. In 2001, 33 percent of workers worked for firms that provided coverage immediately; in 2003, just 19 percent of workers did so. The proportion of employers making their employees wait three months or more before being eligible for coverage rose from 33 percent in 2001 to 39 percent in 2003 (Figure 6). In low-wage firms, three of four workers now have to wait three months or more for coverage to start.

Figure 3. Percentage of New York and U.S. Firms Offering Health Benefits, by Percentage of Workforce Low-Wage, 2001 and 2003



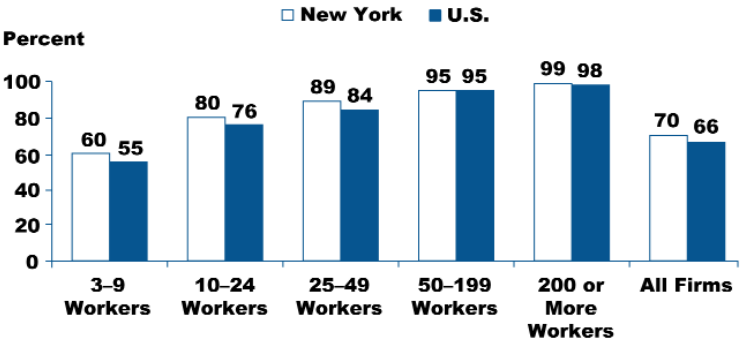
* Significantly different than U.S. at $p < .05$.
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003; U.S. data from Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001 and 2003. Weight: firms.

Figure 4. Reasons Why New York Firms Do Not Offer Health Benefits, 2003



Note: Firm indicated reason was "very important."
Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003. Weight: firms.

Figure 5. Percentage of New York and U.S. Firms Offering Health Benefits, by Firm Size, 2003

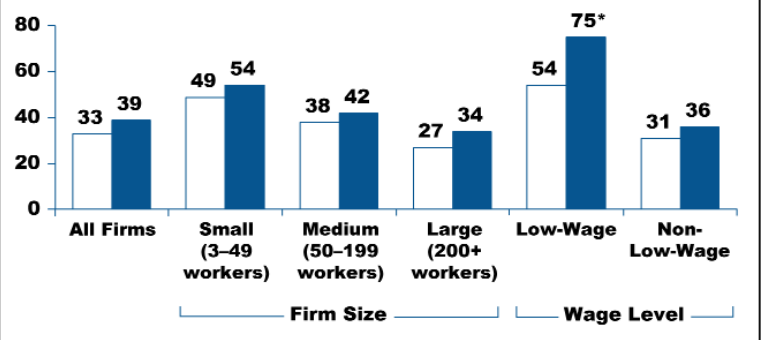


Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003; U.S. data from Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003. Weight: covered workers.

Employees Pay More When They Use Care

Cost-sharing at the point of service, such as copayments for doctors' office visits and health plan deductibles, has increased considerably since 2001. The proportion of HMO enrollees with a $20 copayment for office visits increased from 4 percent in 2001 to 18 percent in 2003. PPO deductibles for out-of-network services for a worker with single coverage increased from $323 in 2001 to $386 in 2003 (Table 4). Most

Figure 6. Percentage of Workers Who Must Wait Three Months or More for Coverage, by Firm Size and Wage Level, 2001 and 2003



* Statistically different than 2001 at $p < 0.05$.
Note: 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, 2003. Weight: covered workers.

dramatically, point-of-service plan deductibles increased from $467 to $580. Thirty-eight percent of New York workers have a separate form of cost-sharing for hospital admissions-either a deductible, a copayment, or both. The vast majority of New York workers (84 percent) are in plans with either three-tier or two-tier cost-sharing for prescription drugs, meaning they pay more for brand-name and high-cost dtugs than for generic and low-cost drugs.

Workers in Large Firms Are More Likely to Have Retiree Coverage

Retiree coverage continues to be limited primarily to workers in large firms. Only 13 percent of New York firms with three to 199 employees that offer coverage to active workers also provide retiree health benefits, compared with 50 percent of firms with 200 or more employees. New York's large firms (200+ workers) are more likely to offer retiree health benefits than are firms in the rest of the nation (50% vs. 38%).

