



CHCF

California's Employer-Sponsored Health Insurance Market, 2017

Kristof Stremikis

Covered California Affordability Workgroup

November 16, 2018

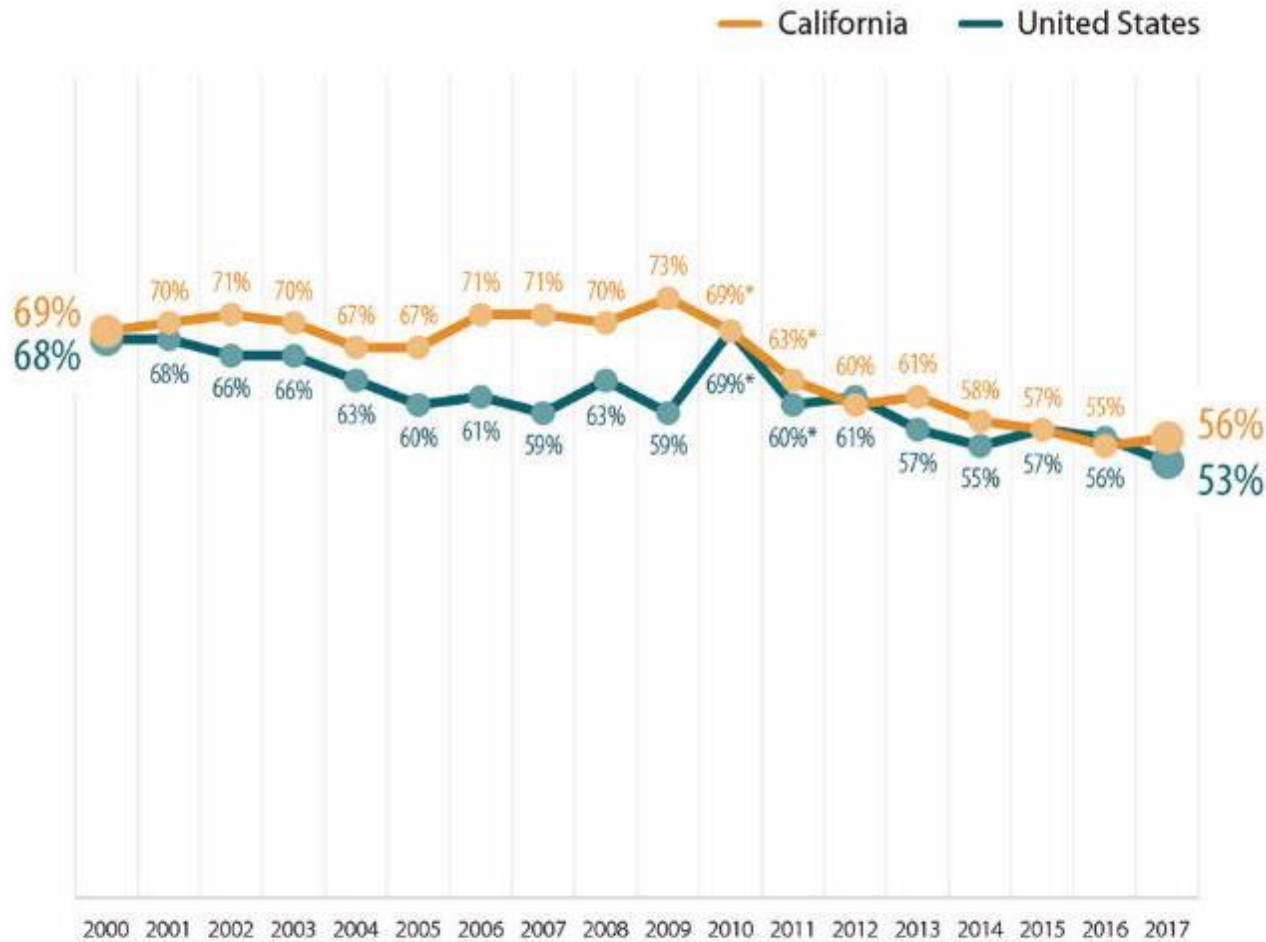


CHCF California Employer Health Benefit Survey

- Joint product of the California Health Care Foundation (CHCF) and the National Opinion Research Center (NORC) at the University of Chicago
- Findings based on a random sample of 688 interviews with employee benefit managers in private firms in California.
- Fielded August to December 2017. 2018 survey in field now.
- Margin of error for responses among all employers is $\pm 3.8\%$, for responses among employers with 3 to 199 workers it is $\pm 5.0\%$, and among employers with 200 or more workers it is $\pm 5.9\%$.
- Survey instrument similar to national employer survey conducted annually by the Kaiser Family Foundation and Health Research and Education Trust.

Employers Offering Coverage

California vs. United States, 2000 to 2017



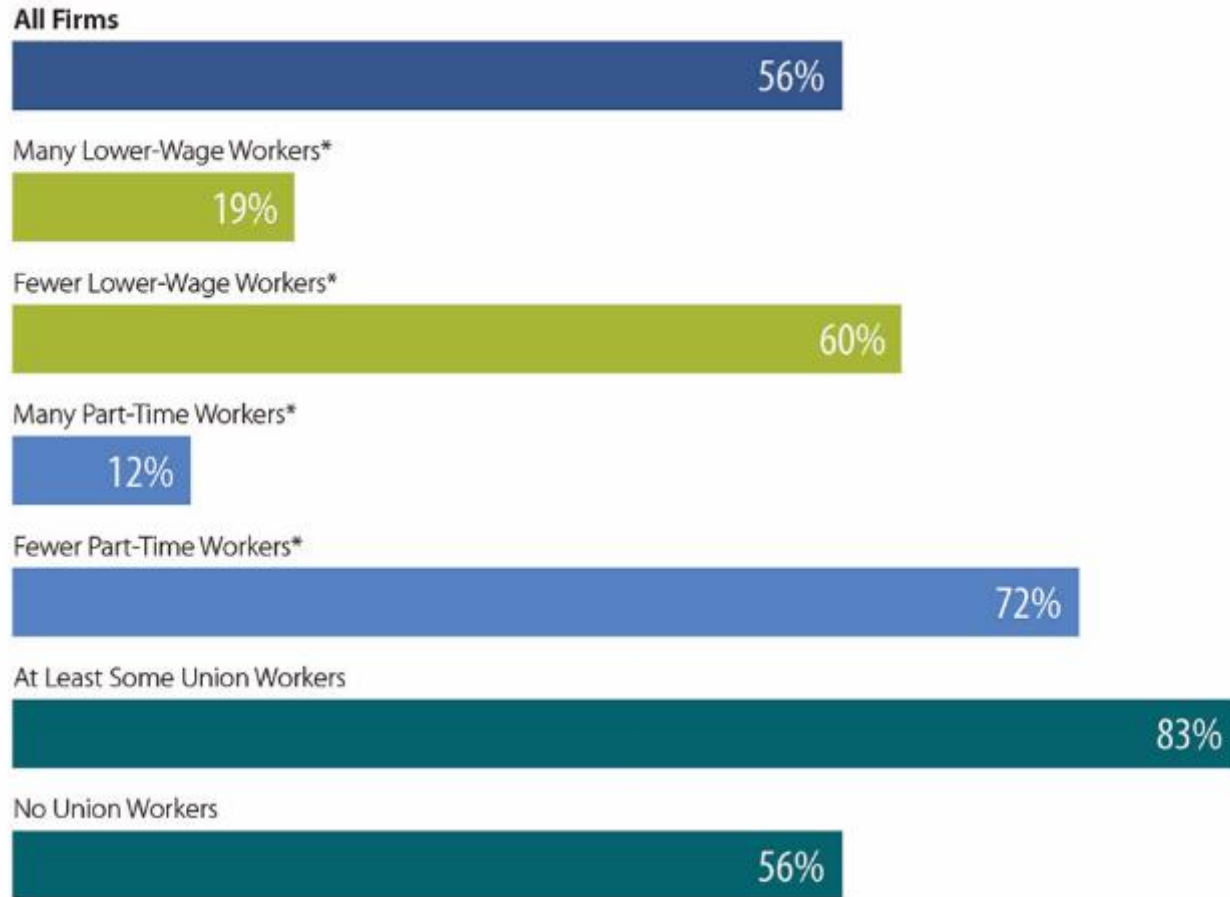
- The percentage of California employers offering health insurance in 2017 (56%) was similar to the overall US rate of 53%. The offer rate among California firms has been fairly stable since 2012.

*Estimates are statistically different from the previous year shown.

Sources: California Employer Health Benefits Survey: 2007–2017, CHCF/NORC; California Employer Health Benefits Survey: 2005–2006, CHCF/HSC; California Employer Health Benefits Survey: 2004, CHCF/HRET; California Employer Health Benefits Survey: 2000–2003, Kaiser/HRET; Survey of Employer-Sponsored Health Benefits: 2000–2017, Kaiser/HRET.

Employers Offering Coverage, by Firm Characteristics

California, 2017



*Estimate is statistically different from all other firms.

