

OFFICE OF FINANCIAL MANAGEMENT

WASHINGTON STATE

Employer Health Insurance Data Book

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2007 Washington State Employer Health Insurance Data Book

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Introduction

This report summarizes data contained in the *Washington State Employer Health Insurance Database*. The database includes estimates of health insurance offers, enrollments and expenditures for 96,771 employers in Washington State. These employers include most *private sector* firms that have *two or more employees*.

The following health insurance information was imputed¹ for each firm:

- Health insurance offers to employees.
- Health insurance enrollment rates among firms that offer coverage.
- Total numbers enrolled and not enrolled in own employer-provided coverage.
- Health insurance premiums per enrollee for single, family and employee-plus-one coverage.
- Total employer health insurance expenditures and average expenditures per worker and per enrollee.
- Employee health care contributions.

The database also includes information on firm characteristics—industry, wages, employment, gross business income and various taxes and fund contributions.

Three main data sources were used to construct the database:

- Washington State Employment Security Department, *2005 Employee Benefits Survey*.
- Washington State Office of Financial Management, Employment Security Department, Department of Revenue, Department of Labor and Industries; *2005 Business Tax & Premium Database*.
- U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey—Insurance Component (MEPS-IC)*.

The *Employee Benefits Survey* provides information on health insurance offers and enrollments for private sector firms in the state. The *Business Tax & Premium Database* gives information on firm characteristics. Published data from the *MEPS-IC* survey provide estimates for enrollment rates, eligibility rates, take-up rates, health insurance premiums, and employer and employee premium contributions.

¹ *Appendix II* provides a description of the imputation methodology.

An analysis of these data suggests that average wage levels, firm size and industry explain much of the variation in health care offer rates across employers.² Offer rates were assigned to firms based on these three characteristics. Among firms that offer coverage, the numbers of workers enrolled were estimated using enrollment rates reported by *MEPS-IC*. Employer expenditures and employee contributions were then estimated by applying premium and contribution rates reported by *MEPS-IC*.³

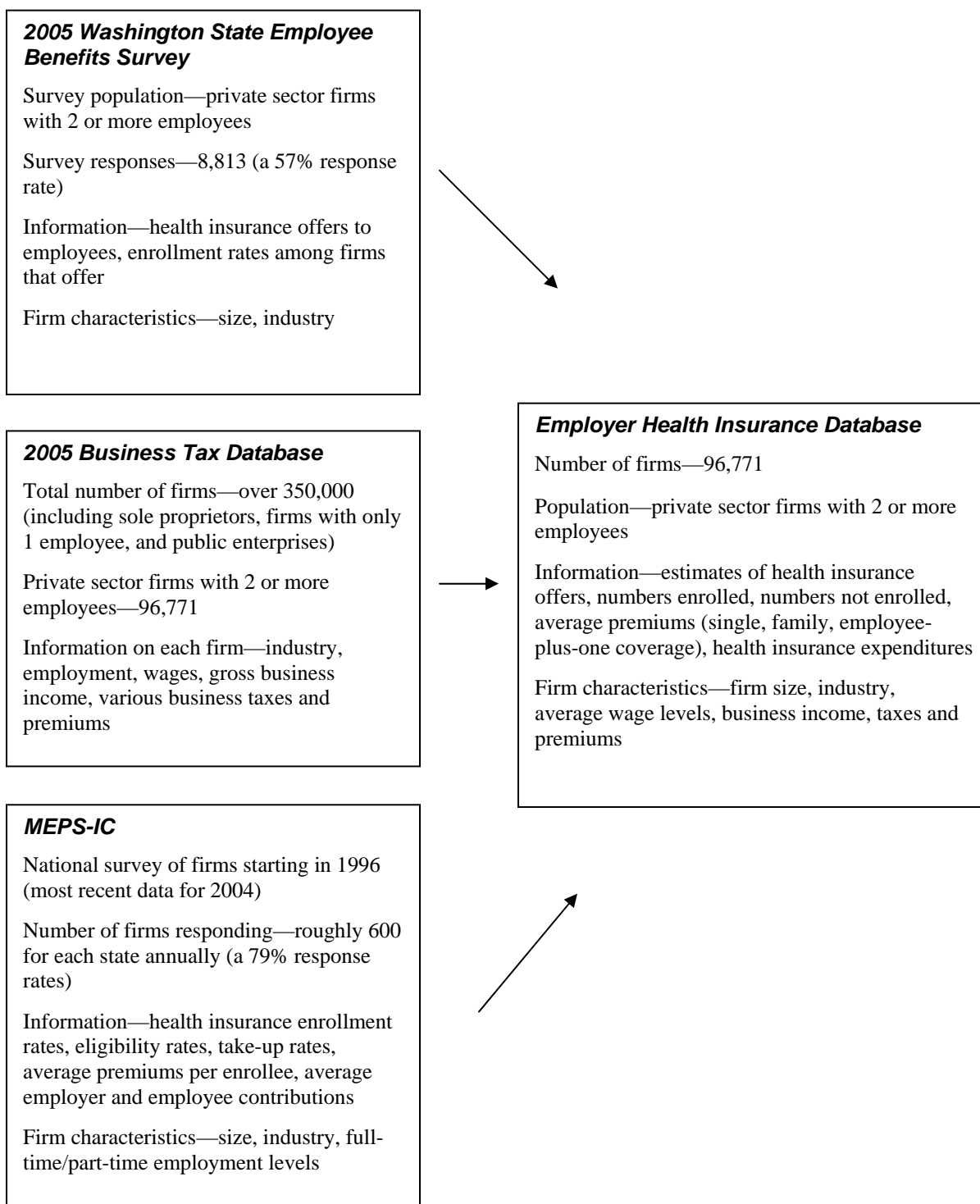
The offer rates, enrollments and expenditures reported here are only estimates, and these estimates are subject to potential sources of error. The estimates rely heavily on the two surveys. The 2005 Washington State Employee Benefits Survey has a very large sample. The survey response rate of 57 percent, while good, leaves some room for potential response bias. MEPS-IC is a national survey of employers. The sample is designed to support state-level estimates, but the sample sizes for each state are relatively small and estimated parameters can have large standard errors. Three-year moving averages of MEPS rates are used in most instances to provide more precise and stable estimates. The most recent MEPS data are for 2004.

Finally, the estimates are restricted to the population of firms included in the *Employee Benefits Survey*—private sector firms with two or more employees. We do not provide estimates of health care coverage among sole proprietors and firms with only one employee.

² See *Appendix I*.

³ Enrollment rates were allowed to vary by firm size and industry. Premiums and contribution rates were allowed to vary by firm size, industry, and type of coverage (single, family, and employee-plus-one).

