

Employer Sponsored Insurance in North Carolina

Task Force on Covering the Uninsured
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Mark Holmes, Ph.D.
Cecil G. Sheps Center for Health Services Research
University of North Carolina

Outline

- Review of Firm Size and the Uninsured
- Premiums
- Offer & takeup of ESI
- Dependent coverage

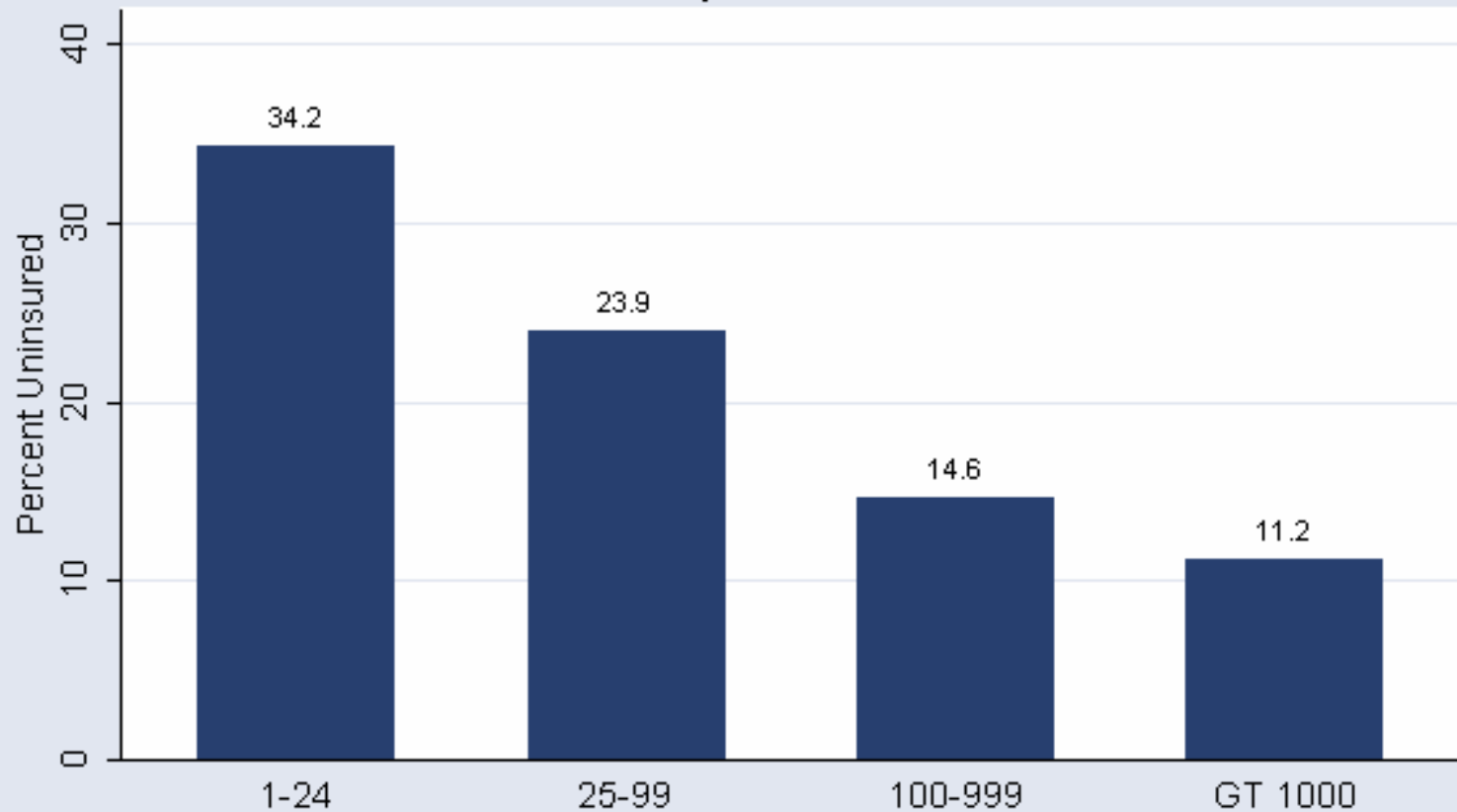
Review

- Recall that firm size is a key factor in employer sponsored insurance (ESI) coverage. Employees at small firms are more likely to be uninsured, and about half the uninsured workforce works at a small firm (less than 25 employees).



Most uninsured workers work in a firm with fewer than 25 employees.

Risk of Being Uninsured by Firm Size



Source: CPS 2002-2004 (Calendar years 2001-2003).

The smaller the firm, the more likely a worker is to be uninsured.

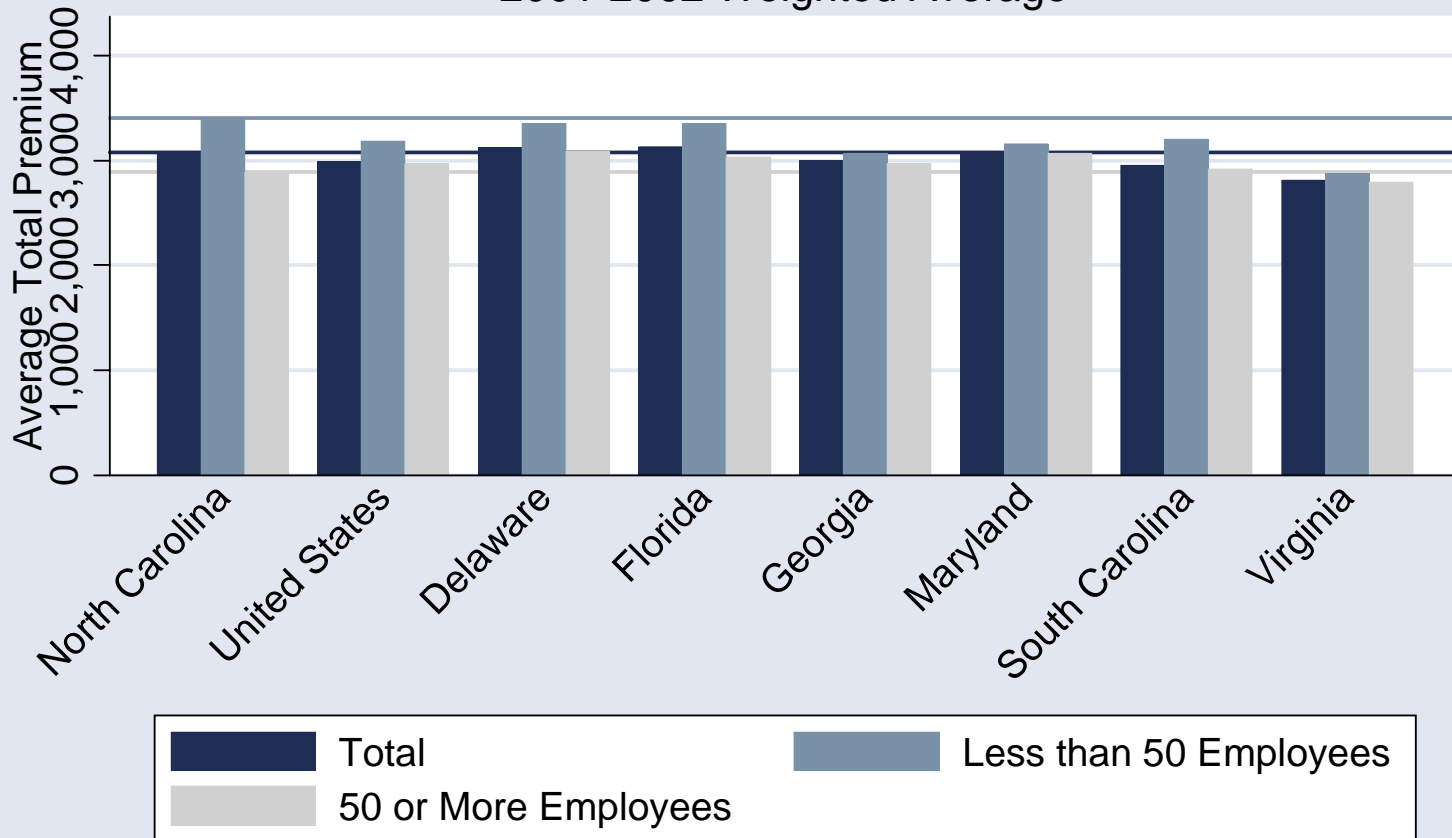
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Caveats

- When we compare premiums, we have no way of knowing how drivers of the premiums vary across states:
 - Benefits of the packages
 - Cost of medical services
 - Differences in state laws
- There is also a nontrivial amount of sampling variability in a given year, which is why we pool two years.
- Premium data are only for those that are covered – i.e, we know nothing about premiums for plans not purchased

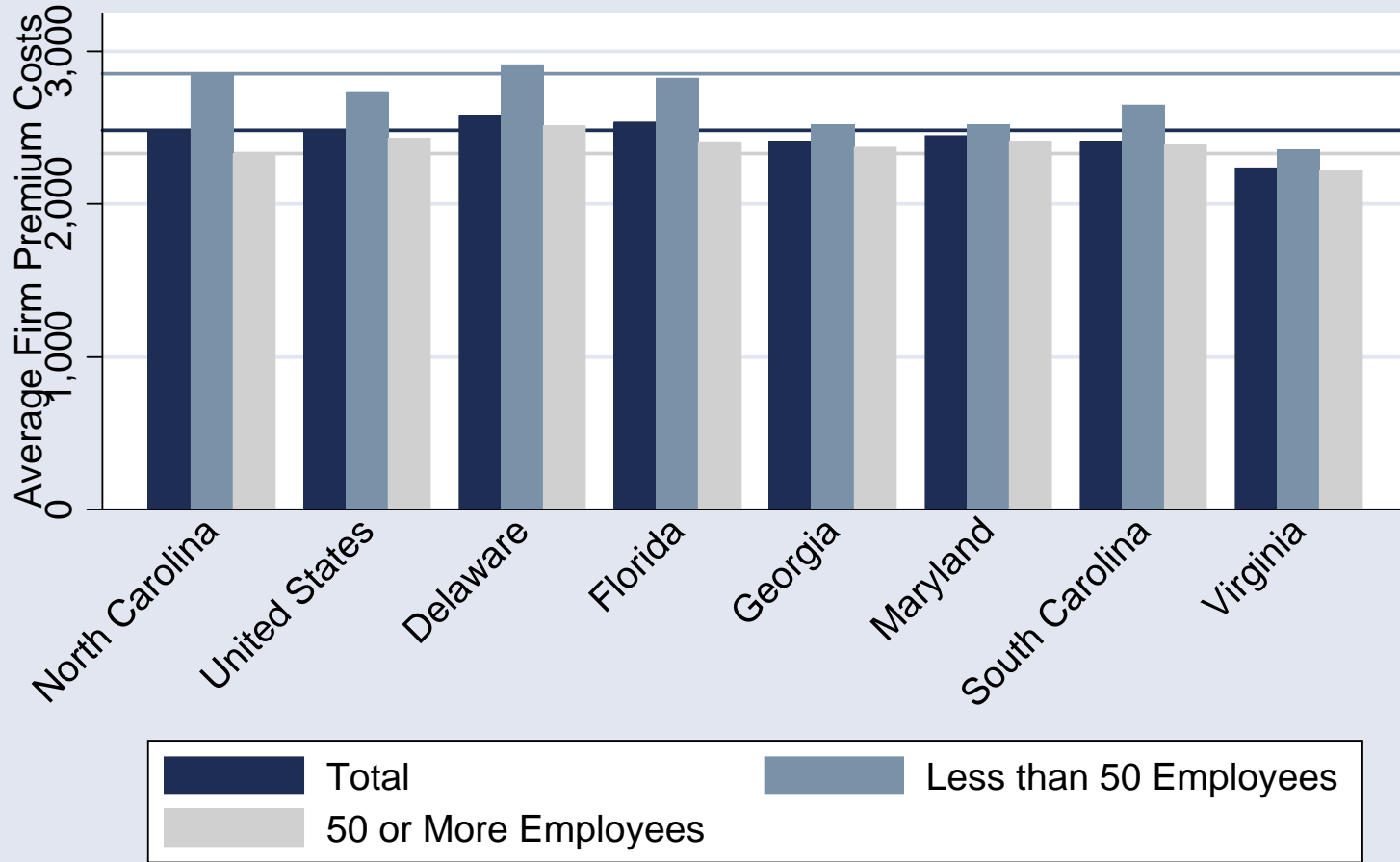
Total Premium 2001-2002 Weighted Average



Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends 2001 & 2002 Medical Expenditure Panel Survey-Insurance Component, Table IIC1.