Consumer-Driven Health Care on the Horizon

Familiarity and interest in consumer-driven health care among employers is high in New York, as it is in the nation. However, few New York employers have begun offering such plans. Five percent of New York firms are "very familiar" with the term consumer-driven health care, and another 23 percent are "somewhat familiar," accounting for 65 percent of workers. Small firms are far less likely to be very familiar with the concept than are larger firms (4% vs. 19%). Three percent of New York firms, accounting for 7 percent of New York workers, offer a high-deductible plan, defined as having a deductible of $1,000 or more for single coverage. Large firms with 200 or more workers are more likely to offer these plans than are smaller firms (6 percent vs. 3 percent). Just 1 percent of New York employees work for firms that offer a health reimbursement account combined with a high-deductible plan.

Employers Are Receptive to Coordinating with Public Programs

Employers are receptive to a wide range of approaches to make coverage more available and affordable for their employees, but they have limited familiarity with public programs that could cover their lower-wage workers. Healthy New York is a publicly funded program that makes low-cost private insurance available to small firms if at least one-third of their workers earn less than $30,000 a year. While familiarity with the Healthy New York program among small businesses has grown since 2001—from 7 percent to 26 percent—most employers heard about it for the first time in the survey. When it was described to them, 46 percent of small businesses not currently participating indicated that they were interested in the program.

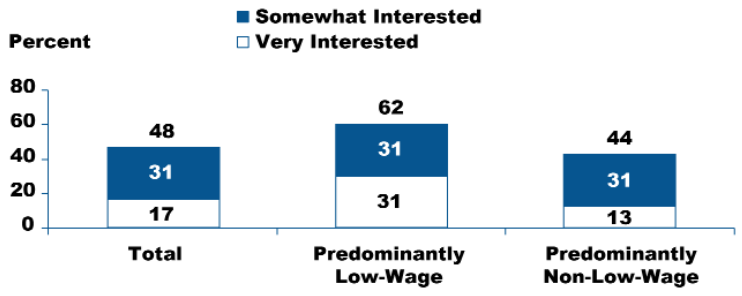
Only 13 percent of small New York City employers (with three to 49 workers) are familiar with Health Pass, a purchasing cooperative for small employers that does not have the income restriction of Healthy New York. Among the firms that are familiar with the program, 16 percent are currently participating, 39 percent have considered it but are not currently participating, and 45 percent have not considered participating.

New York employers can help low-income workers enroll their children or the whole family in two other programs, Family Health Plus and Child Health Plus, and even can subsidize the costs of the premiums. Seventeen percent of New York employers would be "very interested" in subsidizing part of their eligible employees' monthly premium costs to participate in these public health insurance programs, and another 31 percent would be "somewhat interested" (Figure 7).

New Policy Choices

In addition to asking about existing public programs in New York, the survey gauged employers' level of interest in new policy options. The survey described one potential option whereby employers could benefit from the purchasing clout of the state in buying health

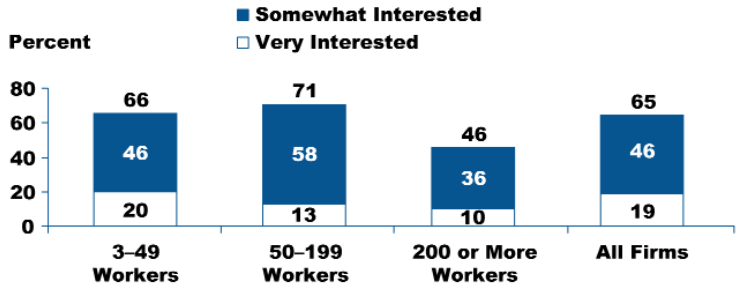
Figure 7. Percentage of New York Employers That Would Be Interested in Subsidizing Employees' Participation in Family Health Plus or Child Health Plus, 2003



Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003. Weight: firms.

insurance. Nineteen percent of New York employers would be "very interested" in a system in which employees and their dependents get coverage through the same insurance program that covers New York State employees, with employers subsidizing the monthly premium costs. Another 46 percent would be "somewhat interested" in such a system (Figure 8).