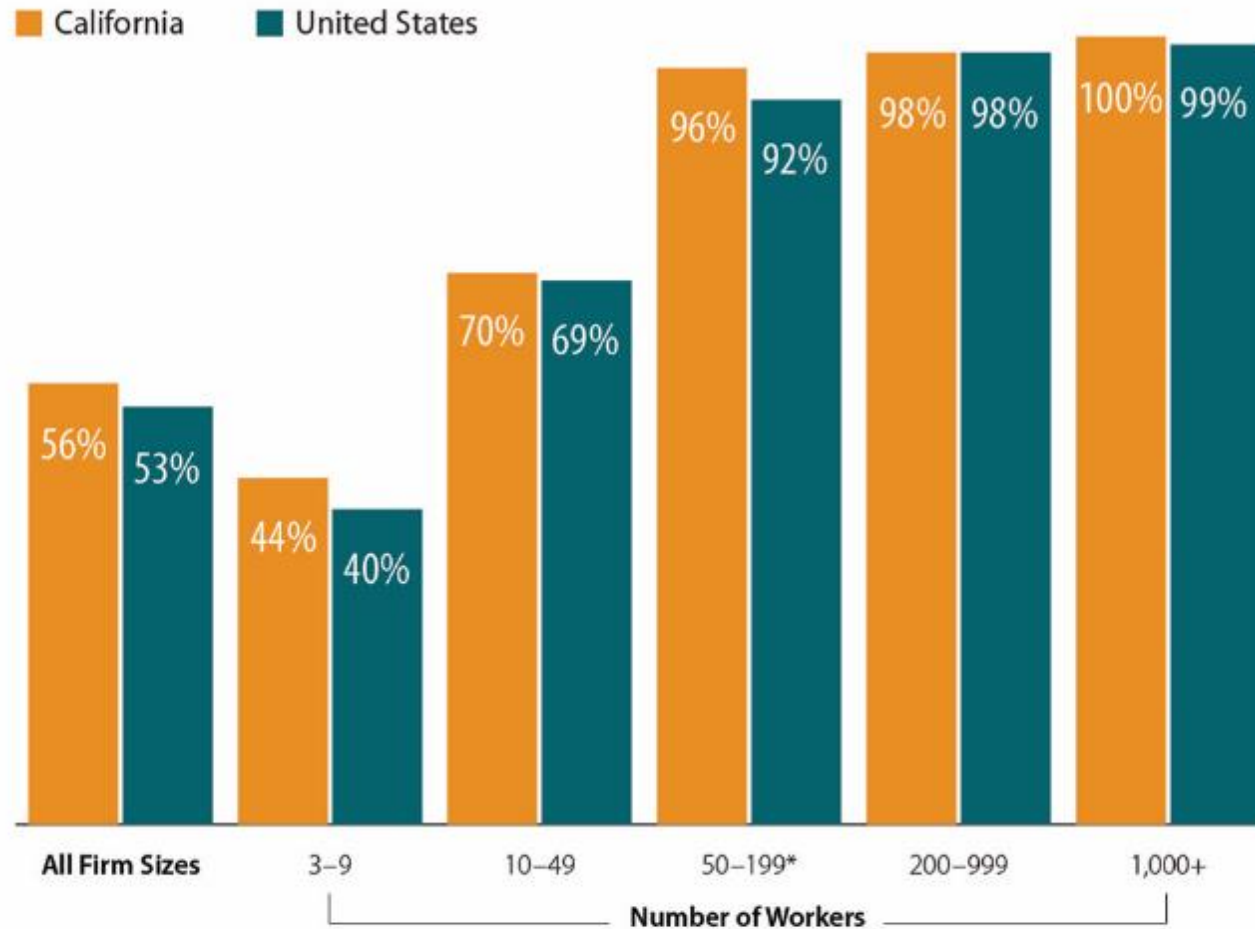
Notes: Firms with *many lower-wage workers* are defined as firms with 35% or more of workers earning \$23,000 or less per year. Firms with *fewer lower-wage workers* are those with less than 35% of workers earning that amount. *Many part-time workers* is defined as 35% or more of the workforce working part-time. *Fewer part-time workers* is the inverse.

Source: California Employer Health Benefits Survey: 2017, CHCF/NORC.

- Whether a firm offers health insurance coverage to their employees varies widely by firm characteristics.
- Firms that employ many lower-wage or part-time workers were much less likely to offer health insurance than those that employ fewer of these workers.

Employers Offering Coverage, by Firm Size

California vs. United States, 2017



- Slightly less than half (44%) of California's smallest firms (three to nine workers) offered coverage in 2017, while the vast majority of larger firms did so.
- Offer rates for California employers were similar to national figures.

*Estimates are statistically different between California and US.

Sources: California Employer Health Benefits Survey: 2017, CHCF/NORC; author analysis of Survey of Employer-Sponsored Health Benefits public use file: 2017, Kaiser/HRET.

Employee Eligibility, Take-Up Rates, and Coverage California vs. United States, 2017

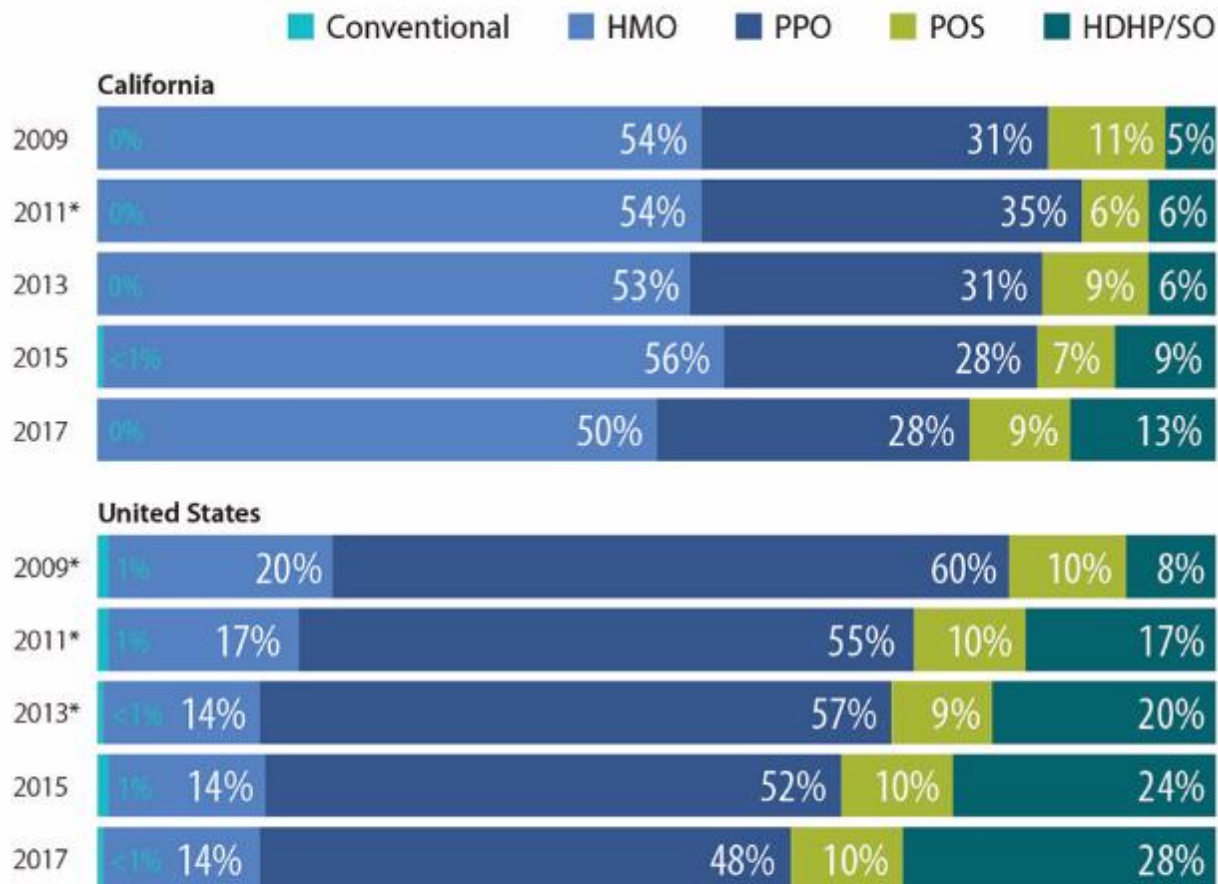


- Not all employees are eligible for health insurance offered by their firm, and not all who are eligible elect to participate.
- Eighty percent of people working in California firms offering coverage were eligible for health benefits in 2017.
- Of those eligible, 78% elected to enroll, resulting in a 63% coverage rate.

Note: Tests found no statistically different estimates between California and US.
Sources: California Employer Health Benefits Survey: 2017, CHCF/NORC; Survey of Employer-Sponsored Health Benefits: 2017, Kaiser/HRET.