North Carolina's premiums are a little higher than most in the region. **North Carolina has the highest total premium for small employers in the South Atlantic.** Only Virginia has a lower premium than NC for large employers. Note that one reason the overall average makes us look a little better is that we have more employees in large employers than other states in our region.

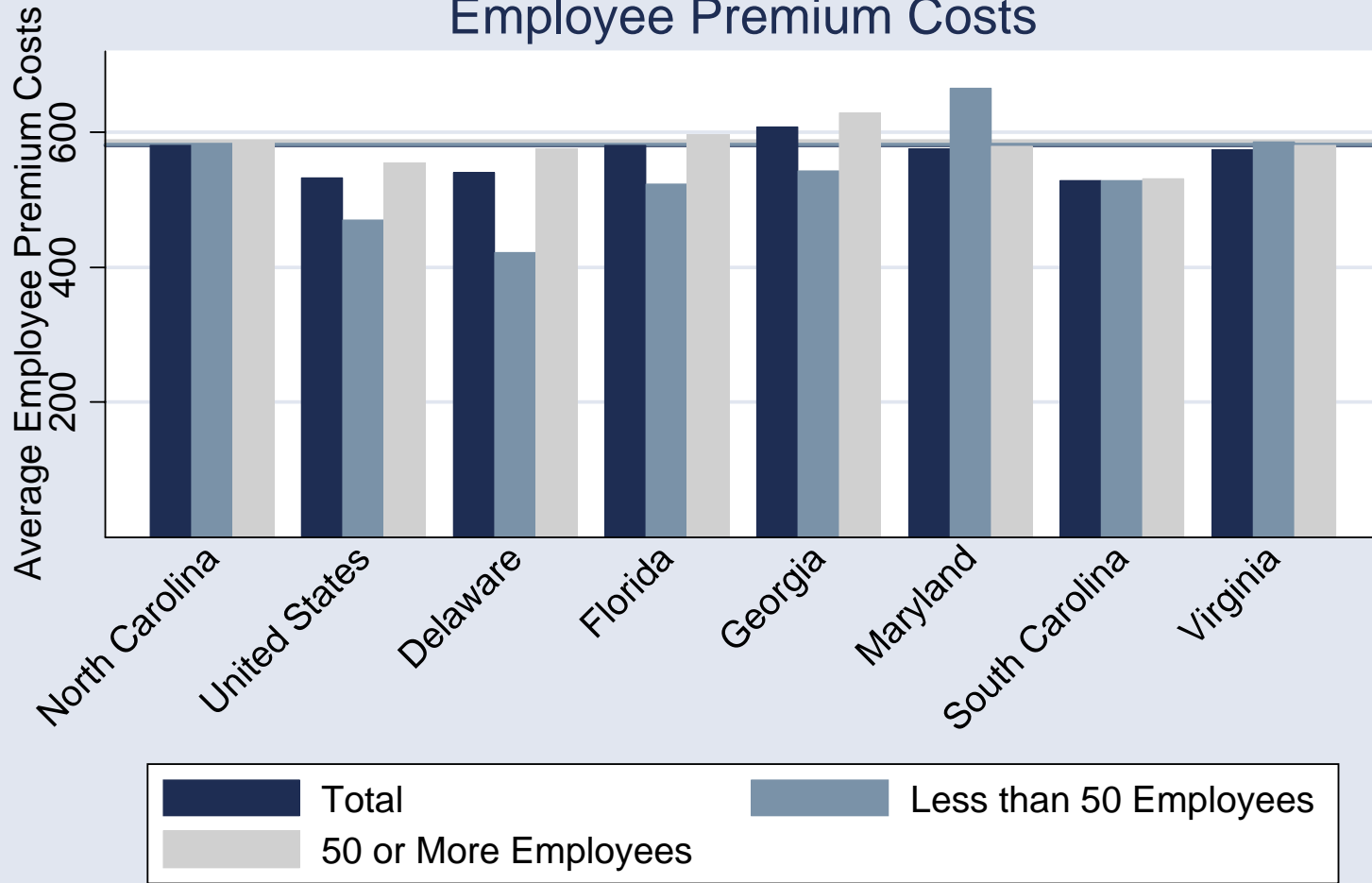
Firm Premium Costs



Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends 2001 & 2002 Medical Expenditure Panel Survey-Insurance Component, Derived from Tables IIC1 and

On average, North Carolina employers pay the third highest average premiums in the region. Small NC employers pay the second highest premium costs in the region, and large NC employers pay the second lowest.

Employee Premium Costs

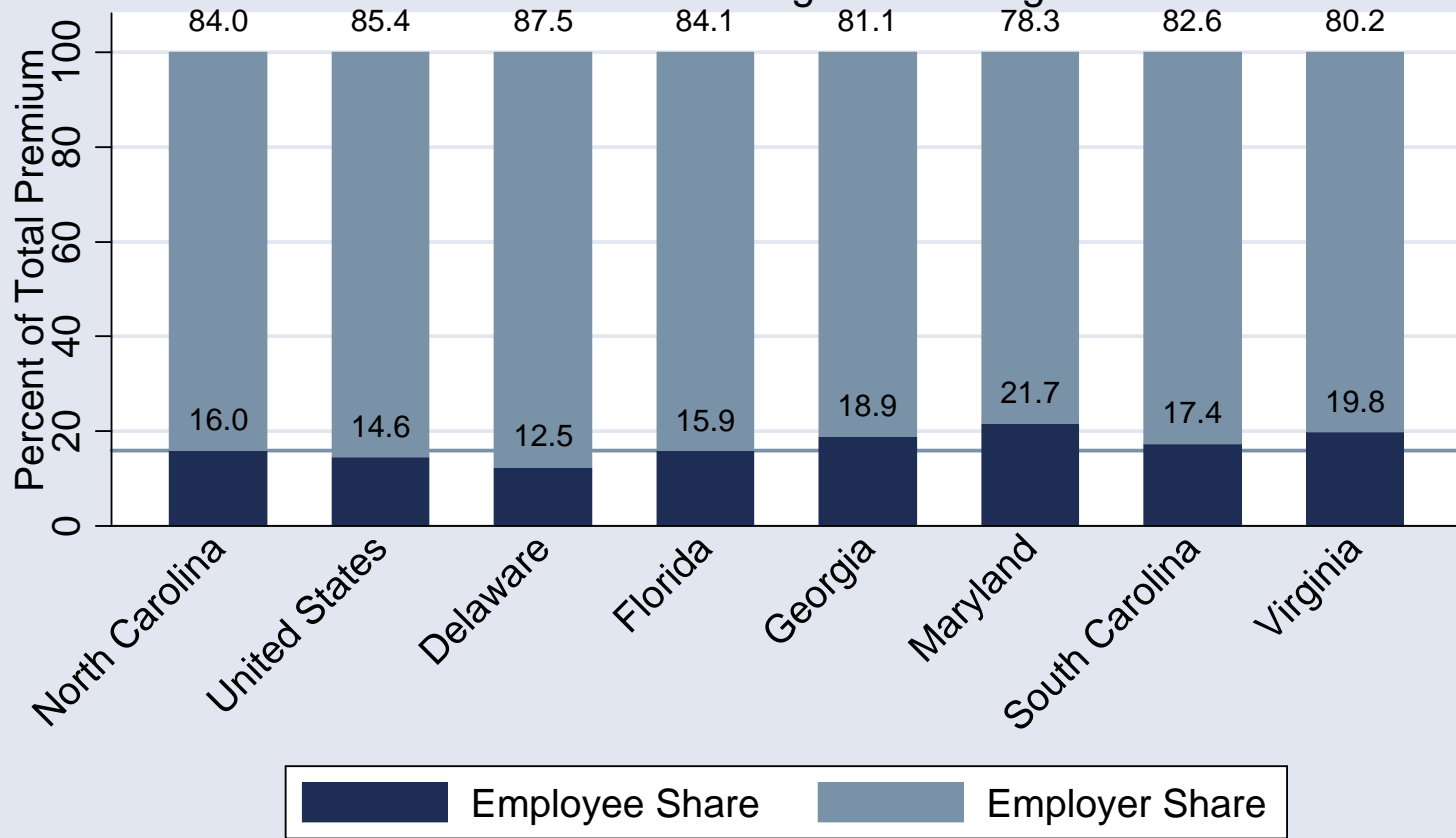


Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends 2001 & 2002 Medical Expenditure Panel Survey-Insurance Component, Table IIC2.

North Carolina employees pay about the same premium independent of firm size. Maryland small-firm employees pay more, and Virginia pay about the same, but other states in the region pay less. Note that the gap between the NC and US averages is larger for small firms. Interestingly, small firm employees in most states tend to pay less than large firm employees, but not in North Carolina.

Percent of Total Premium

2001-2002 Weighted Average



Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends 2001 & 2002 Medical Expenditure Panel Survey-Insurance Component, Tables IIC1 & IIC2.

Firms less than 50 employees only. In percentage terms, North Carolina small firm employees pay 16 percent of the total premium. This is in the middle of the states in our region.

Summary

- Small firms face higher premiums
- North Carolina **small firm premiums are the most expensive in the region**
- Employers and employees both bear the higher cost

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Offer and Takeup of ESI ("Coverage Status")

- The following graphs demonstrate the relative frequency of ESI coverage status:
 - Firm does not offer ESI
 - Firm offers, but employee not eligible
 - Employee eligible, but declines coverage
 - Employee covered by ESI

Where is the friction?