Construction of Employer Health Insurance Database



The Population of Firms

The estimates in this report are for 96,771 of the firms with two or more employees included in the *2005 Business Tax & Premium Database*.⁴ These are, with the few exceptions reported below, private sector firms. The reported statistics are for ‘firms’ rather than ‘establishments’ (i.e., a company with multiple locations is reported as one firm).

Please note the following exclusions from the database.

- Sole proprietorships and firms with only one employee are excluded. Although there are many such firms, they account for a relatively small proportion of total employment.
- Most public sector enterprises are excluded. Federal employment and employment in public administration⁵ are not included the database. Most state and local government employment is also excluded. The main exception is local government employment in school districts and hospitals, which are included.
- Employment in private households is excluded.⁶
- Firms in utilities, mining and management of companies are excluded due to small survey sample sizes.

Many of the firms (87 percent) included in the database have fewer than 25 employees. However, it is the larger firms that account for the bulk of total employment. Firms with 100 or more workers account for 57 percent of total employment. (See the table on the next page.)

Two large sectors, “professional services” and “other services,” account for half of total employment.⁷ The professional services category includes higher wage employment in information, professional and business services, education and health care. The other services category includes lower wage employment in food, accommodation, and administrative services (e.g., temporary help agencies).

⁴ The health care offer imputations rely on data from the *Employee Benefits Survey*, which is restricted to firms with two or more employees.

⁵ Public administration refers to employment in NAICS codes 91 to 93.

⁶ NAICS code 814110.

⁷ Data from the *MEPS-IC Survey* is reported for the broad industrial sectors included in the table on page 5. Much of the analysis, therefore, is constrained to use these large sector definitions. Washington’s *Employee Benefits Survey* allows us to examine more detailed industry categories, and some the analysis does so.

Employer Health Insurance Database: Numbers of Firms and Workers
Private sector firms with 2 or more employees (2005)

	Firms		Employees	
	Number	Percent	Number	Percent
All Firms	96,771	100%	2,341,697	100%
Firm Size				
2 - 9	66,788	69%	289,102	12%
10 - 24	17,160	18%	265,317	11%
25 - 49	6,336	7%	220,361	9%
50 - 99	3,277	3%	228,028	10%
100 and above	3,210	3%	1,338,890	57%
Industry ⁽¹⁾				
Agriculture, forestry, fishing	4,730	5%	78,784	3%
Manufacturing	5,657	6%	276,614	12%
Construction	13,779	14%	166,511	7%
Transportation & warehousing	2,545	3%	73,917	3%
Wholesale trade	6,829	7%	114,695	5%
Finance, insurance, real estate	7,333	8%	155,874	7%
Retail trade	10,742	11%	301,089	13%
Professional services	22,077	23%	713,724	30%
Other services	23,079	24%	460,489	20%

⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.
'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).
Due to insufficient survey sample sizes firms in mining (NAICS 21), utilities (NAICS 22) and management of companies (NAICS 55) are excluded from the database.

Health Care Insurance Offer Rates

Offer rate refers the percentage of firms that provide health insurance to at least some of their employees.

The offer rates reported for Washington are estimated from data collected by the *2005 Washington Employee Benefits Survey*. Sixty-two percent of Washington firms with two or more employees provide health insurance.

The estimated offer rates in this report are consistent with national rates found in the *Kaiser/HRET 2006 Employer Health Benefits Survey*. However, the rates are higher than those suggested by *MEPS-IC Survey* data for Washington, and the differences are mainly due to estimates for small firms. Note that the *MEPS-IC Survey* includes firms with only *one* employee, while the *Employee Benefits Survey* does not.

Comparison of Employer Health Insurance Offer Rates (Percent of firms offering coverage to any employees)					
2005 Washington Employer Health Insurance Database		2006 Kaiser Survey (National Rates)		2004 MEPS-IC Survey (Washington rates)	
Firm Size	Offer Rate	Firm Size	Offer Rate	Firm Size	Offer Rate
2-9	53%	3-9	48%	1-9	37%
10-24	74%	10-24	73%	10-24	69%
25-49	87%	25-49	87%	25-99	79%
50-99	92%	50-199	92%	100-999	98%
100-499	97%	200+	98%	1000+	99%
500+	99%				
All (2+)	62%	All (3+)	61%	All (1+)	56%

The 2005 Washington Employee Benefits Survey had a response rate of 57%.
 The 2006 Kaiser/HRET Employer Health Benefits Survey had a response rate of 72% for the question used to determine offer rates.
 The 2004 MEPS-IC Survey had a 79% response rate, but small samples at the state level.

The following tables summarize the variation in employer health insurance offer rates by firm size (number of employees), industry and average wage levels (total wages divided by number of employees). Statistical analyses, discussed in *Appendix I*, suggest that each of these factors influence the probability that a firm offers health insurance. Average wage levels significantly affect offer rates even after controlling for firm size and industry.

**Offer Rates by Firm Size, Average Wages and Industry:
Washington 2005**

	Percent of firms
All Firms	
Total	62%
Firm Size	
2 - 9	53%
10 - 24	74%
25 - 49	87%
50 - 99	82%
100 - 499	97%
500+	99%
Wage Quartiles⁽¹⁾	
Lowest 25% of firms	34%
Second 25% of firms	53%
Third 25% of firms	74%
Highest 25% of firms	88%
Industry⁽²⁾	
Agriculture, forestry, fishing	38%
Construction	57%
Manufacturing	82%
Wholesale trade	85%
Retail trade	54%
Transportation & warehousing	69%
Information	80%
Finance & insurance	88%
Real estate & rental	60%
Professional & technical services	82%
Administrative and support services	56%
Educational services	63%
Health care and social assistance	74%
Arts, entertainment & recreation	48%
Accommodation and food services	27%
Other services	57%

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.

⁽²⁾ Most tables in this report include broader industrial categories. More detailed industry data can be presented here because the *Employee Benefits Survey* has sufficient sample size to estimate offer rates for specific industries. This is not possible for estimates that rely on *MEPS-IC* data. Administrative and support services includes temporary help services.