Enrollment of Covered Workers, by Plan Type

California vs. United States, 2009 to 2017, Selected Years



- California workers were more likely to enroll in HMOs, while workers nationally were more likely to enroll in PPO plans.
- In 2017, only 13% of California’s 6.7 million workers with ESI were enrolled in an HDHP option. While the proportion has more than doubled in only four years, it still lags far behind the comparable national rate.

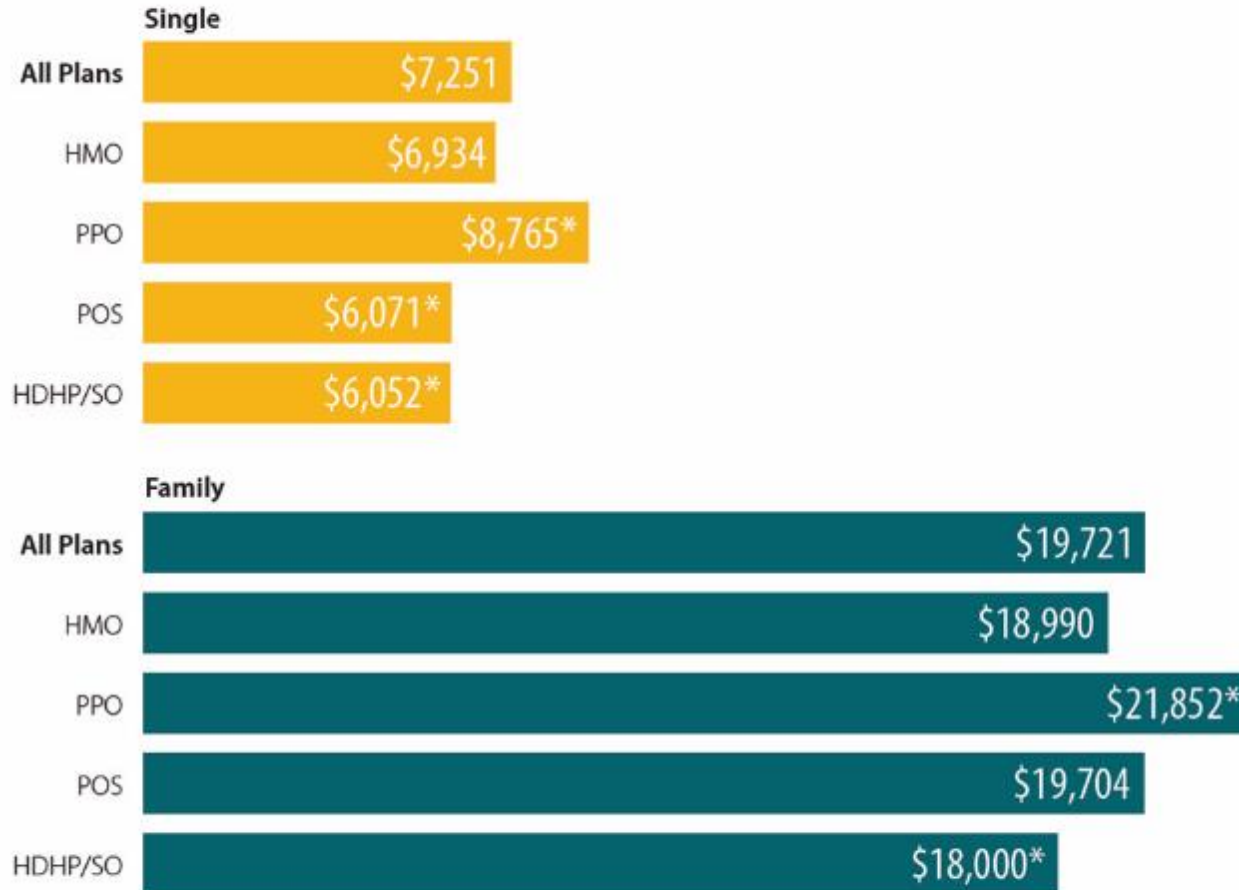
*Distribution is statistically different from previous year shown.

Notes: Conventional is fee-for-service plans. POS means point-of-service plan. HDHP/SO means high-deductible plan with savings option. HDHPs have a deductible of at least \$1,000 for single coverage and at least \$2,000 for family coverage. Segments may not add to 100% due to rounding.

Sources: California Employer Health Benefits Survey: 2009–2017, CHCF/NORC; author analysis of data from the Employer Health Benefits Survey public use files: 2009–2017, Kaiser/HRET.

Average Annual Premiums, by Plan Type

Single vs. Family Coverage, California, 2017



- In California, the average annual premiums were \$7,251 for single coverage and \$19,721 for family coverage.
- PPO premiums were the highest of all plan types.

*Distribution is statistically different from all plans.

Notes: POS means point-of-service plan. HDHP/SO means high-deductible plan with savings option. HDHPs have a deductible of at least \$1,000 for single coverage and at least \$2,000 for family coverage.

Sources: California Employer Health Benefits Survey: 2017, CHCF/NORC; Employer Health Benefits Survey: 2017, Kaiser/HRET.

Annual Premium Growth Compared to Inflation

Family Coverage, California, 2002 to 2017



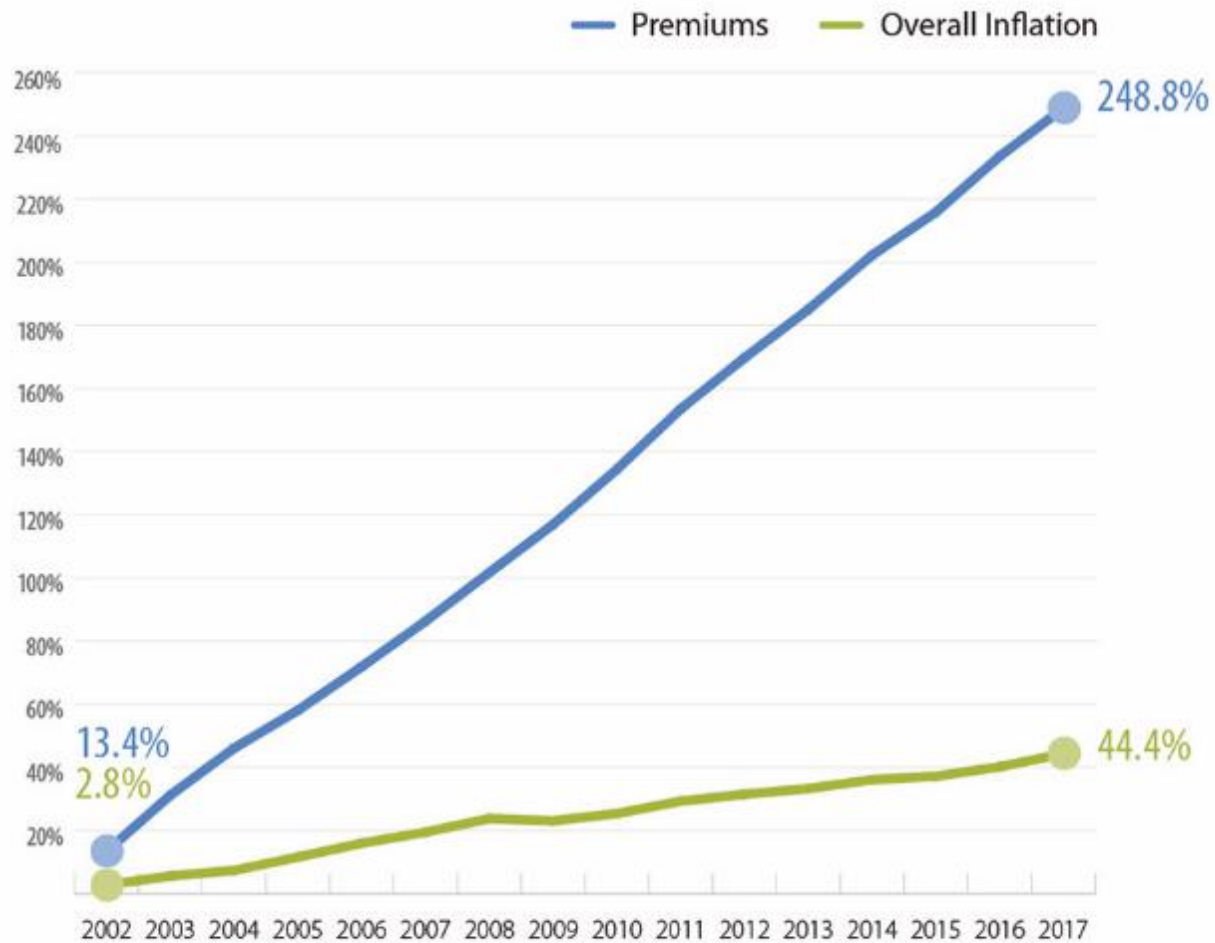
- Health insurance premiums for family coverage in California grew by 4.6% in 2017.
- Premiums continued to rise faster than the California rate of inflation.

*Estimates are statistically different from the previous year shown.