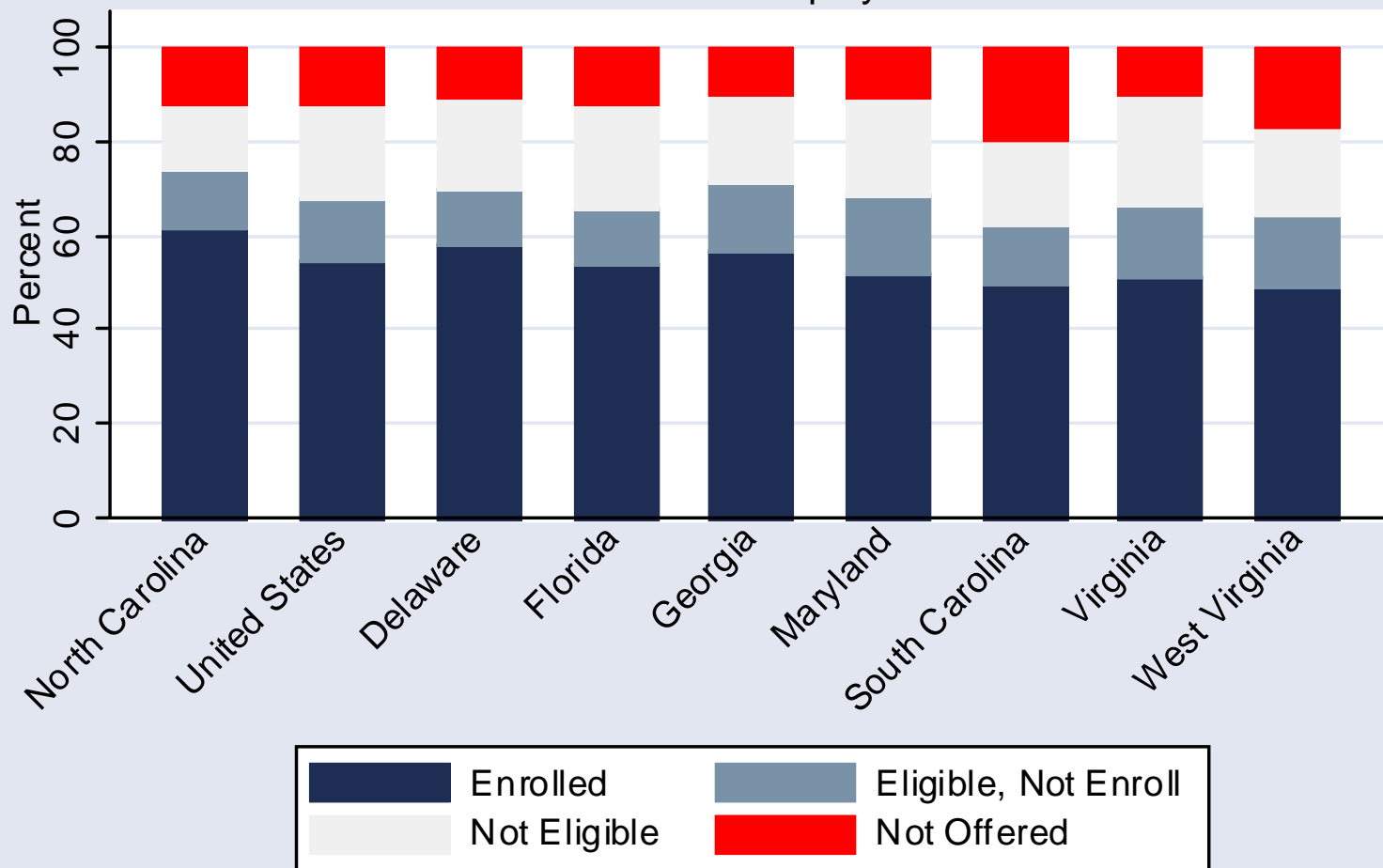
- We can conceptualize three decisions in the provision of ESI:
 - Should the firm offer HI?
 - If yes, what employees are eligible?
 - If eligible, does the employee take it up?

The key “friction” element depends on the firm size.

A key driver of the third decision is whether/ how much does employer contribute to employee / employee plus dependent coverage.

Employee Insurance

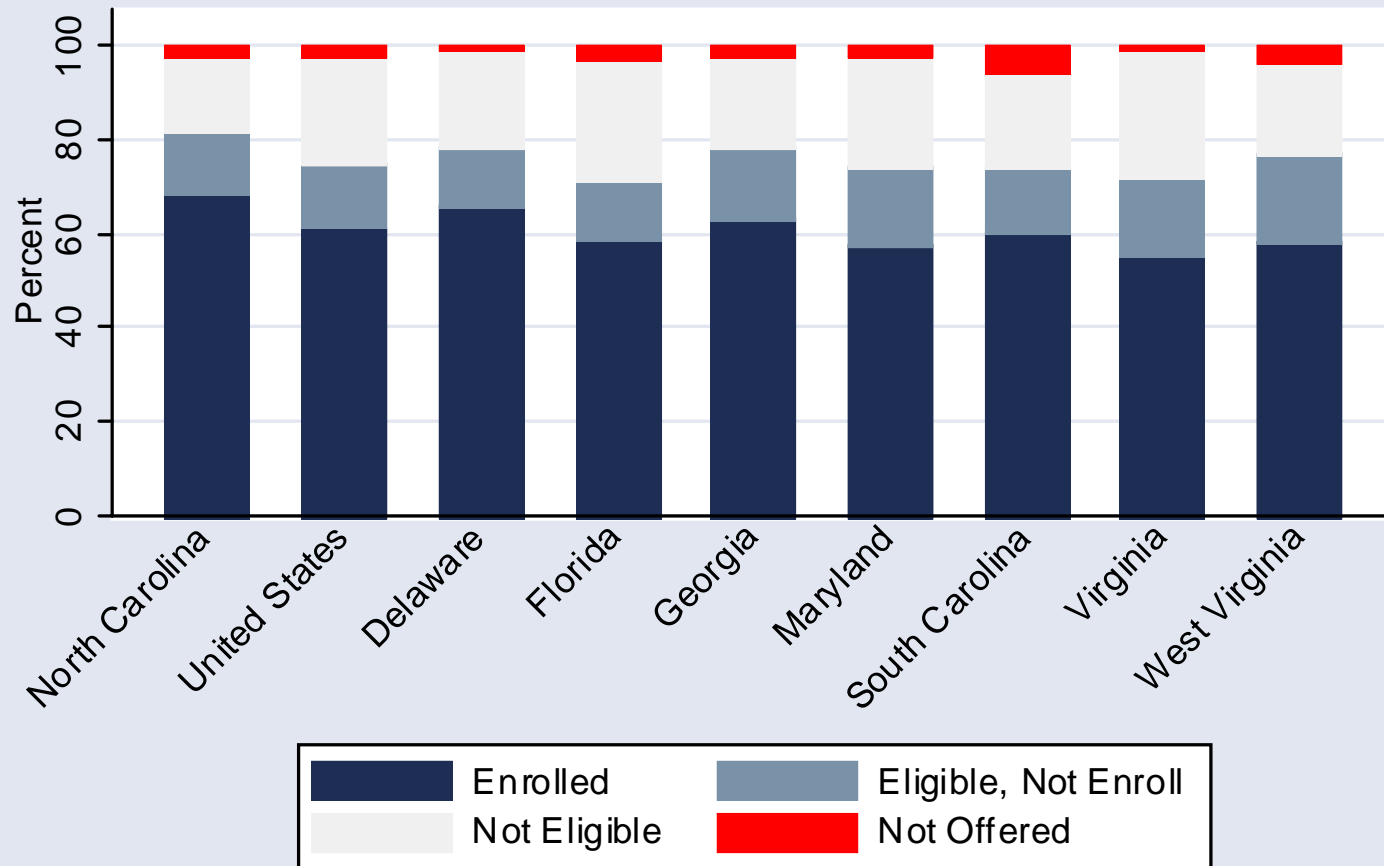
All Private Employees



This and the subsequent two graphs show the percent of private sector employees by their ESI coverage status. Note that NC has a higher rate of enrollment (dark bar) than national and other South Atlantic states.

Employee Insurance

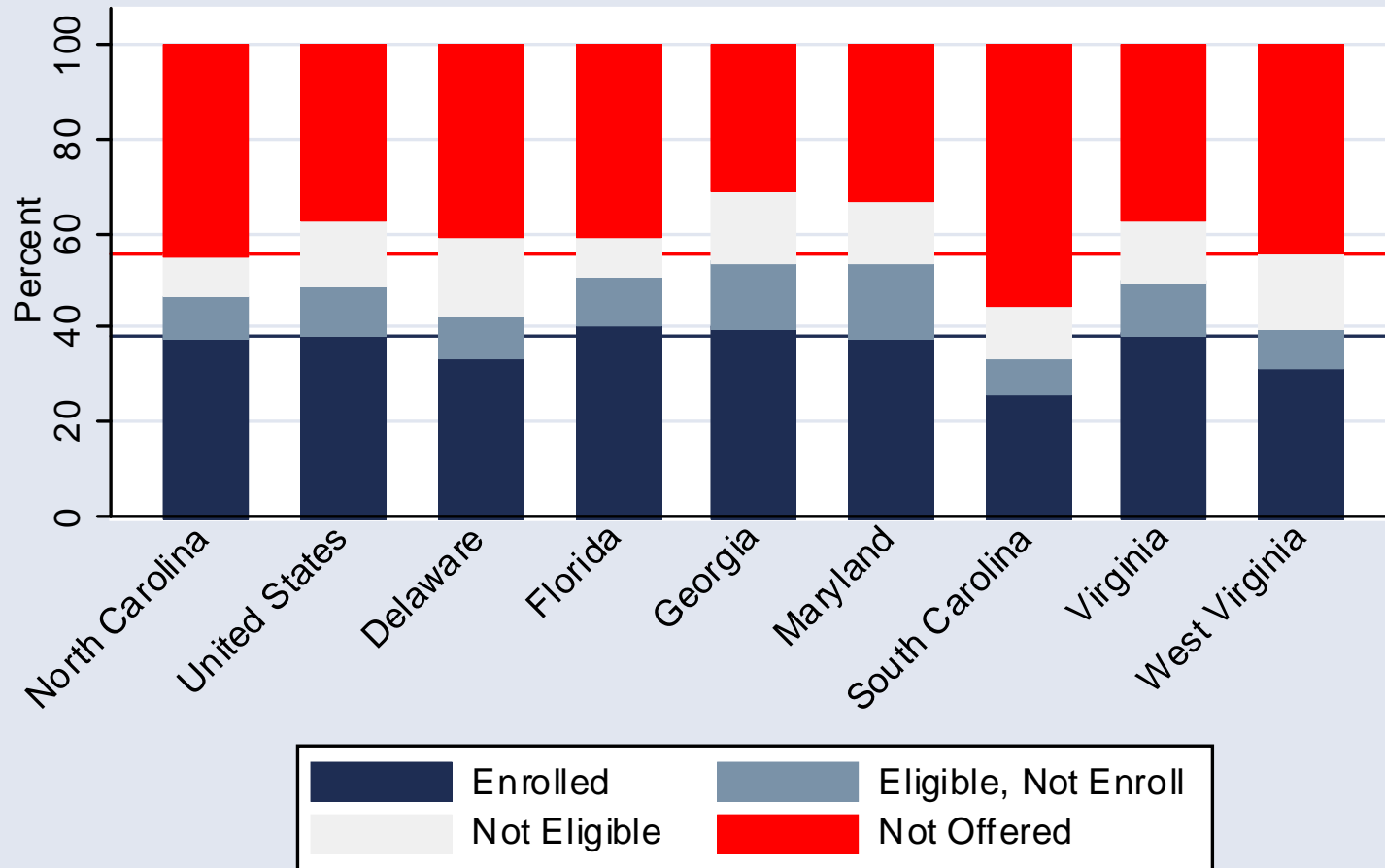
Firm Size More Than 50



Most employees at firms with more than 50 employees are at firms that offer ESI. In NC, about 18 percent are not eligible for coverage. About 15 percent are eligible but do not enroll. Roughly 65 percent of private sector employees receive ESI. The biggest “friction” is the “who is eligible” decision.