Offer Rates by Industry, Firm Size, and Wage Quartile: Washington 2005 (Percent of firms offering coverage)				
Industry and Firm Size	Wage Quartiles⁽¹⁾			
	Lowest 25%	Second 25%	Third 25%	Highest 25%
Agriculture, forestry, fishing				
Small Firms (2-50)	20%	44%	52%	50%
Large Firms (50+)	62%	79%	68%	na
Construction				
Small Firms (2-50)	38%	37%	58%	77%
Large Firms (50+)	na	na	99%	97%
Manufacturing				
Small Firms (2-50)	62%	66%	82%	93%
Large Firms (50+)	na	98%	98%	100%
Wholesale trade				
Small Firms (2-50)	70%	75%	76%	91%
Large Firms (50+)	na	na	96%	99%
Retail trade				
Small Firms (2-50)	27%	57%	76%	81%
Large Firms (50+)	99%	98%	96%	97%
Transportation & warehousing				
Small Firms (2-50)	47%	50%	63%	86%
Large Firms (50+)	na	89%	94%	91%
Information				
Small Firms (2-50)	64%	66%	58%	92%
Large Firms (50+)	na	na	92%	100%
Finance & insurance				
Small Firms (2-50)	78%	75%	81%	97%
Large Firms (50+)	na	na	100%	100%
Real estate & rental				
Small Firms (2-50)	36%	51%	75%	81%
Large Firms (50+)	na	na	98%	100%
Professional & technical services				
Small Firms (2-50)	69%	71%	73%	93%
Large Firms (50+)	96%	na	84%	100%
Administrative and support services				
Small Firms (2-50)	30%	42%	75%	81%
Large Firms (50+)	71%	85%	92%	93%
Educational services				
Small Firms (2-50)	30%	44%	85%	82%
Large Firms (50+)	na	na	100%	100%
Health care and social assistance				
Small Firms (2-50)	57%	59%	86%	85%
Large Firms (50+)	94%	97%	100%	100%
Arts, entertainment & recreation				
Small Firms (2-50)	22%	73%	69%	71%
Large Firms (50+)	56%	89%	95%	na
Accommodation and food services				
Small Firms (2-50)	19%	34%	34%	31%
Large Firms (50+)	82%	77%	88%	na
Other services				
Small Firms (2-50)	31%	39%	79%	82%
Large Firms (50+)	100%	100%	100%	100%

'na' refers to not available due to small cell size (fewer than 25 firms)

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.

Enrollment Rates

*Enrollment rate refers to the percentage of employees who are enrolled in employer-provided health insurance **among those workers employed in firms that offer coverage.***

Among Washington firms that offer health insurance to at least some workers, 63 percent of employees are enrolled in employer-provided coverage. Note that the rate of coverage among all employees is lower, since some work in firms that do not offer health benefits. (Estimates of this coverage rate are presented on page 13.)

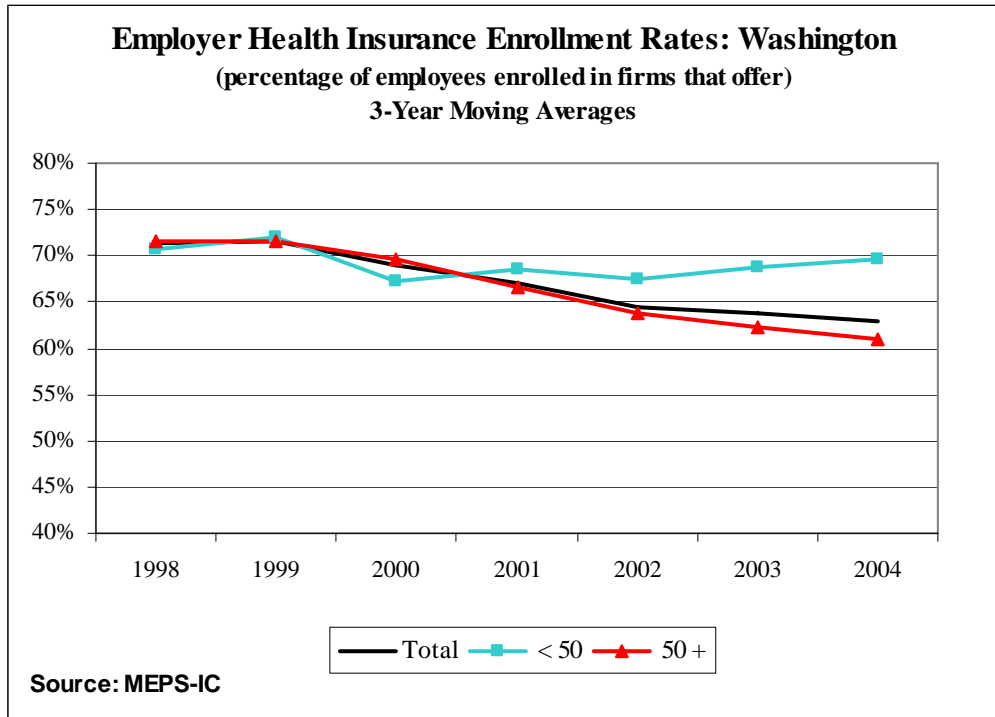
The rates presented below are estimates based on *MEPS-IC* data for Washington. Given the relatively small sample sizes, three-year moving averages are used to identify trends. Enrollment rates vary by firm size and full-time versus part-time job status.⁸ Rates tend to be higher in small firms. Relatively few part-time workers are enrolled (around 19 percent).

<i>Employer Health Insurance Enrollment Rates: Washington</i> (percentage of employees enrolled among those in firms that offer coverage)					
	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
Annual					
2004	63%	72%	61%	75%	19%
3-Year Averages					
1996-98	71%	71%	72%	81%	21%
1997-99	72%	72%	72%	80%	20%
1998-00	69%	67%	70%	77%	21%
1999-01	67%	69%	67%	76%	22%
2000-02	65%	67%	64%	74%	21%
2001-03	64%	69%	62%	75%	18%
2002-04	63%	70%	61%	74%	17%

Source: MEPS-IC Survey

⁸ The MEPS-IC Survey sample sizes for individual states are relatively small, so there are few observations with which to reliably estimate enrollment rates for specific industries at the state level. In order to impute Washington enrollments by firm size and industry, this study uses national rates by firm size within industries. These rates are scaled to achieve the overall, employment-weighted average enrollment rate reported for Washington. See Appendix II for details.

The overall enrollment rate has been decreasing over the past five years due to declines among workers in larger firm.



Enrollment rates, in turn, depend upon eligibility and take-up rates.