Sources: California Employer Health Benefits Survey: 2002–2003, Kaiser/HRET; California Employer Health Benefits Survey: 2004, CHCF/HRET; California Employer Health Benefits Survey: 2005–2006, CHCF/HSC; California Employer Health Benefits Survey: 2007–2017, CHCF/NORC; California Average of Annual Inflation (April to April): 2002–2017, California Division of Labor Statistics and Research.

Cumulative Premium Growth Compared to Inflation

Family Coverage, California, 2002 to 2017



- Since 2002, health insurance premiums in California have increased by 249%, nearly six times the increase in the state's overall inflation rate.

Sources: California Employer Health Benefits Survey: 2002–2003, Kaiser/HRET; California Employer Health Benefits Survey: 2004, CHCF/HRET; California Employer Health Benefits Survey: 2005–2006, CHCF/HSC; California Employer Health Benefits Survey: 2007–2017, CHCF/NORC; California Average of Annual Inflation (April to April): 2002–2017, California Division of Labor Statistics and Research.

Annual Worker and Employer Premium Contributions

California vs. United States, 2017

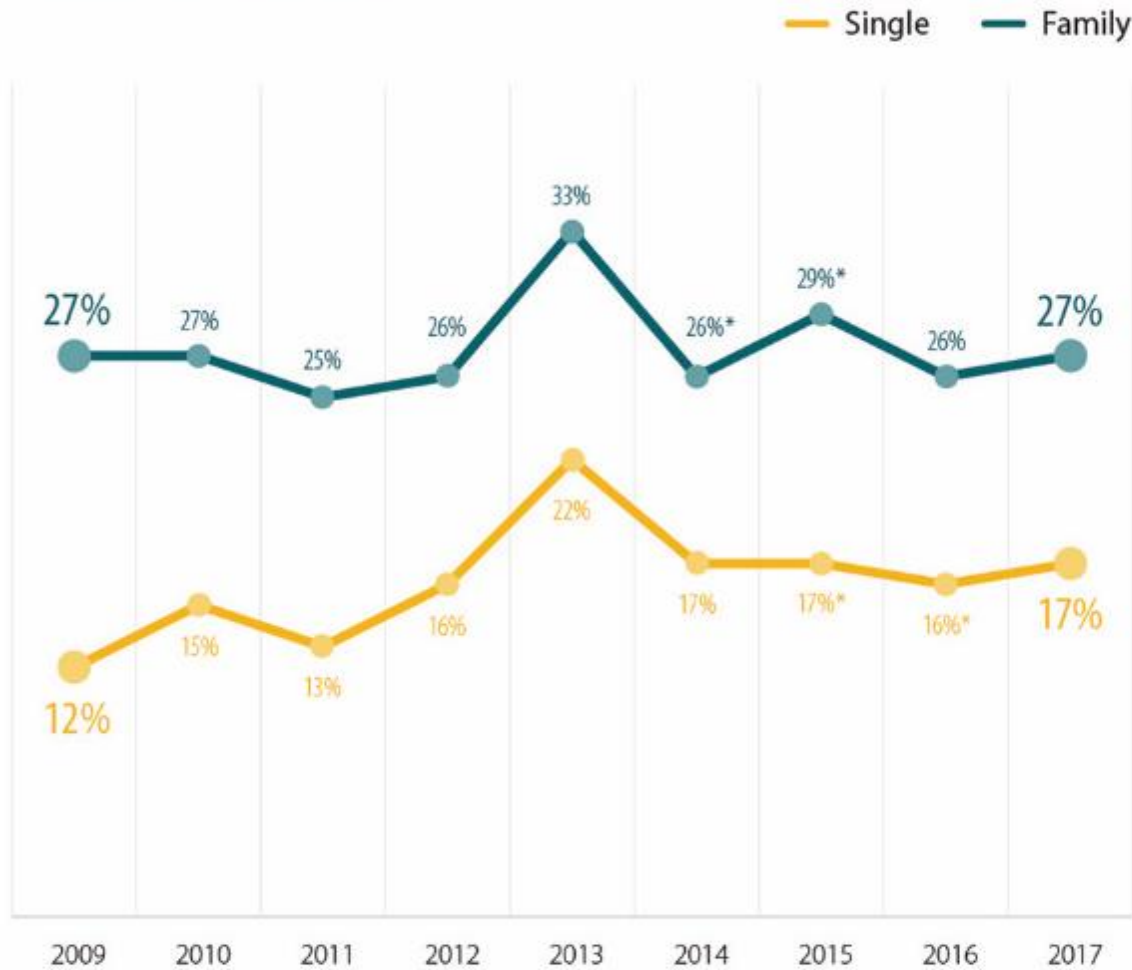


- California workers contributed an average of \$996 annually for single coverage and \$5,040 for family coverage in 2017.
- Employer contributions to single and family premiums were higher in California than nationally.

Notes: Estimates are statistically different between California and US within both coverage types and both contributors. Segments may not add to totals due to rounding.

Sources: California Employer Health Benefits Survey: 2017, CHCF/NORC; Employer Health Benefits Survey: 2017, Kaiser/HRET.

Worker Share of Premium, Single and Family Coverage California, 2009 to 2017



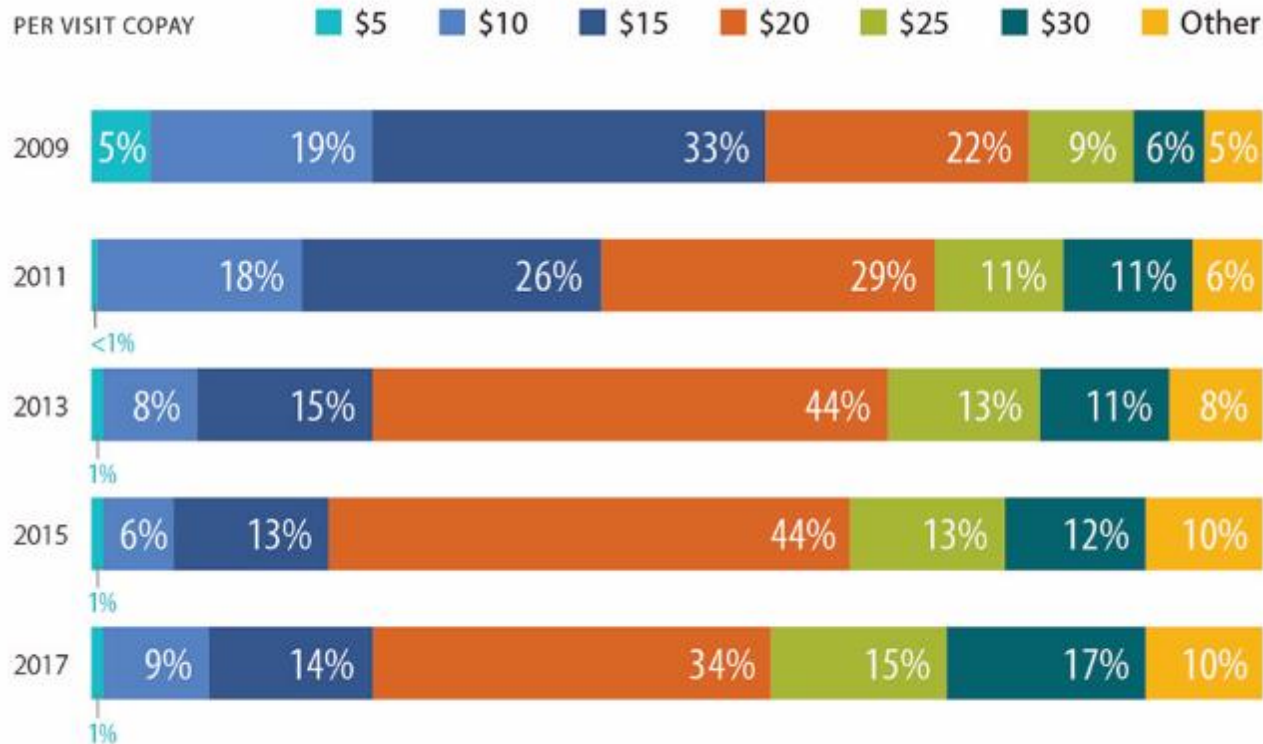
- California workers paid an average of 17% of the total premium for single coverage and 27% for family coverage in 2017.

*Estimates are significantly different from previous year shown.

Source: California Employer Health Benefits Survey: 2009–2017, CHCF/NORC.