Employee Insurance

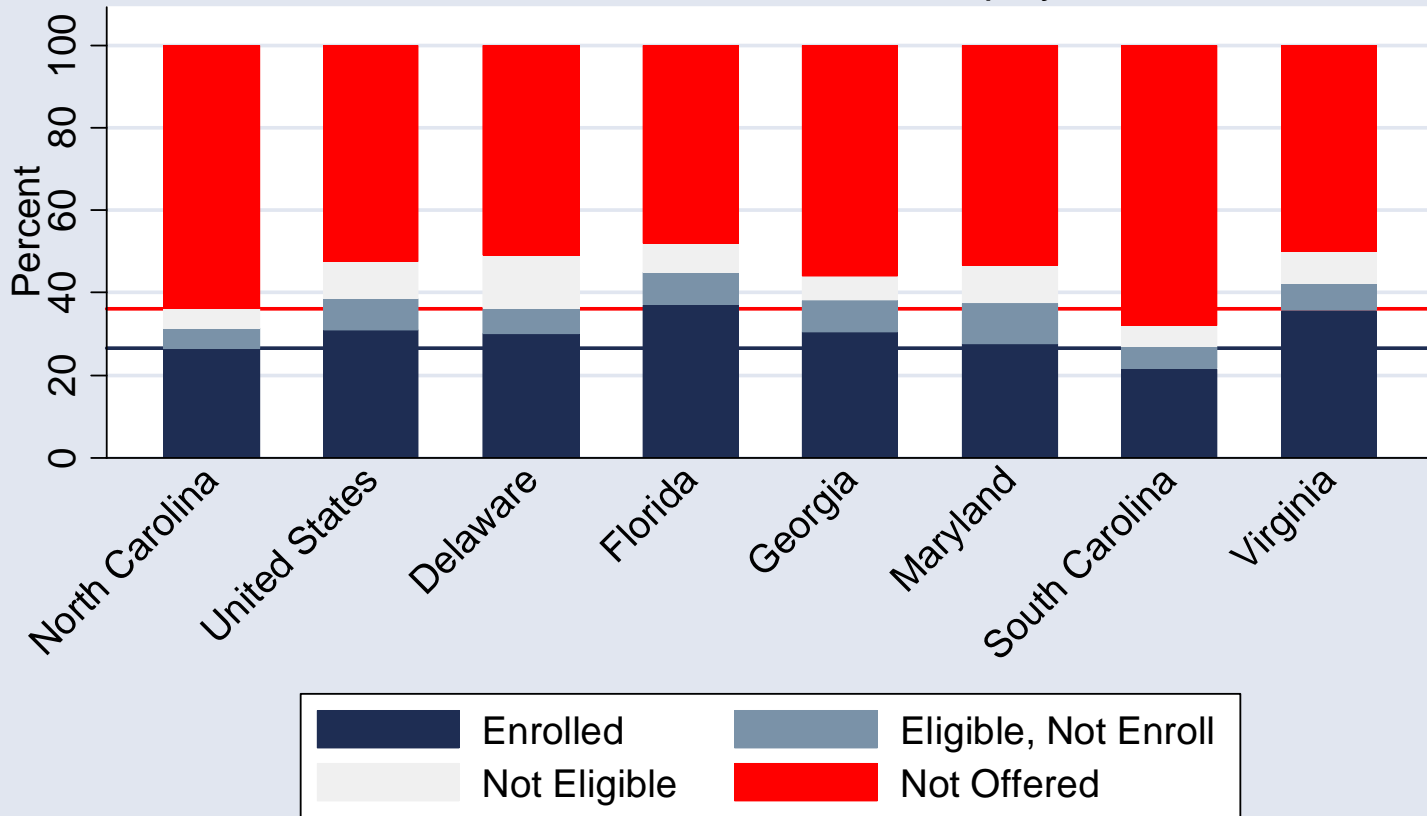
Firm Size Less Than 50



For smaller firms, though, the “offer” decision is more important — over 40 percent of NC private sector small firm employees work at a firm that does not offer ESI to **any** employee. Note that only SC has a lower offer rate, although NC is near the top enrollment rate in the area.

Employee Insurance

Firms With Less Than Ten Employees



Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends 2001 & 2002 Medical Expenditure Panel Survey-Insurance Component, Various Tables.

The effects are more pronounced in firms with fewer than ten employees. North Carolina has the second lowest coverage offer rate (South Carolina).

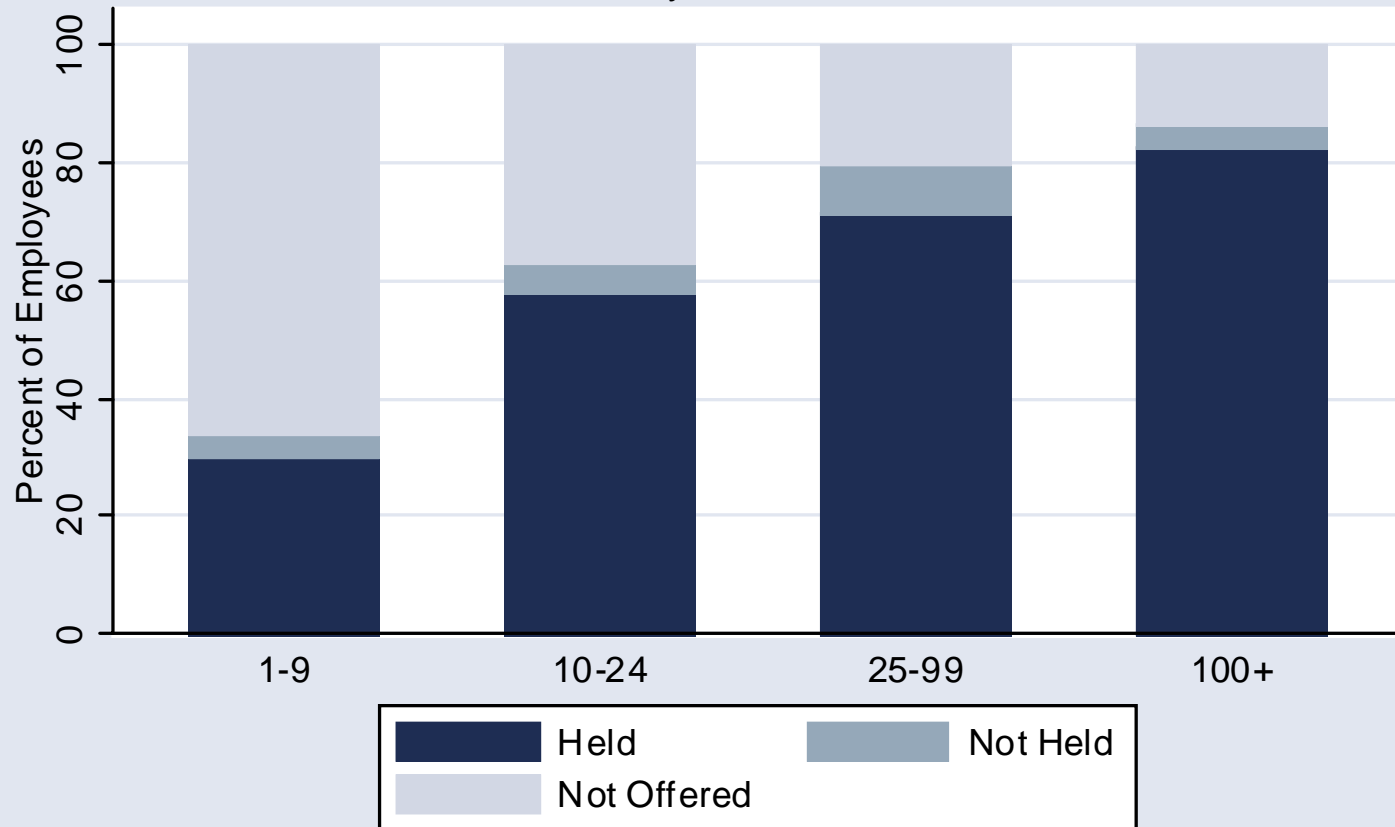
Offer and Takeup

- Approximately 32 percent of employees were not offered ESI through their Current Main Job (CMJ)
 - As expected, varies by firm size
- Of those offered ESI, 92 percent take it.
 - Of those that are offered and refuse, roughly half (nationally) are covered via someone else.

North Carolina Analysis

- The public use version of the Medical Expenditure Panel Survey does not identify states
 - AHRQ headquarters has a Data Center that allows analysis on restricted use datasets.
 - Content is reviewed before data can be removed
 - Analysis highly limited to ensure confidentiality
- Some very simple analysis of NC data, although in most respects NC is similar to the Southeast
- “Not offered” includes “not eligible”