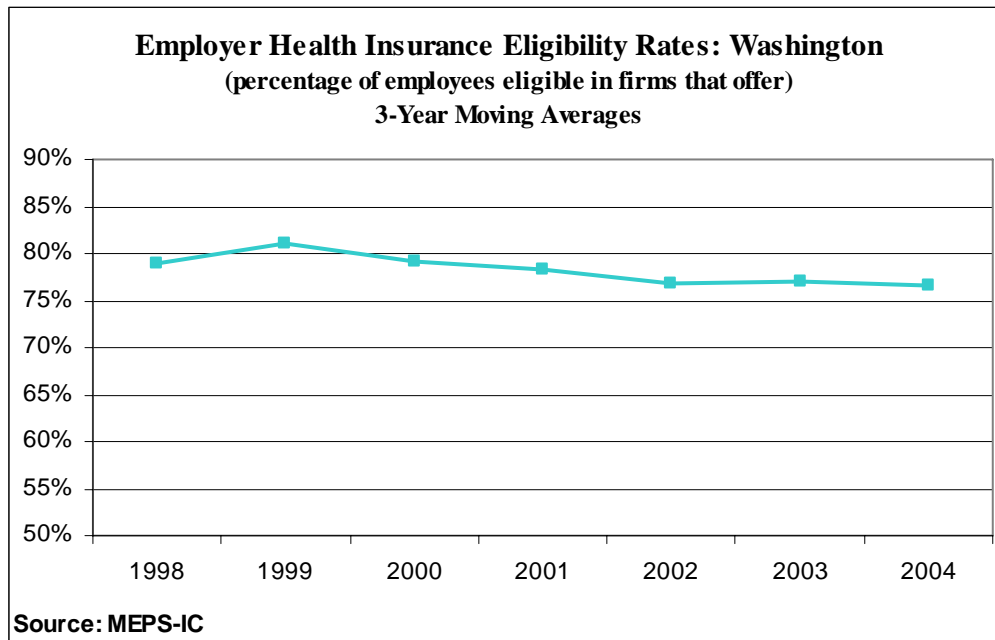
Eligibility Rates

Eligibility rate refers to the percentage of workers who are eligible for health insurance among those employed in firms that offer insurance.

Among Washington firms that offer health insurance, 76 percent of workers are eligible to participate. The eligibility rate has been declining in larger firms.

Employer Health Insurance Eligibility Rates: Washington (percentage of employees eligible among those in firms that offer coverage)					
	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
Annual					
2004	76%	85%	73%	88%	30%
3-Year Averages					
1996-98	79%	80%	79%	88%	29.5%
1997-99	81%	81%	81%	90%	29.0%
1998-00	79%	79%	79%	87%	29.0%
1999-01	78%	79%	78%	88%	31.3%
2000-02	77%	79%	76%	87%	32.3%
2001-03	77%	79%	77%	87%	34.0%
2002-04	77%	82%	75%	88%	31.0%

Source: MEPS-IC Survey



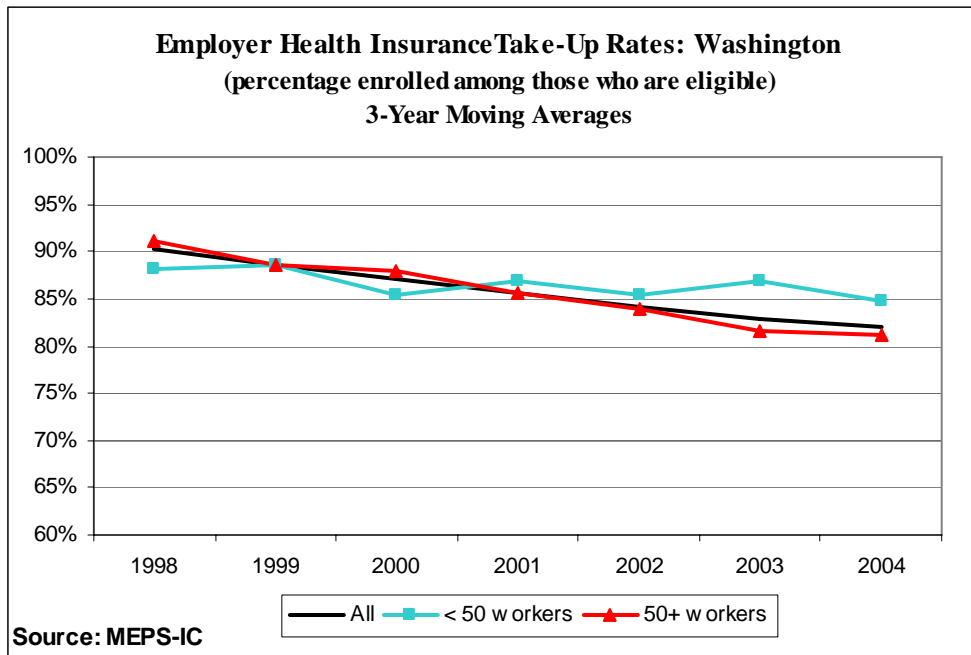
Take-Up Rates

Take-up rate refers to the percentage of eligible employees who enroll in employer-provided health insurance.

Among workers who are eligible for employer-provided health insurance in Washington, 83 percent take up the offer. The take-up rate has been declining, especially in larger firms. It has declined for full-time and part-time employees.

Employer Health Insurance Take-Up Rates: Washington (percentage enrolled among those who are eligible)					
	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
Annual					
2004	83%	85%	83%	85%	65%
3-Year Averages					
1996-98	90%	88%	91%	92%	72%
1997-99	88%	89%	88%	90%	70%
1998-00	87%	85%	88%	88%	71%
1999-01	86%	87%	86%	87%	70%
2000-02	84%	85%	84%	86%	65%
2001-03	83%	87%	82%	86%	54%
2002-04	82%	85%	81%	84%	55%

Source: MEPS-IC Survey



Numbers Enrolled and Coverage Rates in Own Employer-Provided Insurance

Coverage rate refers to the percentage of workers in all firms (including those that do not offer coverage) that are enrolled in health insurance provided by their own employer.

Among all workers in private sector firms with two or more employees, including those in firms that do not offer insurance, 56 percent are enrolled in health coverage provided by their employer.⁹ *Note that workers who are not enrolled in own-employer provided health insurance could receive coverage through other sources.*

Estimated Numbers Enrolled and Not Enrolled in Own Employer-Provided Health Insurance: Washington 2005				
	Number Enrolled (1,000s)	Number Not Enrolled (1,000s)	Coverage Rate (% enrolled)	Percent Not Enrolled
All Firms	1,315	1,027	56%	44%
Firm Size				
2 - 9	108	181	37%	63%
10 - 24	122	143	46%	54%
25 - 99	242	206	54%	46%
100 - 999	451	293	61%	39%
1000 and above	393	202	66%	34%
Wage Quartile ⁽¹⁾				
Lowest 25% of firms	112	207	35%	65%
Second 25% of firms	179	237	43%	57%
Third 25% of firms	360	267	57%	43%
Highest 25% of firms	664	315	68%	32%
Industry ⁽²⁾				
Agriculture, forestry, fishing	28	51	35%	65%
Manufacturing	216	60	78%	22%
Transportation & warehousing	46	28	62%	38%
Construction	87	79	52%	48%
Wholesale trade	82	32	72%	28%
Retail trade	139	162	46%	54%
Professional services	461	253	65%	35%
Finance, insurance, real estate	114	42	73%	27%
Other services	141	319	31%	69%
<p>Estimates are for firms with two or more employees. Estimates rely on MEPS-IC enrollment rate data.</p> <p>⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.</p> <p>⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care. 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>				

⁹ According to the Bureau of Labor Statistics, *National Compensation Survey March 2005*, 55 percent of all private sector employees in the Pacific region participate in employer-provided medical care.