Workers with Office Visit Copayments

California, 2009 to 2017, Selected Years

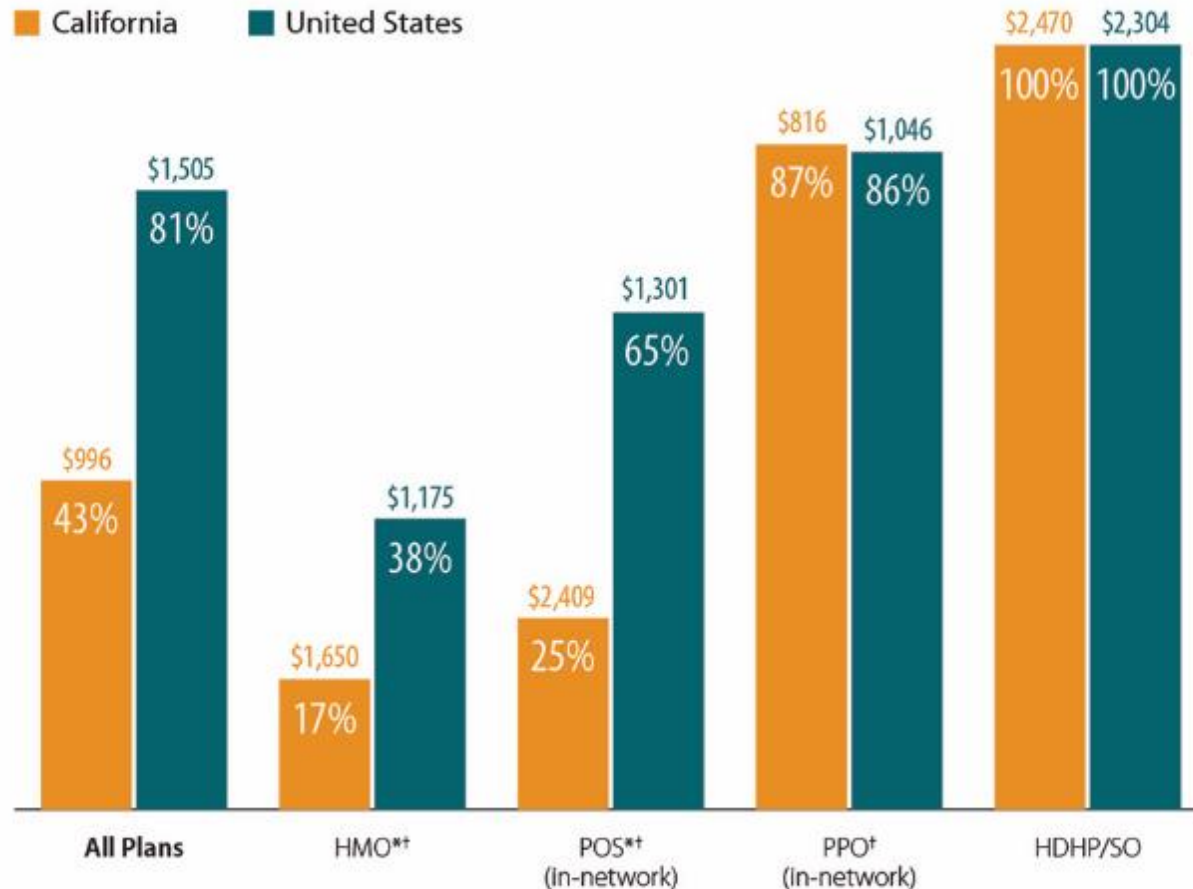


- About 84% of workers in California had a copay for office visits.
- The percentage of workers with a copayment of \$25 or \$30 increased from 24% in 2013 to 32% in 2017.
- A copay of \$20 was the most common in 2017.

Notes: Tests found no significantly different estimates from previous year shown. Segments may not add to 100% due to rounding.

Source: California Employer Health Benefits Survey: 2009–2017, CHCF/NORC.

Workers with Annual Deductible, Single Coverage by Plan Type, California vs. United States, 2017



- In California, 43% of workers with single coverage were likely to have a deductible compared to 81% in the nation as a whole.
- Among employees with PPO coverage, average deductibles in California run nearly 20% below the national average despite the relatively high cost of care in the state.
- As in other parts of the country, the proportion of California workers with PPO coverage and a deductible over \$500 continues to climb, but it is still only about half the national rate.

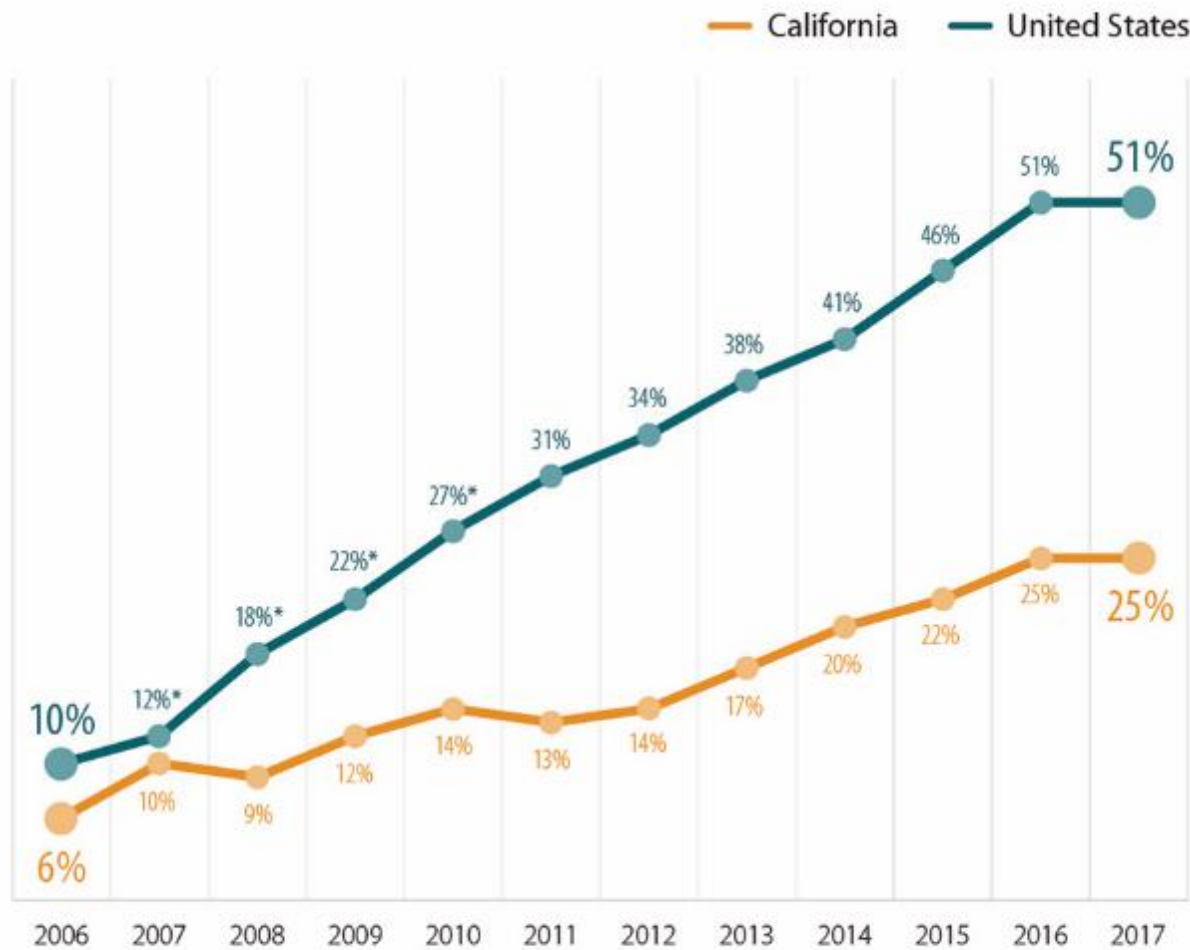
*Percentages are significantly different between California and US.

†Average deductibles are significantly different between California and US.

Notes: POS means point-of-service plan. HDHP/SO means high-deductible plan with savings option. HDHPs have a deductible of at least \$1,000 for single coverage. Dollar figures represent average annual deductibles.

Sources: California Employer Health Benefits Survey: 2017, CHCF/NORC; Employer Health Benefits Survey: 2017, Kaiser/HRET.

Workers with a Large Deductible (\$1,000+), Single Coverage California vs. United States, 2006 to 2017



*United States estimate is statistically different from previous year shown.

Sources: California Employer Health Benefits Survey: 2007–2017, CHCF/NORC; California Employer Health Benefits Survey: 2006, CHCF/HSC; Employer Health Benefits Survey: 2006–2017, Kaiser/HRET.

- One in four workers with single coverage was likely to have an annual deductible of \$1,000 or more, compared to one in two nationwide.
- The share of California workers with a large deductible increased from 6% in 2006 to 25% in 2017.