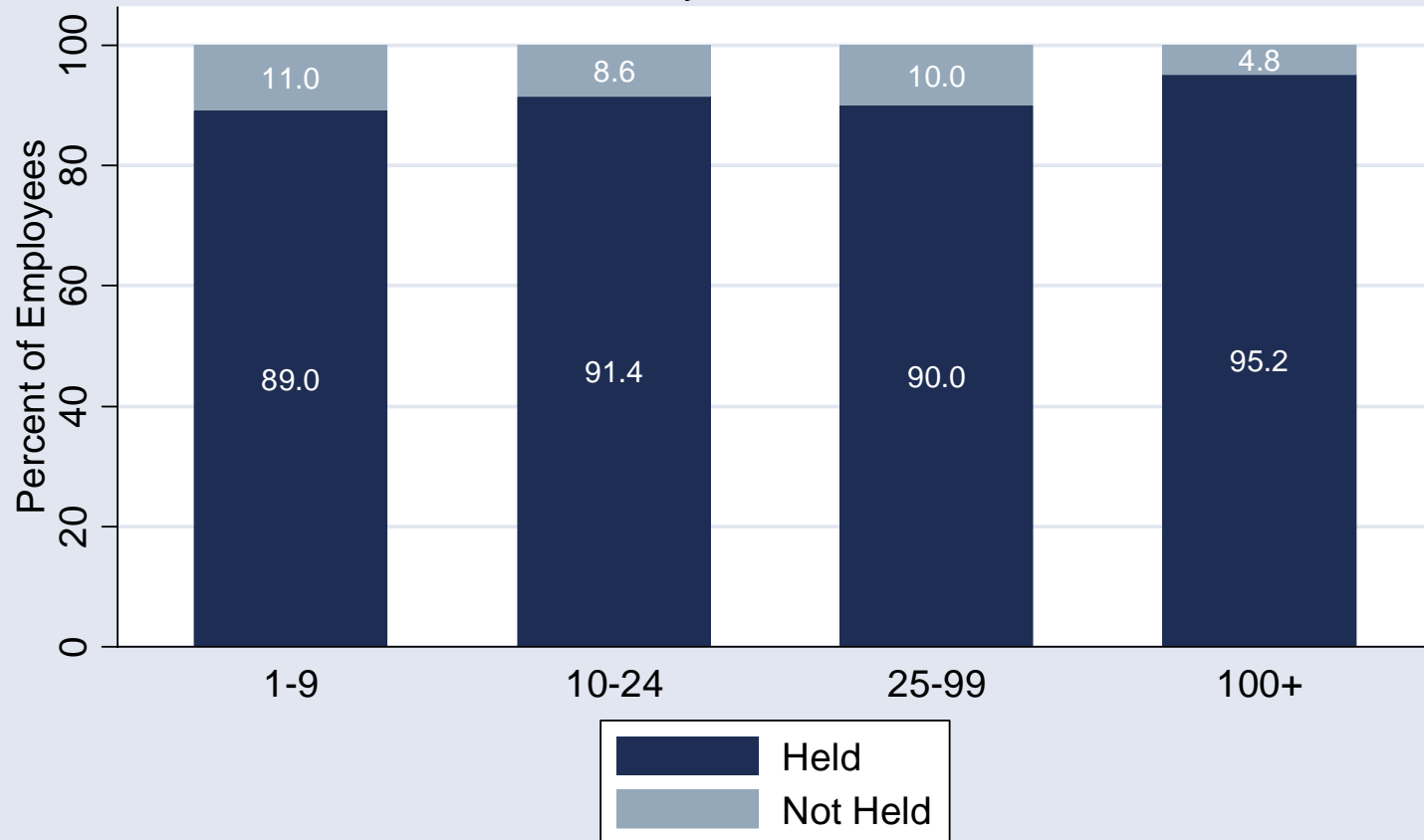
Offer and Takeup by Firm Size



Source: MEPS Restricted Use Files 2001 and 2002

Employees at small firms are much less likely to be offered employer sponsored insurance: only about a third in the 1-9 group are offered, versus 80 percent in the 100 or more group.

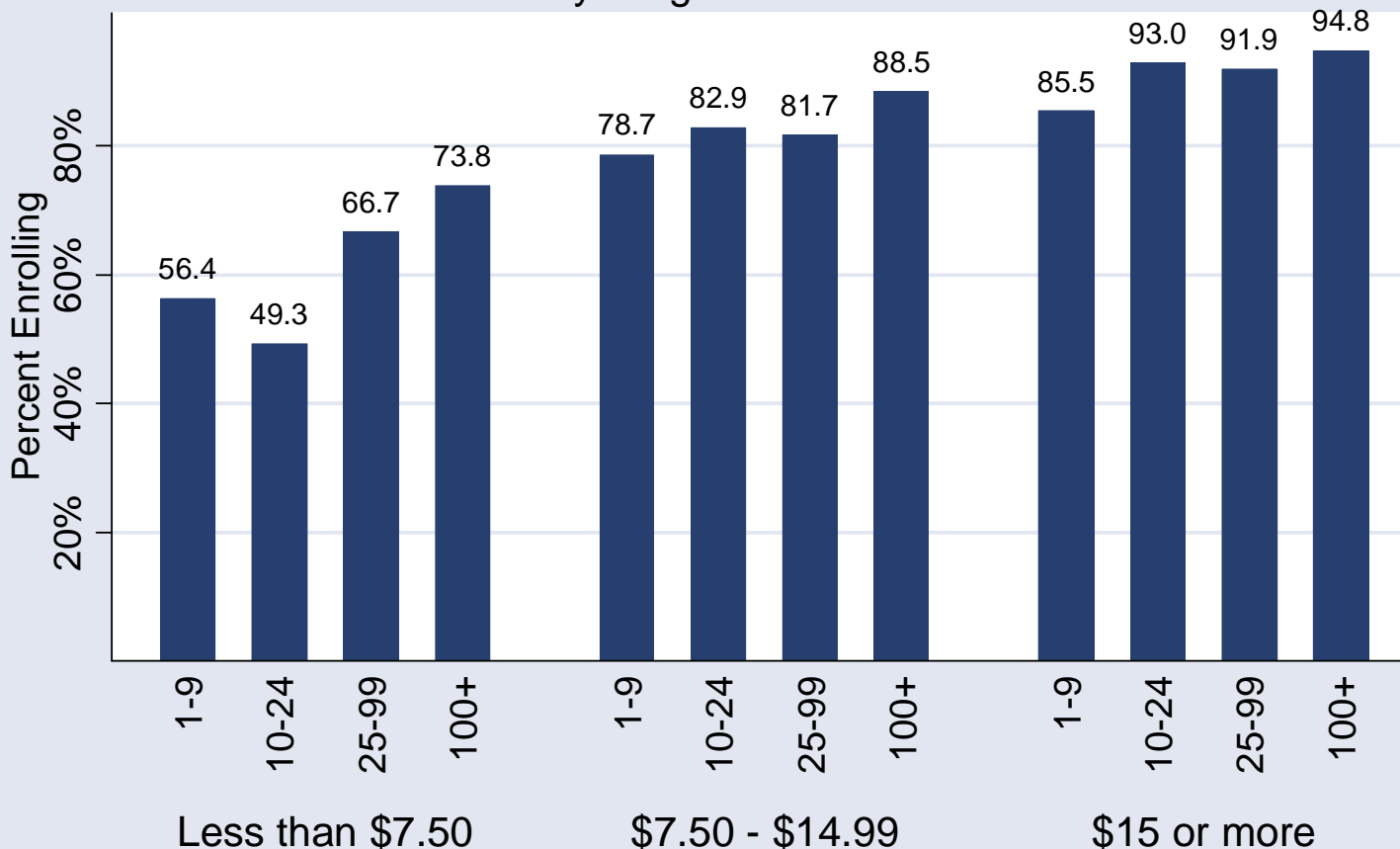
Takeup for those offered by Firm Size



Source: MEPS Restricted Use Files 2001 and 2002

Not only are employees of small firms less likely to be offered insurance, they are less likely to take it up (presumably due to higher premiums) (11% [1-9] vs. 4.8% [100+]) Put another way, they are twice as likely to decline coverage.

Takeup By Wage and Firm Size

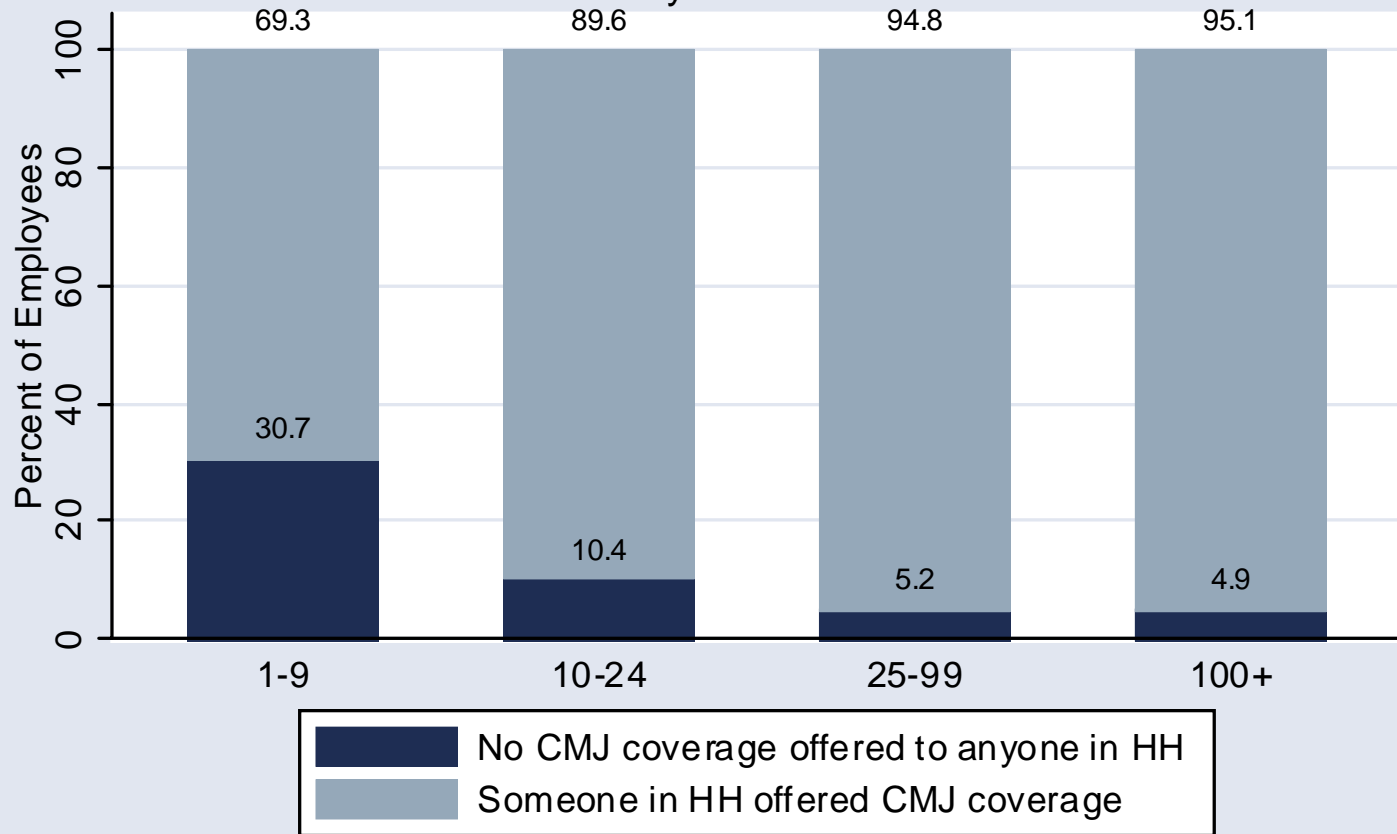


Source: MEPS H70 (2002), AHRQ

National data. This graph separates takeup rates by wage and firm size. Note that the effect of wage on takeup is higher in small firms (or, alternatively, the effect of firm size is larger for low wages)