Figure 8. Percentage of New York Employers That Would Be Interested In Buying into a State Employee Health Plan, by Firm Size, 2003



Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003. Weight: firms.

Conclusion

Historically, employer-sponsored health insurance in New York has been both more expensive and more generous in terms of the employer subsidy than the rest of the country. As premiums in the rest of the country rise more quickly than in New York, the gap between New York premium costs and national premium costs is closing.

New York employers who provided coverage in the past continue to be committed to offering coverage, in part because they believe that it helps them to recruit the best workers and reduce employee turnover. However, this commitment is being challenged by double-digit increases in premiums over the past three years. Firms generally follow a hierarchy of actions to address these financial pressures and costs. Employers increase copayments, deductibles, and premium contributions from workers first. Then, if cost pressures persist, they eliminate some benefits. As a result, many more workers are now facing financial trade-offs in choosing doctors or hospitals (e.g., in-network or out-of-network) or prescription drugs (e.g., on a drug formulary or off the formulary). A last resort for firms, to which few employers have resorted, is to drop coverage.

Families have borne greater insurance premium increases than individuals, paying on average 54 percent more than they did two years ago. Higher cost-sharing for families may explain why the take-up rate of family coverage has declined since 2001. With open concern among employers that premiums will increase once again in 2004, there is growing apprehension about the ability of families to absorb premium costs.

Assistance may be available for some of New York's low-wage workers, who have the lowest rate of participation in job-based coverage. New York has committed significant state resources to making health insurance available to low-income families who either are not offered coverage by an employer or cannot afford that coverage. Healthy New York, Child Health Plus, and Family Health Plus greatly decrease the cost of insurance to families. This survey shows that about half of small businesses are interested in working with these programs to help enroll their employees and even subsidize the cost of coverage. More publicity and outreach to employers to assist them in these efforts could help both employers and employees. A concerted effort to promote Healthy New York, which has higher income limits, is paramount at a time when rising costs of employer-sponsored coverage are at serious risk of leaving families uncovered. While some argue that employers will drop coverage to take advantage of the generous state programs, this survey and others have shown that employers in New York continue to see provision of job-based health insurance as a top priority.

Table 1. Average Monthly Premiums in New York State and the U.S., by Plan Type, N.Y. Region, and Firm Size, 2003

		Single Coverage		Family Coverage	
		New York	U.S.	New York	U.S.
Average of All Plans		$297	$282	$801	$756
Plan Type:	Conventional	$327	$298	$897*	$733
	HMO	$266	$263	$713	$709
	PPO	$316	$292	$848	$776
	POS	$291	$272	$795	$761
Region:	New York City	$292		$816	
	Rest of state	$271		$703	
Wage Level:	Low-wage firms	$282	$283	$759	$717
	Non-low-wage firms	$298	$272	$804	$761
Firm Size:	Small (3–49 employees)	$321*	$287	$859*	$723
	Medium (50–199 employees)	$294	$286	$816	$778
	Large (200+ employees)	$291	$280	$783	$761

* Significantly different than U.S. at $p < 0.05$.

Notes: Average premiums are for the benefit plan that enrolls the most employees in each firm. 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, 2003; U.S. data from Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003.

Table 2. Average Monthly Worker Premium Contributions in New York, by Firm Size and Wage Level, 2003

		Single Coverage		Family Coverage	
		Absolute Worker Contribution	Percentage Worker Contribution	Absolute Worker Contribution	Percentage Worker Contribution
All Firms		$50	18%	$179	23%
Firm Size:	Small (3–49 employees)	$49	16%	$205	25%
	Medium (50–199 employees)	$47	17%	$197	25%
	Large (200+ employees)	$52	18%	$169	22%
Wage Level:	Low-wage	$55	20%	$182	24%
	Non-low-wage	$50	17%	$178	23%

Note: 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: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003.