Workers with a Large Deductible (\$1,000+), Single Coverage by Firm Size, California, 2006 to 2017



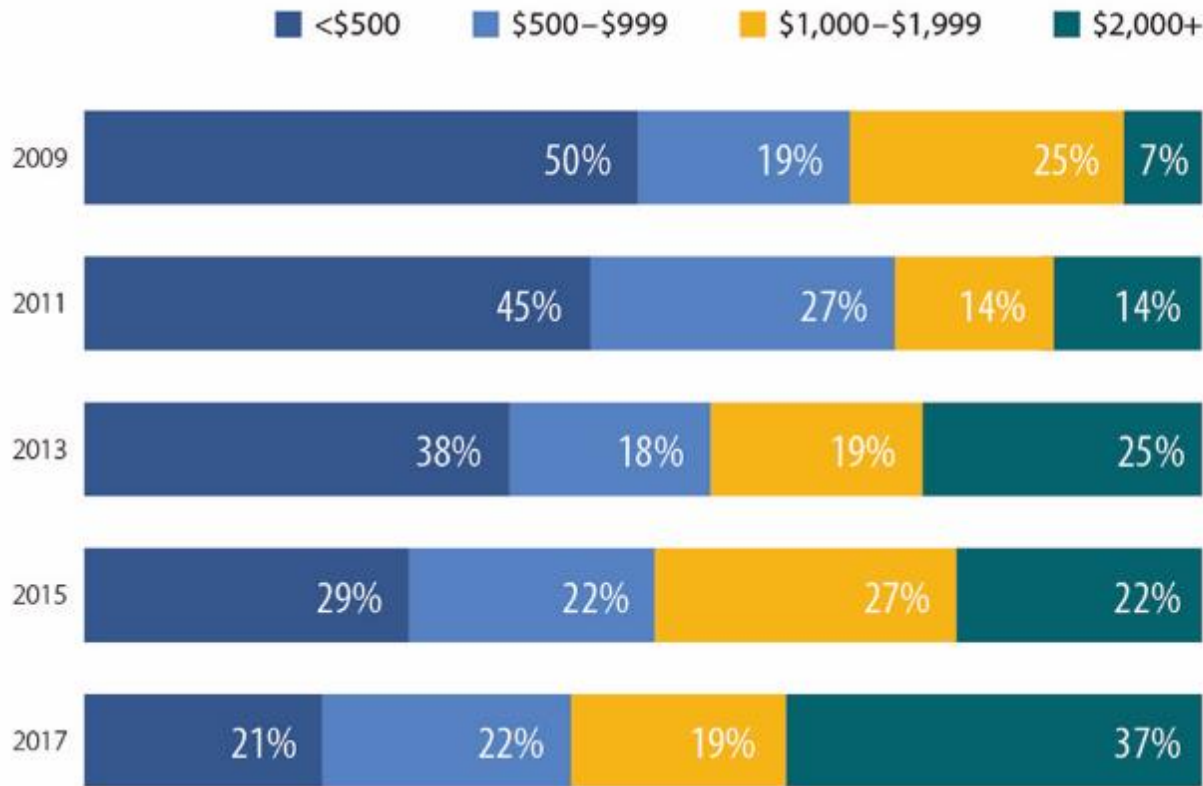
- Large deductible (\$1,000+) plans were more common among workers in smaller firms.
- Forty three percent of workers in small firms (3 to 199 workers) had an annual deductible of \$1,000 or more for single coverage in 2017, compared to 15% in larger firms.
- The percentage of workers in small firms with large-deductible plans has increased substantially since 2006.

*Estimate is statistically different from previous year shown by firm size.

Sources: California Employer Health Benefits Survey: 2007-2017, CHCF/NORC; California Employer Health Benefits Survey: 2006, CHCF/HSC; Employer Health Benefits Survey: 2006-2017, Kaiser/HRET.

Deductibles for Single Coverage, All Plans

California, 2009 to 2017, Selected Years

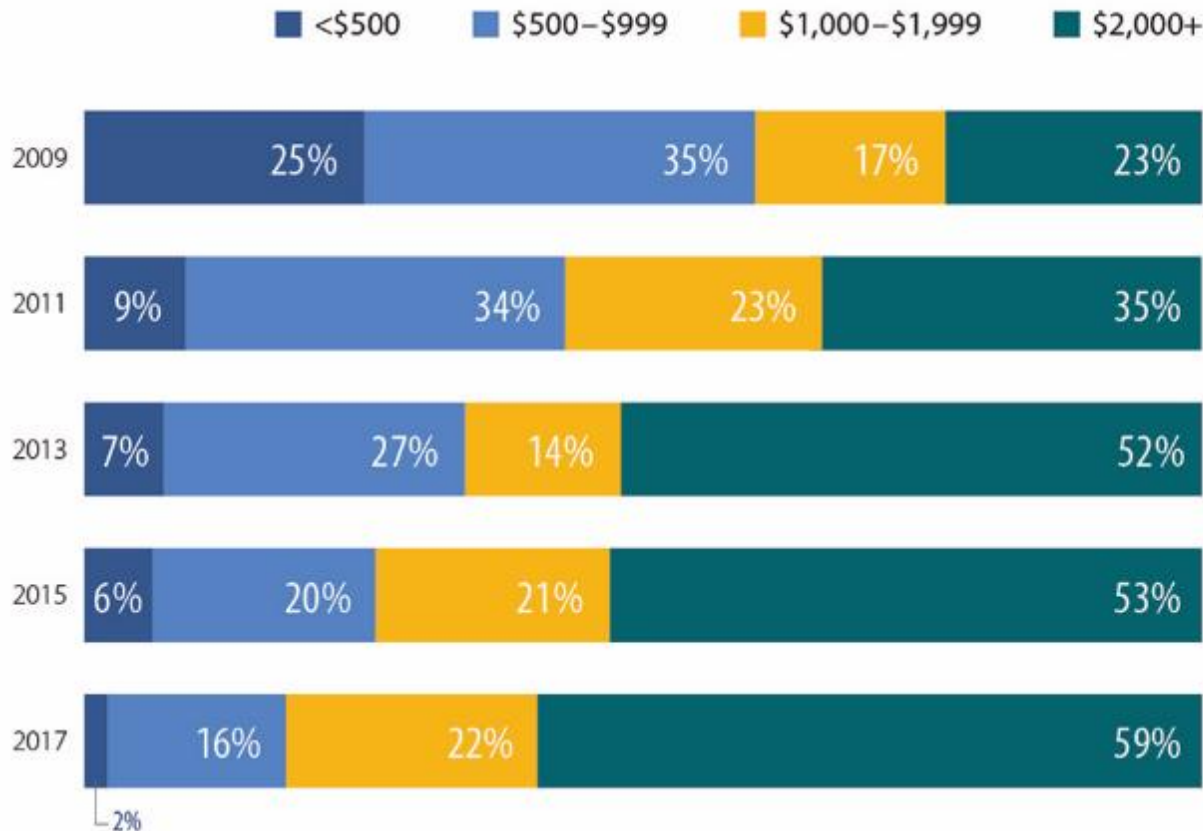


- The distribution of deductible amounts has changed since 2009. Of workers with single coverage and a deductible, the percentage with a deductible of \$2,000 or more was five times more in 2017 than it was in 2009.
- During the same period, the percentage of workers with no deductible decreased from 68% to 57% (not shown).

Notes: Data based on workers with a deductible. Segments may not add to 100% due to rounding.
Source: California Employer Health Benefits Survey: 2009-2017, CHCF/NORC.

Deductibles for Family Coverage, All Plans

California, 2009 to 2017, Selected Years



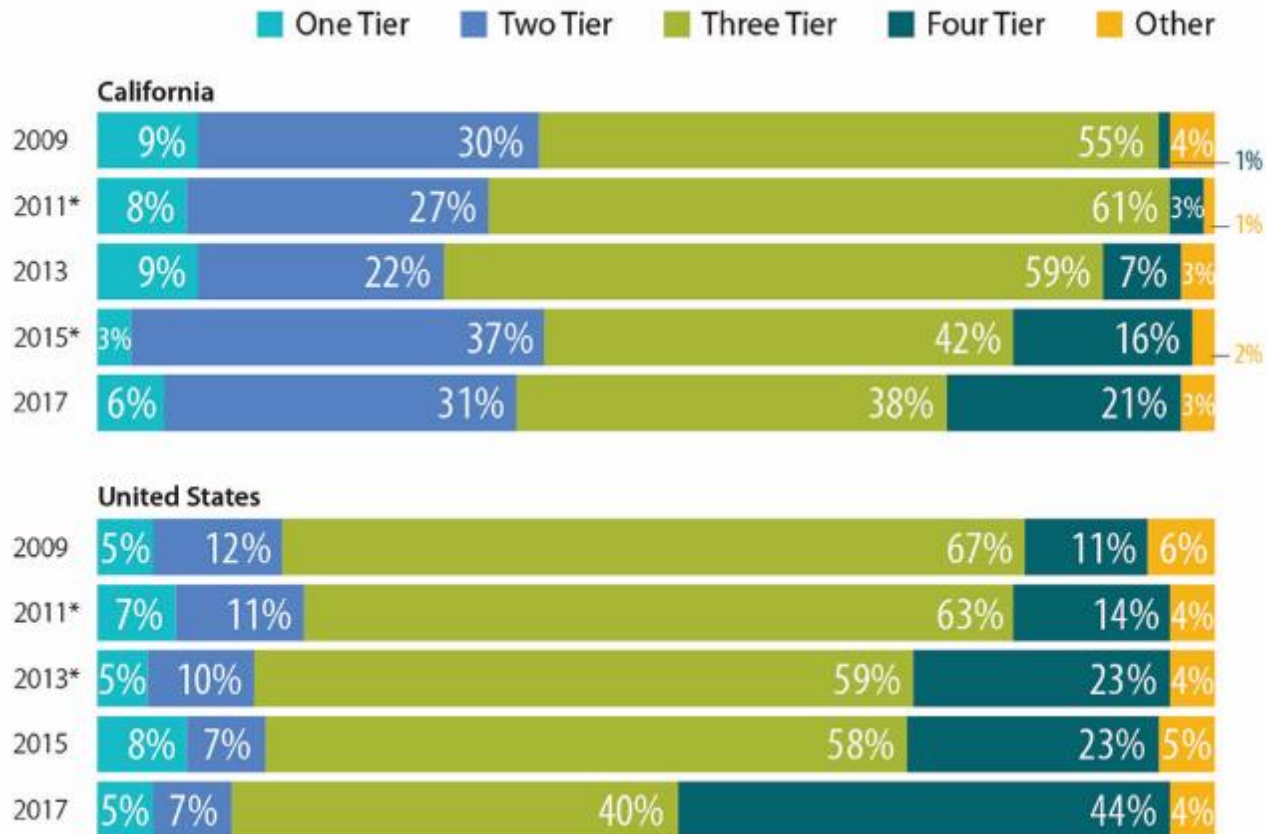
- For workers with an aggregate family deductible, a much larger percentage faced a deductible of \$1,000 or more in 2017 than in 2009.