Household member offered ESI

by Firm Size



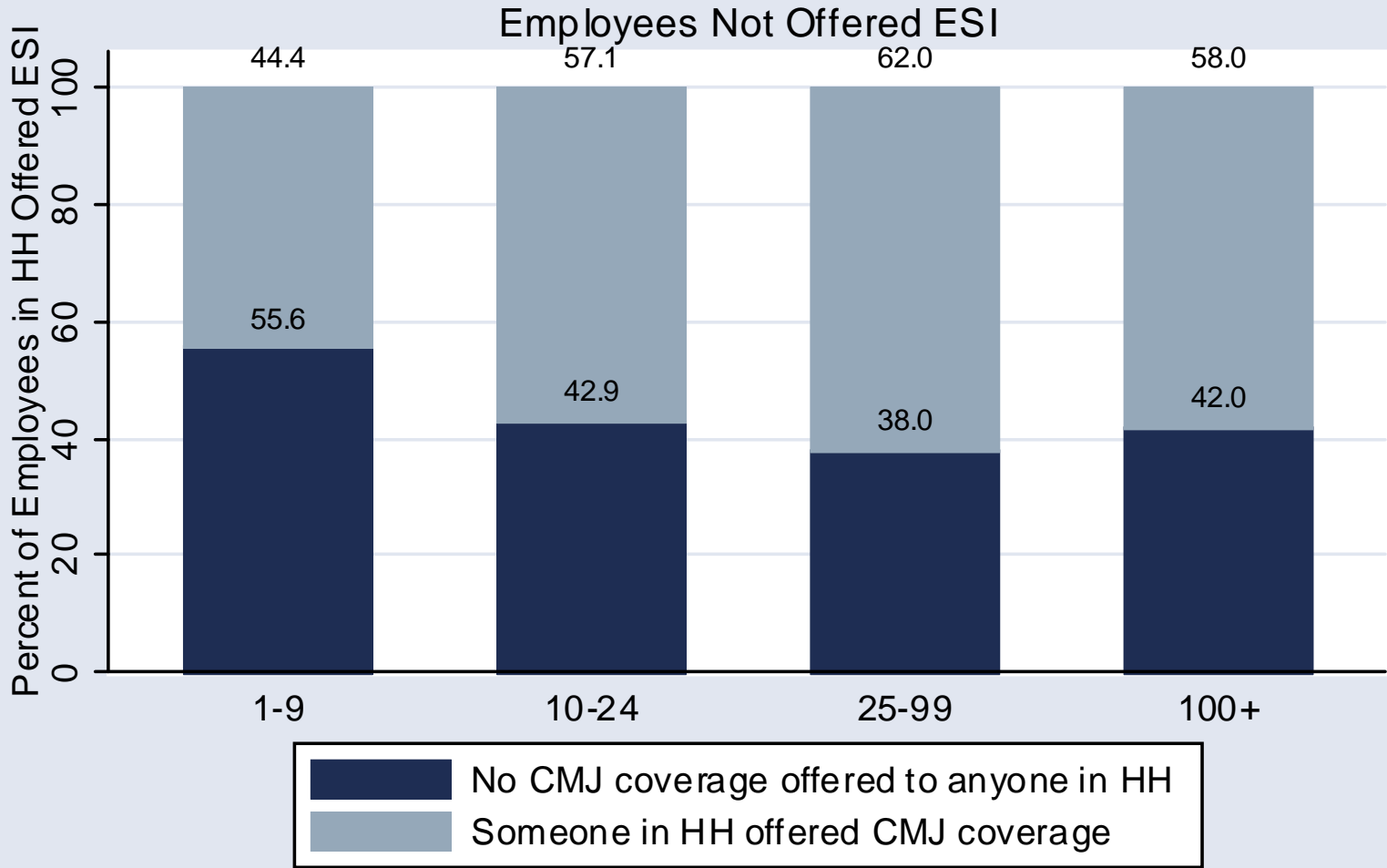
Source: MEPS Restricted Use Files 2001 and 2002

Employees at small firms also have less access to ESI through other household members. Although most employees have someone in the household who is offered ESI (including possibly the employee), employees at small firms are 6 times as likely to have no one in the household offered ESI than employees at big firms.

Further exploration

- There are (at least) two reasons employees at small firms may be less likely to have someone in the household offered ESI
 - They are less likely to be offered ESI
 - Others in the household are less likely to be offered ESI
- We know the first is true. We can explore the second by considering only workers who are not offered ESI through their job.
 - *Oversimplified: do spouses of small firm employees work at big firms?*

Household Member offered ESI



Source: MEPS H60, Southeast Region

Southeast region data. This graph considers only those employees that were not offered ESI. This demonstrates that the previous graph is not driven solely by the low offer rate in small firms.

In other words...

- Spouses tend to work in similarly sized firms. For example, 40 percent of spouses of small firm employees work in small firms; 50 percent of spouses of large firm employees work in large firms
- Some evidence of sorting — those not receiving ESI offer have spouses more likely to receive ESI offer

What factors lead to someone deciding not to enroll in ESI?

- Of those that are offered ESI, employees are more likely not to enroll if they
 - Agree that “I do not need health insurance” [16.4% vs. 11.4%]
 - Agree that “Health insurance is not worth the cost” [13.6% vs. 11.3%]

Summary

- Among small firms, the **employer decision of whether to offer ESI has a greater effect on the number of employees not covered.**
 - Most NC small firm employees who are eligible for ESI (82%) enroll.
 - Quick, back of the envelope estimate of effect of firm premium share on Prob(offer)
- Wage effect of takeup is more pronounced in small firms
- Workers in small firms less likely to have coverage available from other sources
 - Households react to ESI availability, but response not large enough to overcome lower ESI offer in small firms

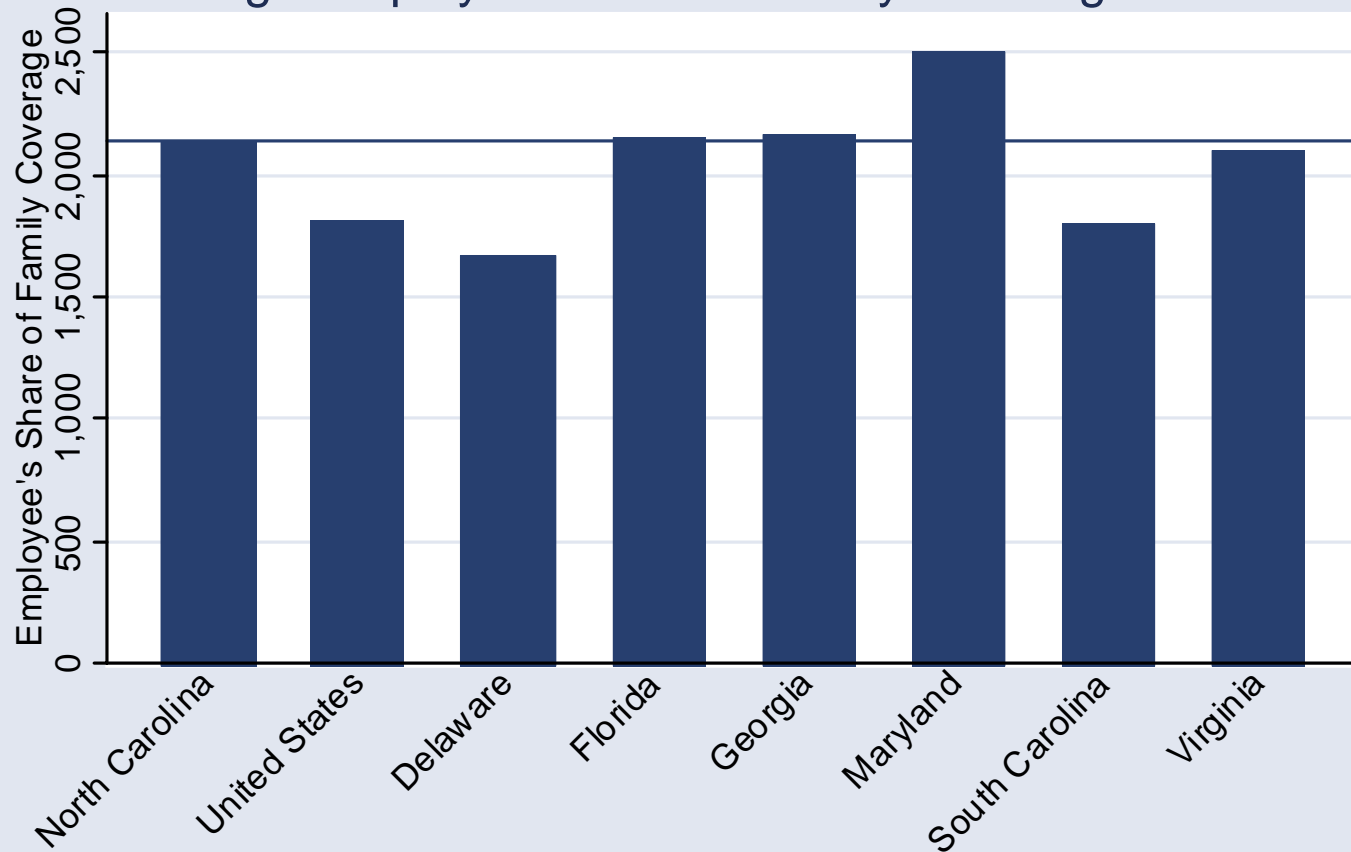
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Dependent Coverage

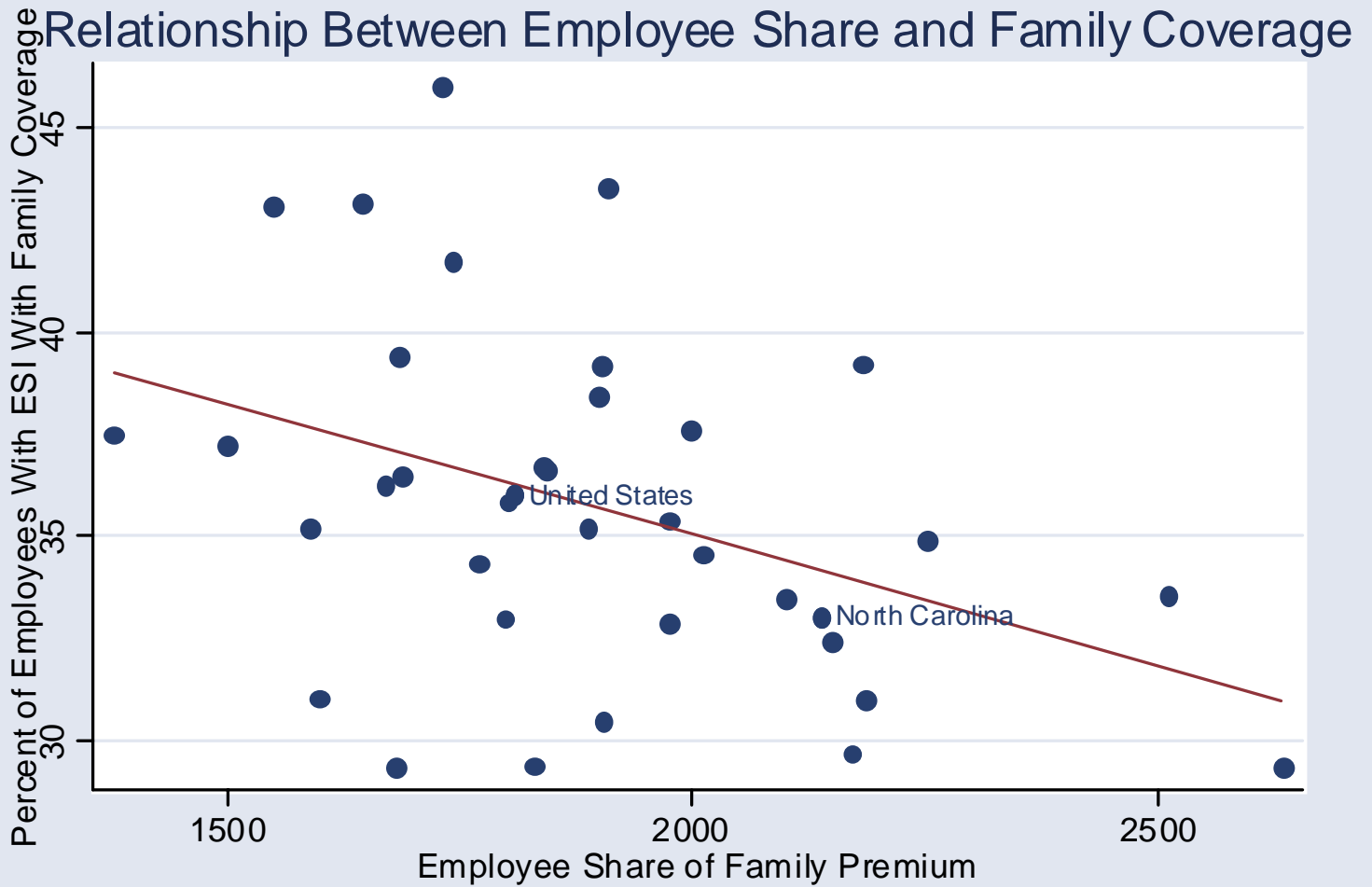
- In general, NC workers tend to have a decent rate of insurance coverage from their employer
- However, we know that North Carolinians, overall, have a below average rate of ESI coverage (40th/51 in 2003: 58.5% vs 63.8% nationally).
- One fact that could reconcile these facts is if NC dependents are less likely to be covered by ESI than dependents in other states.