A large share of the workers not enrolled in own employer-provided coverage are employed in accommodation and food services, retail trade, and health care and social assistance.

<i>Estimated Numbers Enrolled and Not Enrolled in Own Employer-Provided Health Insurance by Industry⁽¹⁾ : Washington 2005</i>				
Industry	Number Enrolled (1,000s)	Number Not Enrolled (1,000s)	Coverage Rate (% enrolled)	Percent Not Enrolled
Agriculture, forestry, fishing	23	56	29%	71%
Construction	87	80	52%	48%
Manufacturing	203	74	73%	27%
Wholesale trade	82	33	71%	29%
Retail trade	147	154	49%	51%
Transportation & warehousing	37	37	50%	50%
Information	73	21	78%	22%
Finance & insurance	83	21	79%	21%
Real estate & rental	26	26	50%	50%
Professional & technical services	92	36	72%	28%
Administrative and support services	61	71	46%	54%
Educational services	119	83	59%	41%
Health care and social assistance	161	131	55%	45%
Arts, entertainment & recreation	11	33	25%	75%
Accommodation and food services	33	177	16%	84%
Other services	34	40	46%	54%

Estimates are for firms with two or more employees.

⁽¹⁾ These Estimates rely on 2005 *Employee Benefits Survey* enrollment rate data. Estimates vary slightly from those presented in other tables that rely on *MEPS-IC* enrollment rate data.

***Estimated Numbers Not Enrolled in Own Employer-Provided Health Insurance
by Sector, Firm Size and Average Wages: Washington 2005***

	Wage Quartile ⁽¹⁾			
	Lowest 25%	Second 25%	Third 25%	Highest 25%
Agriculture, forestry, fishing				
Small firms (2-49)	12,400	9,800	4,600	1,800
Large firms (50+)	4,500	13,700	3,000	1,000
Manufacturing				
Small firms (2-49)	1,700	4,100	7,300	6,100
Large firms (50+)	300	1,400	8,400	31,000
Transportation & warehousing				
Small firms (2-49)	1,100	2,200	3,900	2,900
Large firms (50+)	500	1,800	2,800	12,600
Construction				
Small firms (2-49)	3,300	11,600	21,100	18,300
Large firms (50+)	5,400	300	2,400	16,900
Wholesale trade				
Small firms (2-49)	800	2,200	5,200	10,000
Large firms (50+)	600	700	2,700	10,000
Retail trade				
Small firms (2-49)	19,300	17,400	10,400	6,600
Large firms (50+)	11,100	22,200	49,100	25,900
Professional services ⁽²⁾				
Small firms (2-49)	12,100	20,300	18,900	23,500
Large firms (50+)	9,500	15,300	67,900	85,100
Finance, insurance, real estate				
Small firms (2-49)	3,600	4,700	4,300	6,300
Large firms (50+)	2,000	600	2,700	17,900
Other services ⁽³⁾				
Small firms (2-49)	76,600	46,400	17,300	12,200
Large firms (50+)	42,500	62,500	34,700	27,100

Estimates rely on MEPS-IC enrollment rate data.

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Other Sources of Health Insurance Coverage and the Uninsured

Workers not enrolled in plans provided by their employer often receive coverage through their spouses' employer, privately purchased insurance or public plans. The *Washington Employer Health Insurance Database* suggests that 56 percent of private sector workers are enrolled in health insurance provided by their own employer. The comparable estimate from *Current Population Survey* data for Washington is 61 percent. CPS data suggests that an additional 12 percent are covered through the employer of a family member. According to the *Washington State Population Survey*, 74 percent are covered by their employer or a family member's employer, 4 percent are covered through public programs, and 8 percent are covered through other insurance (e.g., self-purchased, military). That leaves 13 percent who are uninsured. The percent uninsured varies substantially across industries.

<i>Estimates for Own-Employer Provided and Other Health Insurance Coverage: Washington State</i>								
<i>Percent of Employed Persons Obtaining Health Insurance From Various Sources</i>								
	Washington Employer Health Insurance Database	2006 Current Population Survey (CPS) Data for Washington ⁽¹⁾			2006 Washington State Population Survey ⁽²⁾			
	Own Employer	Own Employer	Other Employer	Own & Other	Own & Other Employer	Public Program	Self- Purchased Military, Other	Uninsured
All Firms	56%	61%	12%	74%	74%	4%	8%	13%
Industry								
Agriculture, forestry, fishing	35%	30%	13%	43%	48%	14%	8%	30%
Manufacturing	78%	80%	7%	87%	86%	2%	6%	6%
Construction	52%	50%	13%	64%	62%	2%	12%	24%
Transportation & warehousing ⁽³⁾	62%	74% ⁽³⁾	7%	81%	85% ⁽³⁾	2%	3%	10%
Wholesale trade ⁽⁴⁾	72%	63% ⁽⁴⁾	13%	76%	81%	3%	10%	6%
Finance, insurance, real estate	73%	63%	15%	78%	79%	3%	12%	7%
Retail trade ⁽⁴⁾	46%	63% ⁽⁴⁾	13%	76%	71%	6%	8%	15%
Professional services ⁽⁵⁾	65%	63%	13%	76%	79%	3%	10%	8%
Other services ⁽⁶⁾	31%	40%	18%	58%	60%	9%	9%	22%

⁽¹⁾ The CPS estimates are for persons ages 18 to 64 employed in private industry. 'Other employer' refers to coverage through an other household member's employer.

⁽²⁾ The Washington State Population Survey estimates are for persons ages 18 to 64 employed in private firms with 2 or more employees. Public programs include the Washington State Basic Health Program, Medicaid, and Medicare. Note that the industry-level estimates based on the CPS and State Population Survey have wide confidence intervals; this is due to relatively small sample sizes for some industries.

⁽³⁾ The CPS and WSPS estimates for transportation and warehousing also include utilities; the Employer Database estimates do not.

⁽⁴⁾ CPS data are reported for wholesale and retail trade combined.