Notes: Data based on workers with an aggregate family deductible. Workers who had a separate per-person deductible were not included. Segments may not add to 100% due to rounding.

Source: California Employer Health Benefits Survey: 2009–2017, CHCF/NORC.

Workers' Cost Sharing for Prescription Drugs

California vs. United States, 2009 to 2017, Selected Years



*Distribution is statistically different from previous year shown.

Notes: One tier is the same cost share regardless of drug type. Two tier is one payment for generic drugs and one for brand name. Three tier is one payment for generic drugs, another for preferred drugs, and a third for nonpreferred drugs. Four tier is three-tier cost sharing plus a fourth tier for lifestyle or other specified drugs. Other includes no cost sharing. Preferred drugs are listed in a plan's formulary. Nonpreferred drugs are not listed in the formulary. Segments may not add to 100% due to rounding.

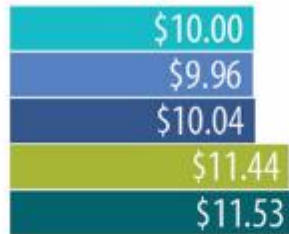
Sources: California Employer Health Benefits Survey: 2009–2017, CHCF/NORC; author analysis of data from the Survey of Employer-Sponsored Health Benefits: 2007–2017, Kaiser/HRET.

- In 2017, 59% of covered California workers had a three- or four tier cost-sharing formula for prescription drugs, compared to 84% nationally.
- The share of California workers with four tiers has increased substantially over time, from 1% in 2009 to 21% in 2017.

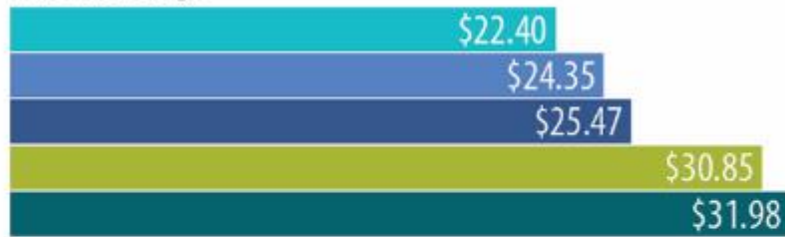
Average Prescription Drug Copayments, by Drug Type

California, 2009 to 2017, Selected Years

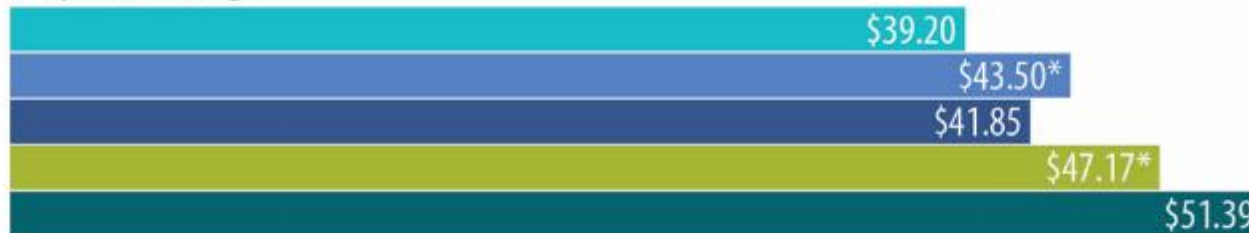
Generic Drugs



Preferred Drugs



Nonpreferred Drugs



*Estimate is statistically different from previous year shown.

Notes: Preferred drugs are listed in a plan's formulary. Nonpreferred drugs are not listed in the formulary.

Source: California Employer Health Benefits Survey: 2009–2017, CHCF/NORC.

- Among firms with four-tier prescription cost sharing, average copayments for generic drugs were less than half what they were for preferred drugs, and a quarter what they were for nonpreferred drugs.
- Copayments for preferred and nonpreferred drugs increased between 2009 and 2017.

Takeaways

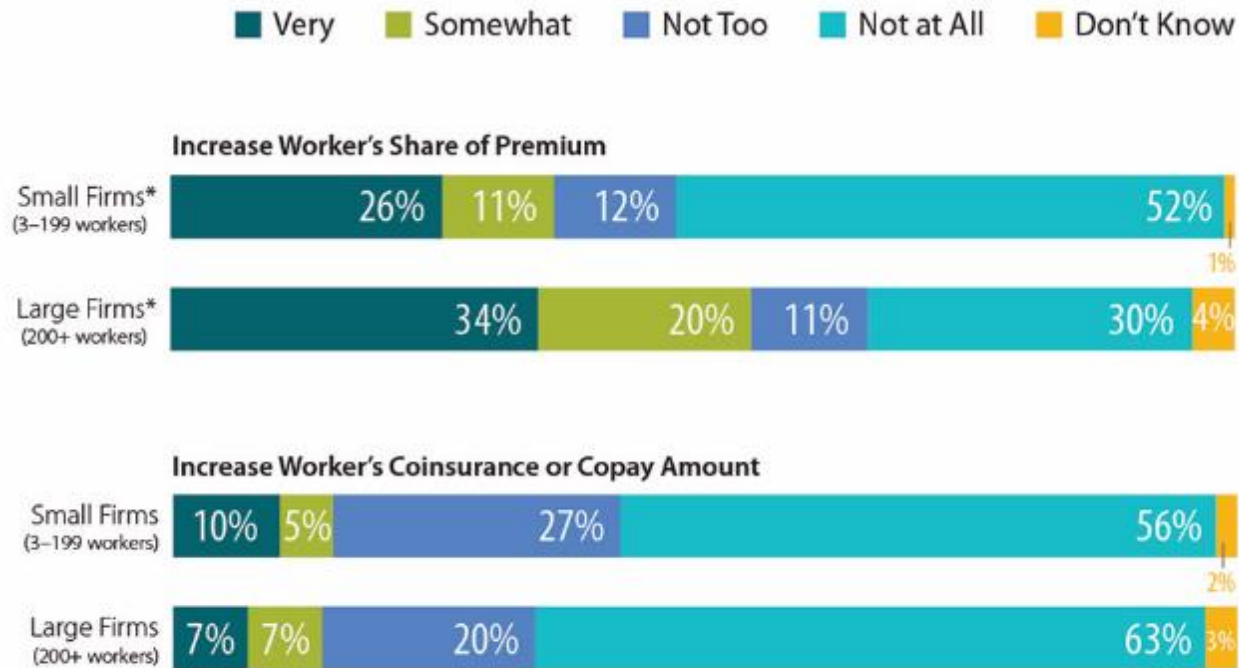
- As in previous years, average premium growth in the employer-sponsored market (4.6%) surpassed the rate of inflation (3%) and the growth of the California economy (3%).
- The average cost of a health plan for a family in California now tops \$19,200 a year — equal to almost 30% of California's median household income.
- Out of pocket liabilities—copays, coinsurance, and deductibles—continue to rise across the board.
- But compared to other states, California's ESI market has a relatively low rate of covered workers being offered and choosing high-deductible policies.
- Firms and workers in California's PPO market also show less enthusiasm for large deductibles than those in other states.



"I want a detailed analysis, your best educated guess, and then round it out with some wild speculation."