Average Employee Share of Family Coverage Premium



Source: Weighted Averages of MEPS 2001 & 2002 Insurance Component, AHRQ.

North Carolinian workers pay a higher premium for family coverage than most other states in the area...



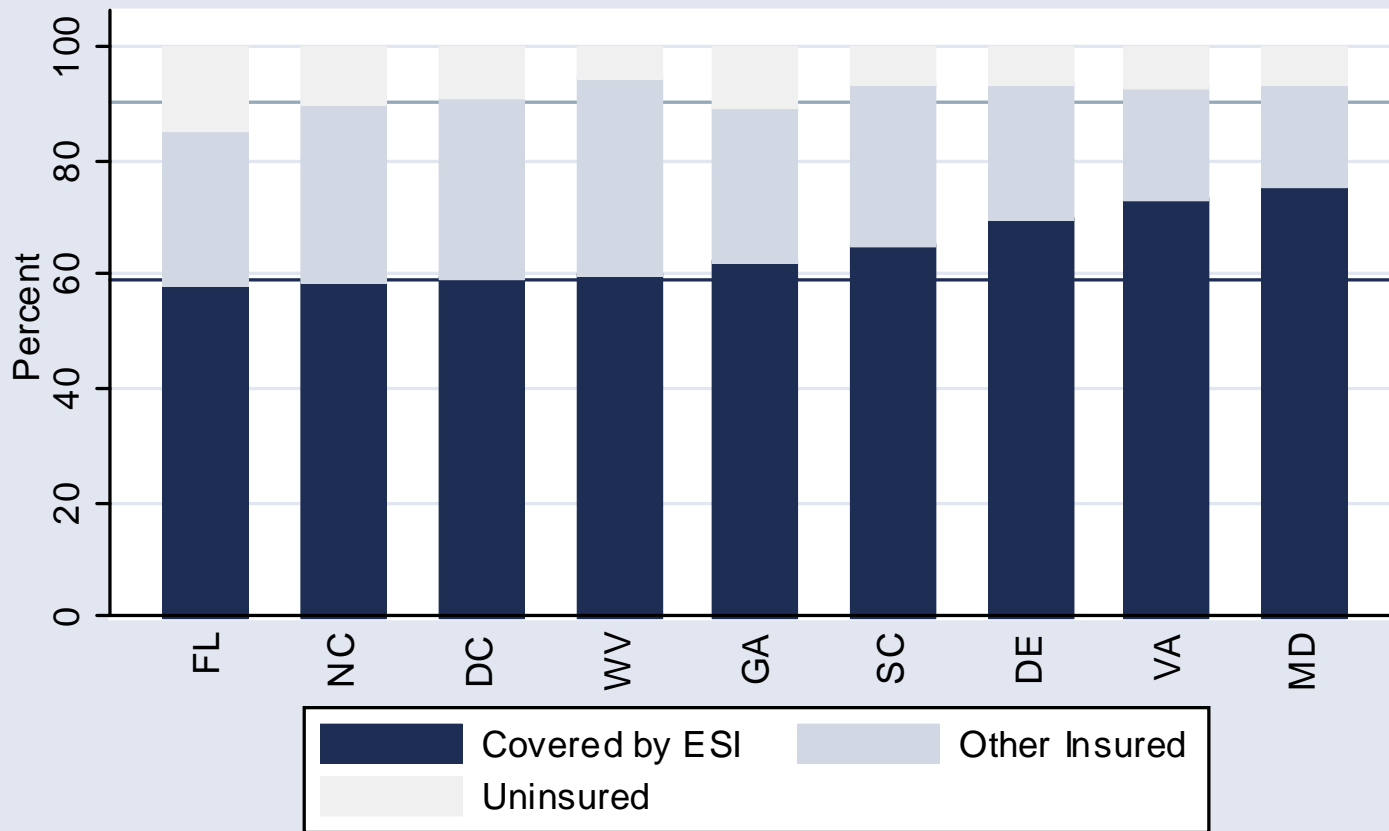
Source: Weighted Averages of MEPS 2001 & 2002 Insurance Component, AHRQ.

...and the demand for family health insurance slopes downward — states with higher average employee share of premiums for family coverage have lower rates of family coverage.

CPS Analysis

- Following this logic, let's analyze neighboring states to see if dependents are less likely to be covered by ESI.

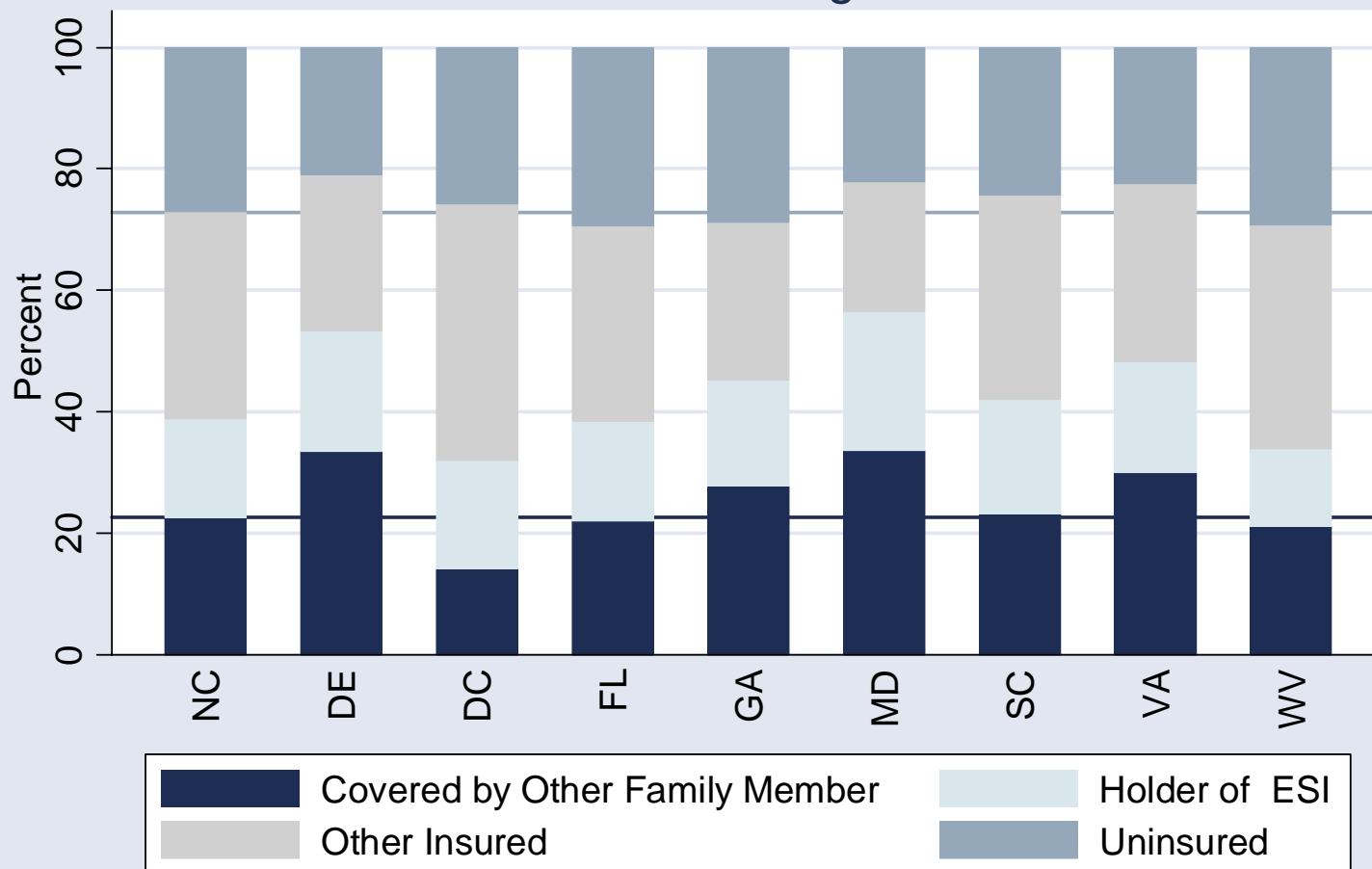
Children



Source: CPS 2004

Only Florida has fewer children covered by employer sponsored insurance. Note that only Florida has an (appreciably) higher uninsurance rate for children.