⁽⁵⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽⁶⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Health Insurance Premiums and Contributions

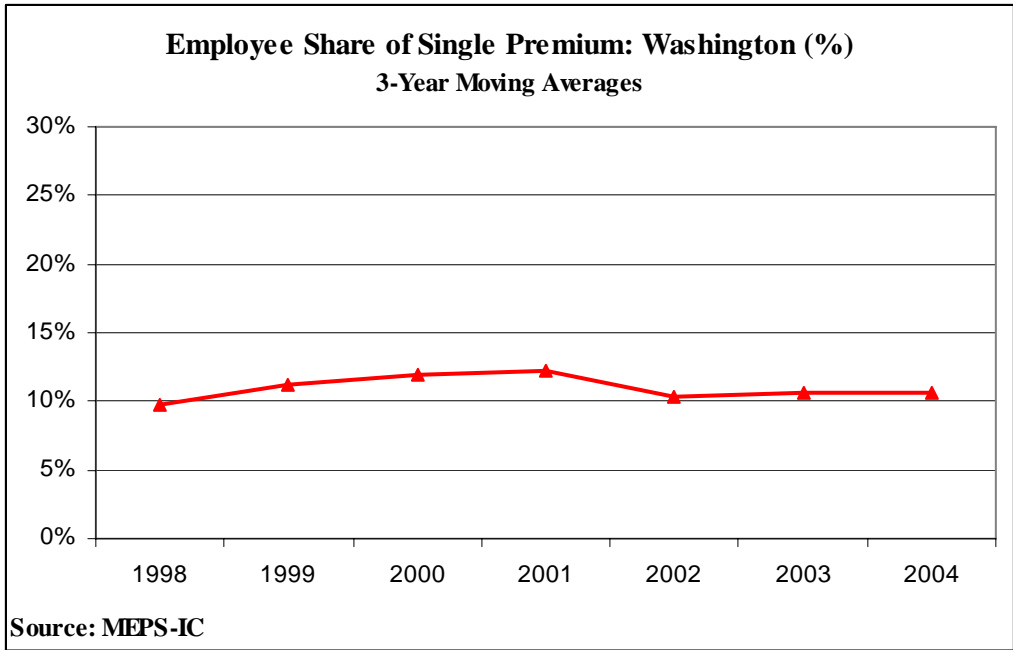
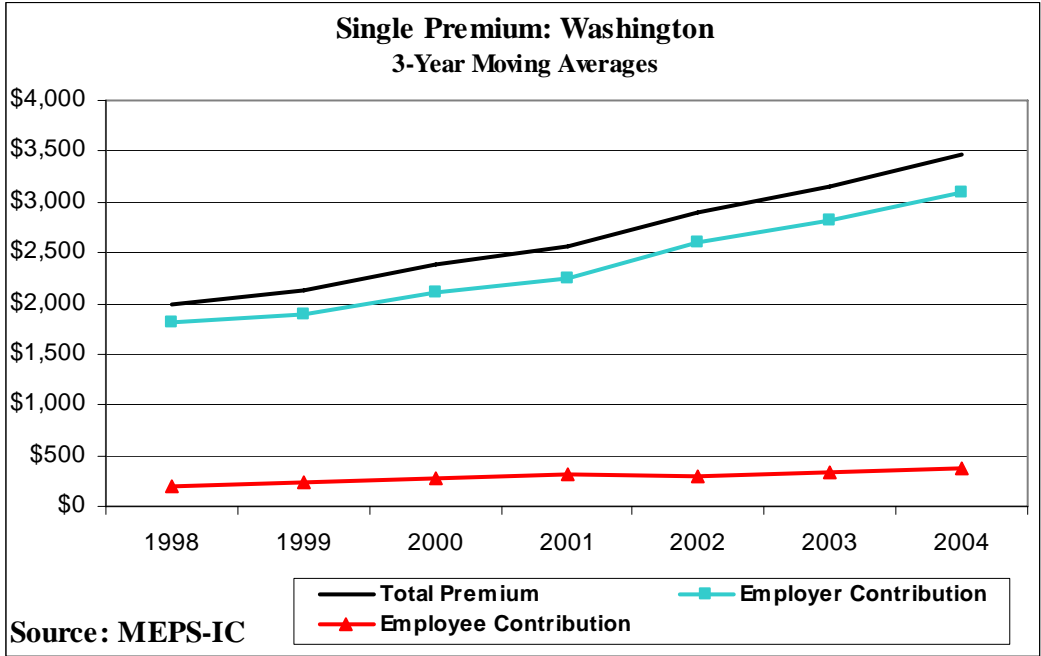
The *MEPS-IC Survey* provides data on employer health insurance premiums for single, family, and employee-plus-one coverage. The most recent published data are for 2004, but premiums have continued to increase substantially during the past few years. Premiums, employer contributions, and employee contributions in 2005 and 2006 have been estimated using inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Surveys*. The following tables and figures summarize estimates and trends for premiums in Washington.¹⁰ Given the relatively small *MEPS-IC* sample sizes for individual states, trends are examined by using three-year moving averages.¹¹

Single Premiums

<i>Employer-Provided Health Insurance Premiums: Single Coverage</i>				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington				
2004 (<i>MEPS-IC</i>)	\$3,608	\$3,181	\$427	12%
2005 (estimate)	\$3,929	\$3,462	\$467	12%
2006 (estimate)	\$4,142	\$3,662	\$480	12%
United States				
2004 (<i>Kaiser</i>)	\$3,695	\$3,137	\$558	15%
2005 (<i>Kaiser</i>)	\$4,024	\$3,413	\$610	15%
2006 (<i>Kaiser</i>)	\$4,242	\$3,615	\$627	15%
Source: <i>MEPS-IC Survey (2004)</i> Kaiser/HRET <i>Employer Health Benefits Survey (2006)</i> The Washington premium and contributions for 2004 are taken from <i>MEPS-IC</i> . Washington estimates for 2005 and 2006 rely on national premium inflation factors derived from the Kaiser/HRET survey.				

¹⁰ Premiums vary somewhat by firm size and industry. These variations are taken into account when estimating employer health care expenditures. See *Appendix II* for a discussion.