Likelihood of Firms Making Selected Changes in the Next Year

by Firm Size, California, 2017



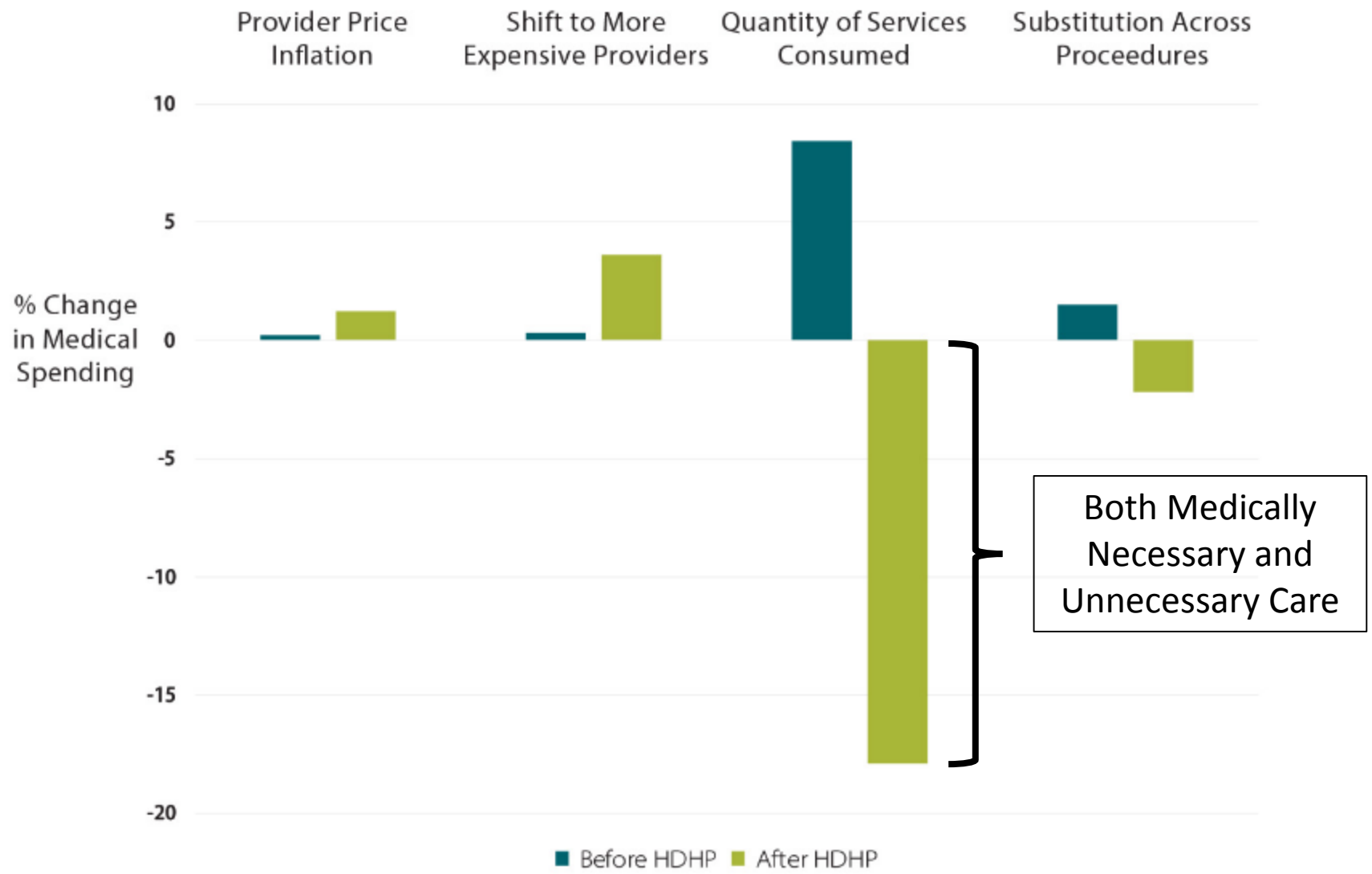
- This theme surfaces in California employers' planning as well. When asked about the likelihood of making certain changes next year, 54% of large companies report being very or somewhat likely to raise premiums, 10 percentage points higher than last year.
- Meanwhile, just 14% that said they plan to raise workers' coinsurance or copay amounts.

*Estimate is statistically different between small and large firms.

Note: Segments may not add to 100% due to rounding.

Source: California Employer Health Benefits Survey: 2017, CHCF/NORC.

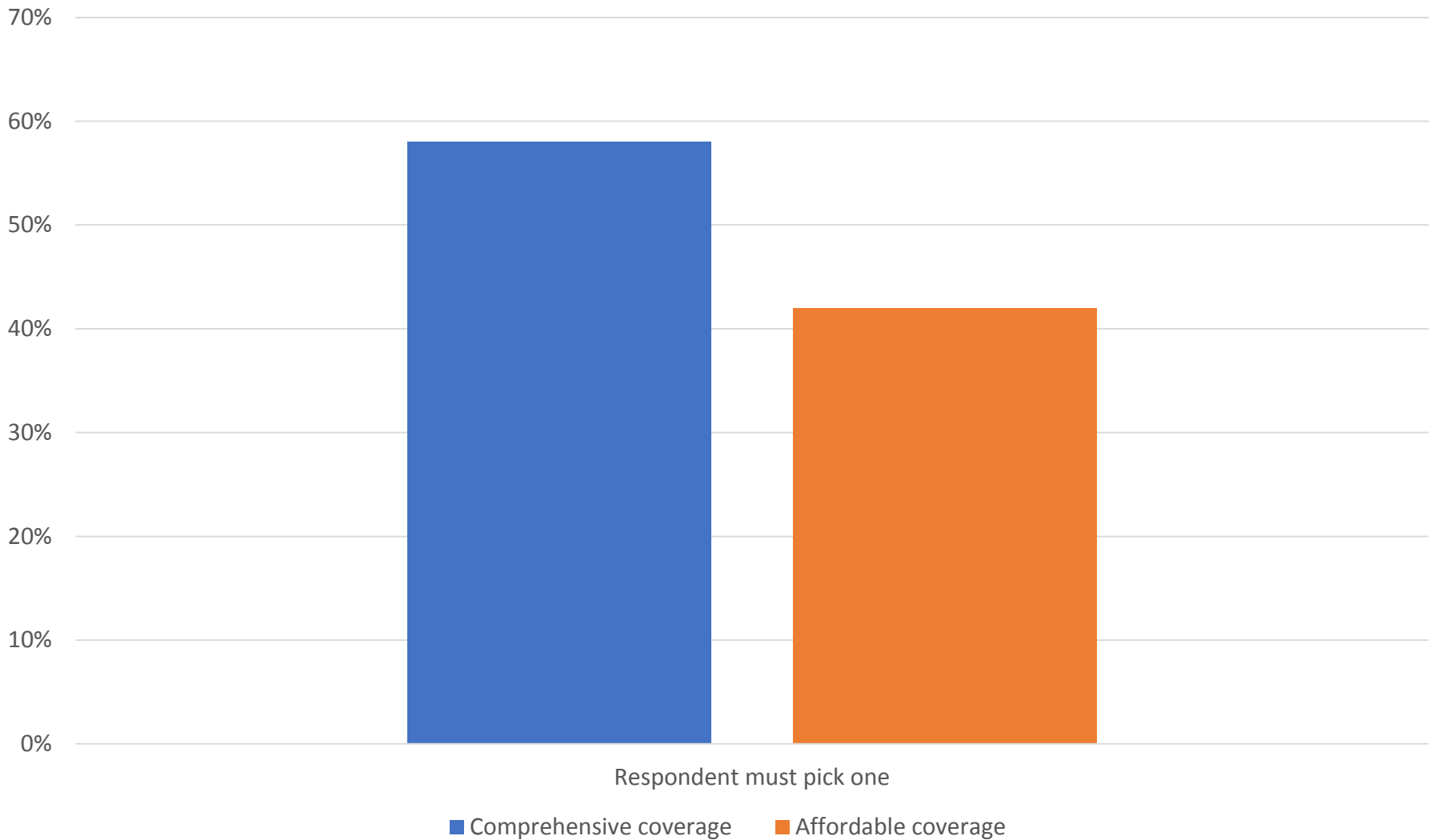
Where Do Firm-Wide HDHP* Savings Come From?



* High Deductible Health Plan

Source: Zarek C Brot-Goldberg, Amitabh Chandra, Benjamin R Handel, Jonathan T Kolstad (2017). "What does a deductible do? The impact of cost-sharing on health care prices, quantities, and spending dynamics." *The Quarterly Journal of Economics*, 132(3), 1261-1318.

Comprehensive Coverage is More Important to Employees Than Lower Costs



Source: AHIP 2018 ESI Enrollee Survey

Lessons on Affordability from the Employer Sponsored Market

- Ensuring employee access to comprehensive, affordable health care is important to the California employer community's bottom line. There has been no employer exodus from insurance, and they want care to be affordable for the employee.
- California's employers are less likely to offer high deductible plans than their national peers, try to keep deductibles lower in other product lines, and are more likely to raise premiums than co-pays, co-insurance, and deductibles next year.
- They may be reaching their limit on cost control strategies that rely on the blunt use of financial incentives—spending is reduced when large out-of-pocket liabilities are present, but that's driven by less utilization of both medically necessary and unnecessary care.
- Emerging strategies to make care more affordable while maintaining or improving quality in California focus on reference pricing and employer centers of excellence. Some are experimenting with positive incentives under VBID arrangements.