Adults Not Working Full Time

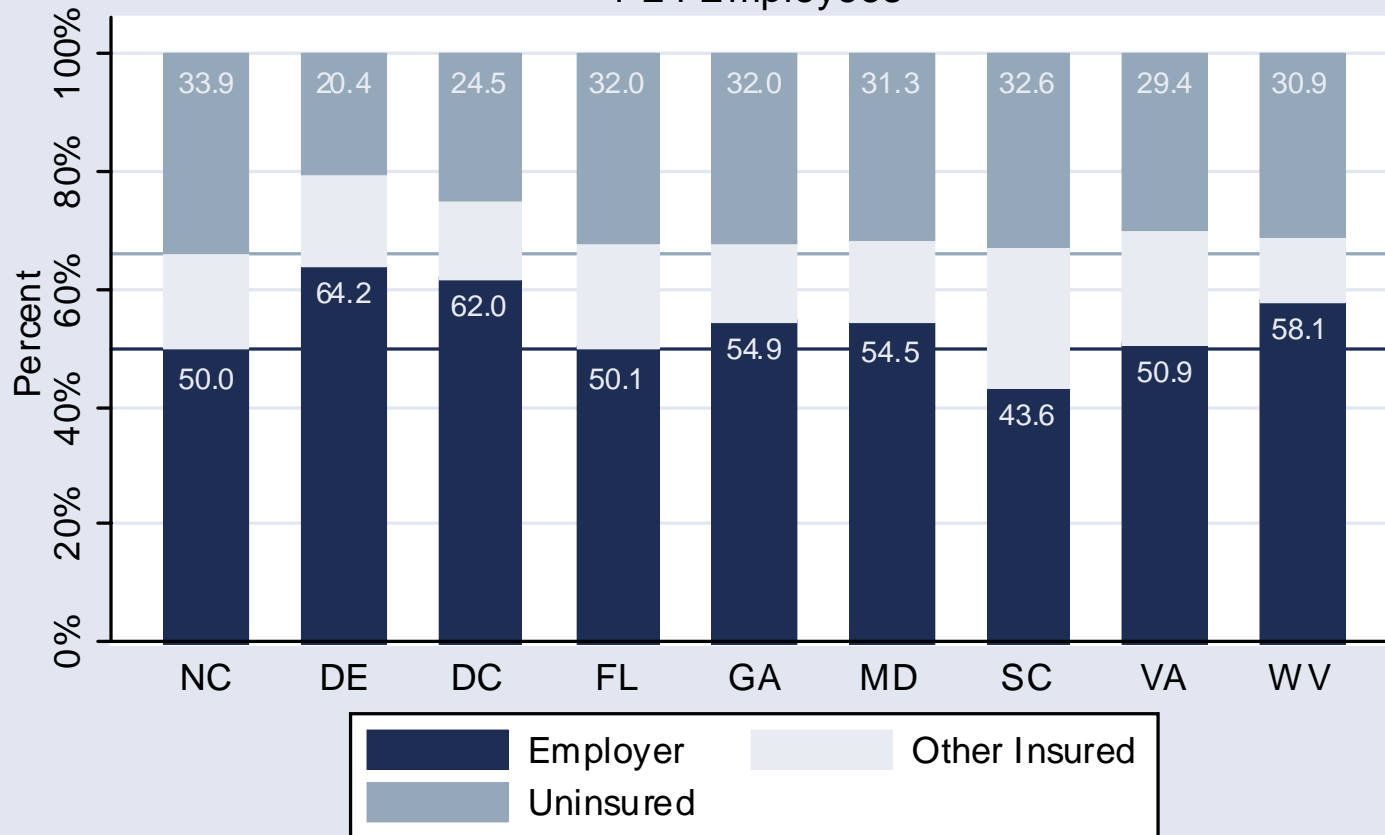


Source: CPS 2004

A similar picture emerges when we consider adults who do not work full time (includes part-time and nonworkers). Only DC has appreciably fewer adults not working full time covered by employer sponsored insurance.

Full Time Workers

1-24 Employees

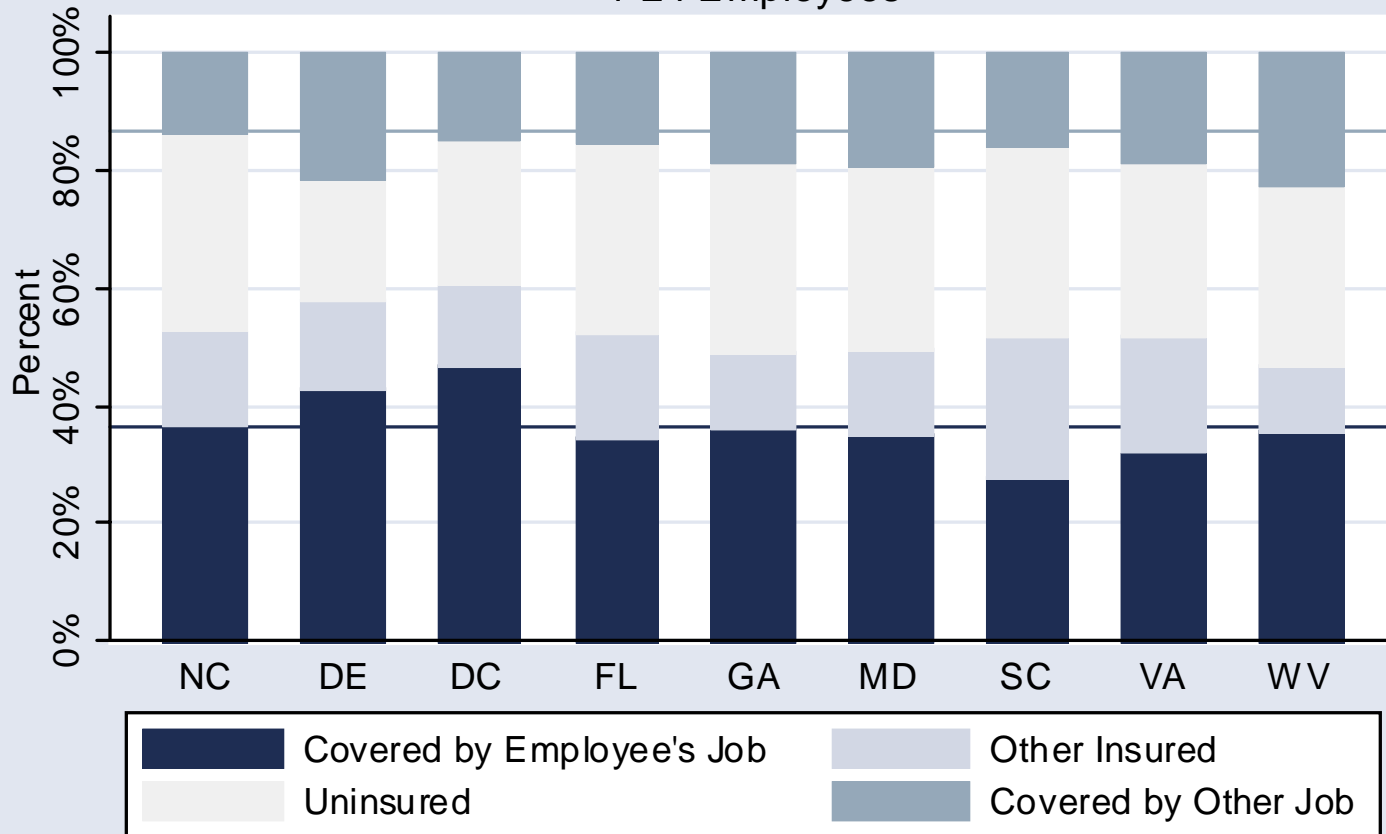


Source: CPS 2004

North Carolina has one of the lower ESI coverage rates for full time employees of small firms in the Southeast — only SC is lower. Furthermore, it has the highest rate of uninsured. The “Employer” group contains workers covered by their spouses (or other relatives).

Full Time Workers

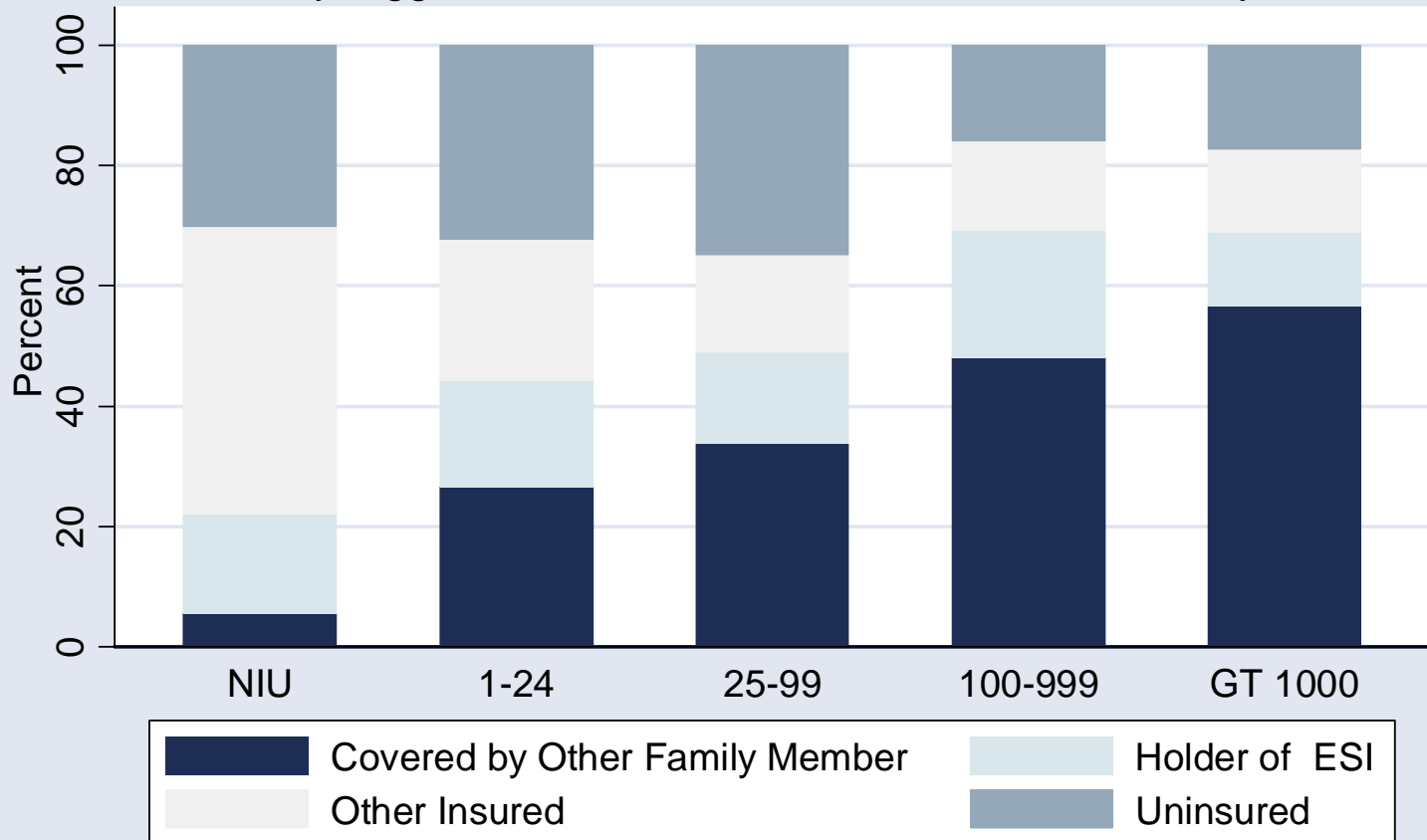
1-24 Employees



Source: CPS 2004

This graph allows us to separate those covered by their employer (lowest bar), and those covered through someone else's employer (highest bar). We see here that although employees have a little above average coverage rate from their job, the rate of coverage from other employees is lowest in NC.

Adults Not Working Full Time By Biggest Firm Size With Fulltime Worker in Family



Source: CPS 2004

As you might expect, the bigger the firm, the more likely the dependents are to be covered by ESI.

Summary

- Overall, these data suggest that **employee dependents are more at risk of being uninsured in North Carolina than in other states in our area.**
- The risk of dependents to not be covered by ESI is **highest in small firms.**

Conclusions

- Employees of small firms have a lower rate of ESI than their large firm counterparts.
 - Most of this difference is due to a lower offer rate likely due to higher premiums.
- Although NC employees tend to have decent ESI coverage, their dependents do not.
 - This problem is more pronounced in small firms.