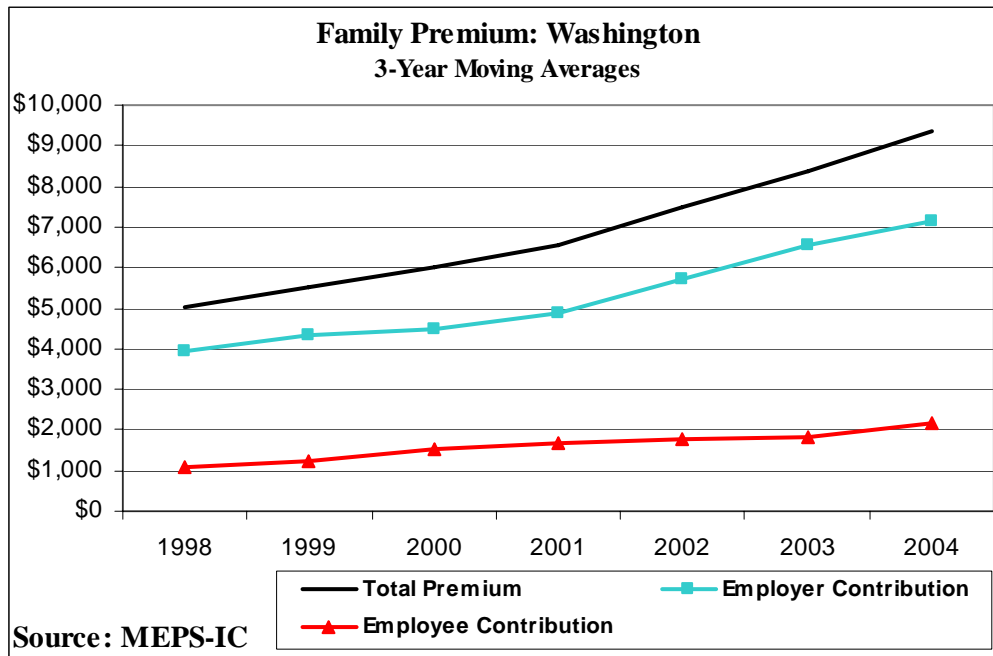
¹¹ Data for employee-plus-one premiums are available only starting in 2001; so moving averages are not used for this series.

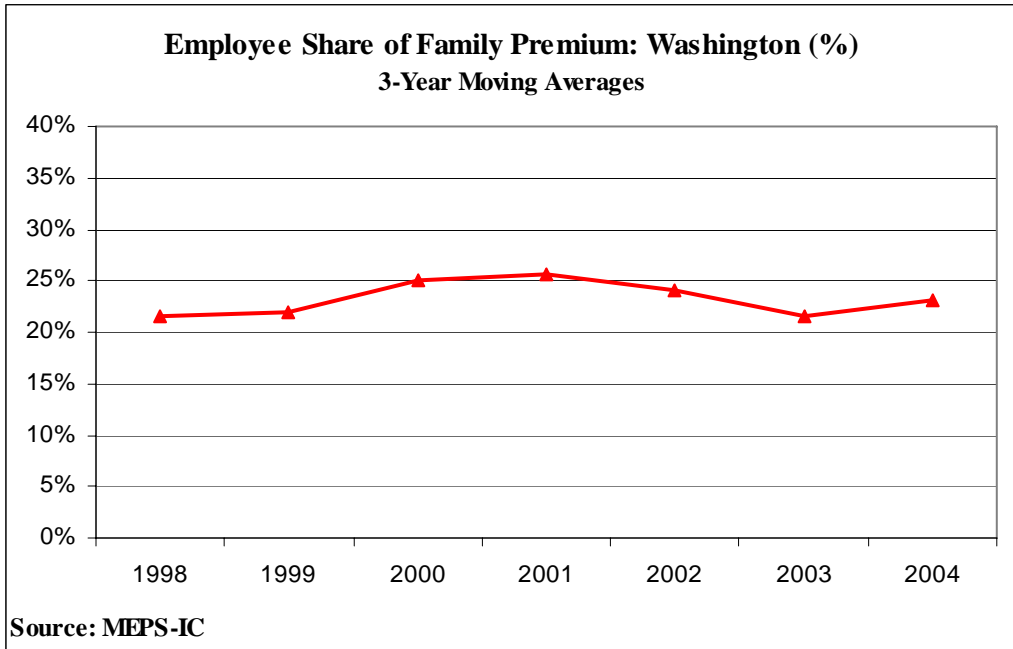


Family Premiums

Employer-Provided Health Insurance Premiums: Family Coverage				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington				
2004 (<i>MEPS-IC</i>)	\$10,217	\$7,325	\$2,892	28%
2005 (estimate)	\$11,172	\$8,223	\$2,949	26%
2006 (estimate)	\$11,788	\$8,557	\$3,231	27%
United States				
2004 (<i>Kaiser</i>)	\$9,950	\$7,289	\$2,661	27%
2005 (<i>Kaiser</i>)	\$10,880	\$8,167	\$2,713	25%
2006 (<i>Kaiser</i>)	\$11,480	\$8,508	\$2,973	26%

Source: *MEPS-IC Survey (2004)*
Kaiser/HRET Employer Health Benefits Survey (2006)
 The Washington premium and contributions for 2004 are taken from *MEPS-IC*.
 Washington estimates for 2005 and 2006 rely on national premium inflation factors derived from the Kaiser/HRET survey.