Table 3. Eligibility, Take-Up, and Coverage in New York Among Firms Offering Benefits, by Firm Size and Region, 2003

		Workers Eligible for Health Insurance	Participation (Take-Up Rate)	Workers Covered by Health Insurance
All Firms		80%	85%	69%
Firm Size:	Small (3–49 workers)	84%	79%	66%
	Medium (50–199 workers)	77%	79%	60%
	Large (200+ workers)	79%	89%	72%
Region:	New York City	82%	89%	73%
	New York City suburbs	81%	87%	71%
	Rest of state	77%	80%	61%
Wage Level:	Low-wage firms	75%	71%	52%
	Non-low-wage firms	81%	87%	71%

Note: 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, 2003.

Table 4. Monthly Single Premium and Deductible Costs in New York, by Firm Size and Wage Level, 2001 and 2003

Firm Size	All Firms 2001	All Firms 2003	Small (3–49 Workers) 2001	Small (3–49 Workers) 2003	Medium (50–199 Workers) 2001	Medium (50–199 Workers) 2003	Large (200+ Workers) 2001	Large (200+ Workers) 2003
Average monthly single premiums	$266	$297*	$287	$321*	$262	$294*	$262	$291
PPO in-network deductible	$67	$94	$193	$172	$94	$120	$51	$76
PPO out-of-network deductible	$323	$386*	$491	$562	$346	$322	$306	$362*

Wage Level	Low-Wage 2001	Low-Wage 2003	Non-Low-Wage 2001	Non-Low-Wage 2003
Average monthly single premiums	$238	$282*	$269	$298*
PPO in-network deductible	$196	$230	$66	$91
PPO out-of-network deductible	$557	$319	$319	$388*

* Statistically different than 2001 at $p < 0.05$.

Note: 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: covered workers.

Source: Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York, 2003.

METHODOLOGY

The Commonwealth Fund/HRET Survey of Employer-Sponsored Health Benefits in New York (2003) was a joint effort of The Commonwealth Fund and the Health Research and Educational Trust (HRET). The Commonwealth Fund and HRET conducted virtually the same survey in 2001, thereby permitting an examination of recent changes in the New York health insurance marketplace. Both surveys were weighted to data on New York firms collected by the U.S. Census. Weights from 2001 were recalculated to match the change in the post-stratification methodology implemented with the 2003 survey. Therefore, the 2001 data reported here will differ slightly from the 2001 data reported previously.

The survey consisted of telephone interviews with a random sample of 576 employee benefit and human resource managers of employers in New York State. HRET drew its sample from a list of businesses collected by Dun & Bradstreet of the nation's private and public employers with three or more workers. To increase precision, HRET stratified the sample by industry and the number of workers in the firm. Interviews were conducted from May to October 2003. The sampling method was the same as in 2001, but the same firms were not chosen.

The questionnaire included a questions from the national 2003 Kaiser Family Foundation/HRET Survey as well as questions specific to the New York context. This survey included questions on the cost of health insurance, coverage, eligibility, health plan choice, enrollment patterns, premiums, employee cost-sharing, covered benefits, prescription drug benefits, self-insurance, and employers' views on consumer-driven health care. To provide national comparisons, data are also reported from the 2001 and 2003 Kaiser Family Foundation/Health Research and Educational Trust Survey of Employer-Sponsored Health Benefits.

The New York sample had a higher percentage of firms with 200 or more employers: 71 percent of all New York workers work for firms with at least 200 employees compared with 66 percent in the U.S. Forty percent of all New York firms are located in the five boroughs of New York City (NYC). Another 29 percent of all firms are located in one of the suburbs of New York City—Nassau, Orange, Rockland, Suffolk, and Westchester Counties—and the remaining 31 percent are located in the rest of the state. Half of all workers and covered workers are employed in firms based in New York City.

Because HRET selects firms randomly, it is possible to use statistical weights to extrapolate the results to statewide (as well as industry and firm size) averages. These weights allow HRET to present findings based on the number of total workers, the workers covered by health plans, and the number of firms. Among the more than 3 million firms nationally, approximately 60 percent are firms employing three to nine workers. In contrast, jumbo firms, defined as firms with 5,000 or more workers, employ and cover about 40 percent of employees. Therefore, the smallest firms will dominate any national statistics about what employers in general are doing. In contrast, jumbo employers are the most important employer group in calculating national statistics regarding the typical employee or covered worker, since they employ the largest percentage of the nation's workforce.

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