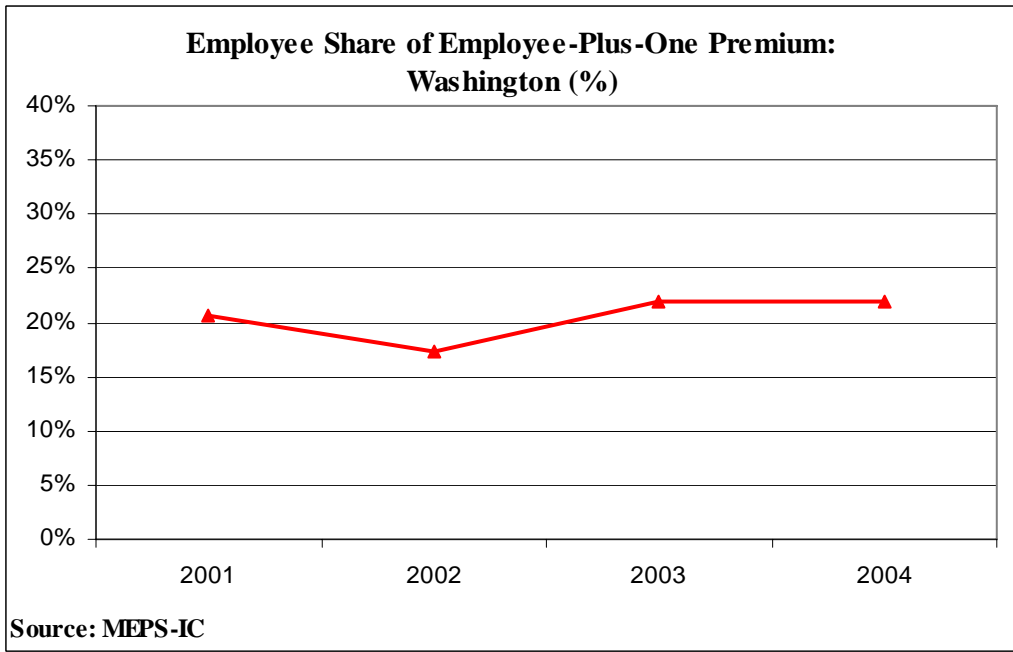
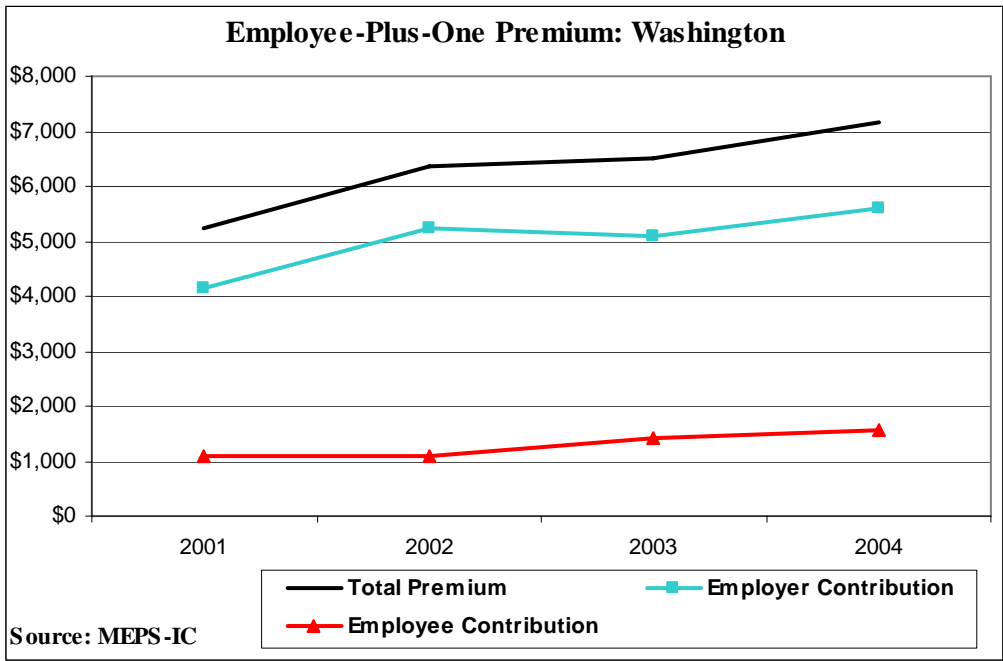
Employee-Plus-One Coverage

Data on employee-plus-one premiums are only available beginning in 2001.

<i>Employer-Provided Health Insurance Premiums: Employee-Plus-One Coverage</i>				
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington				
2004 (MEPS-IC)	\$7,176	\$5,604	\$1,572	22%
2005 (estimate)	\$7,847	\$6,244	\$1,603	20%
2006 (estimate)	\$8,279	\$6,523	\$1,756	21%
United States				
2004	\$7,056	\$5,379	\$1,677	24%

Source: MEPS-IC Survey (2004)
Kaiser/HRET Employer Health Benefits Survey (2006)

The Washington premium and contributions for 2004 are taken from MEPS-IC.
Washington estimates for 2005 and 2006 rely on national premium inflation factors derived from the Kaiser/HRET survey.



A Note on Employee Contributions

Employee contributions in Washington tend to be smaller than the national average, especially for single coverage. One reason is the relatively high percentage of enrollees in Washington who are not required to contribute. Among those enrolled in single coverage, about 47 percent of enrollees in Washington are in plans that require no employee contribution; nationally the figure is about 24 percent.

The average employee contributions reported in the *MEPS-IC* data include the enrollees who do not contribute. If these enrollees are excluded, then the average contributions among those who do contribute are substantially higher.

Percent of Employees Enrolled in Plans That Required No Employee Contribution: 2004			
	<i>Single Coverage</i>	<i>Family Coverage</i>	<i>Employee-Plus-One Coverage</i>
Washington	46.9%	18.1%	16.0%
United States	23.7%	14.7%	9.5%

Source: *MEPS-IC*.

Average Employee Health Insurance Contributions Washington:2004		
	With and Without Enrollees That Are Not Required to Contribute	
	With	Without
Single	\$427	\$804
Family	\$2,892	\$3,531
Employee-Plus-One	\$1,572	\$1,737

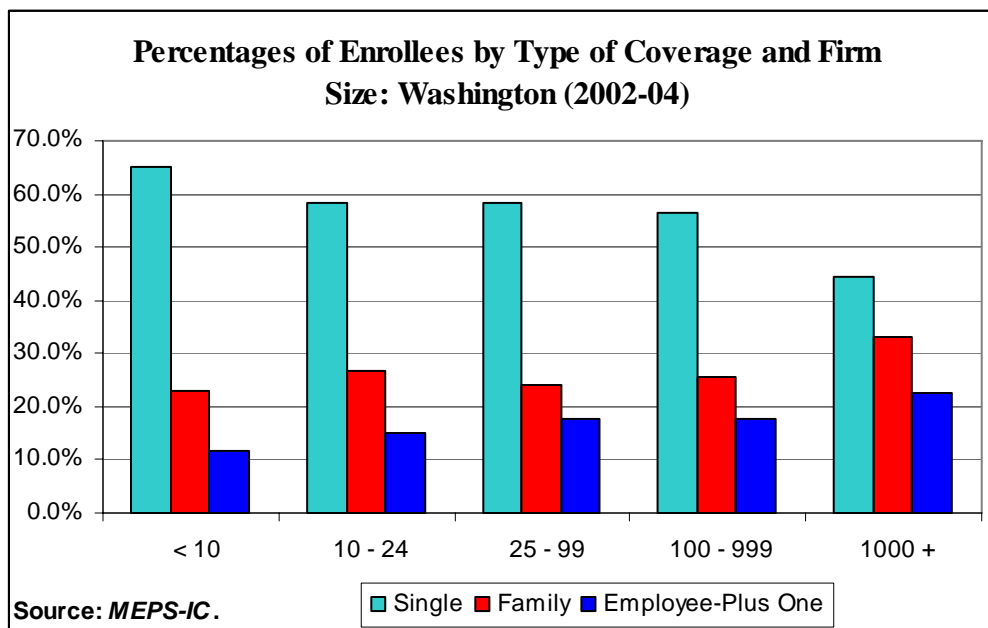
Source: Estimated from *MEPS-IC* data.

Enrollments in Single, Family and Employee-Plus-One Coverage

Health insurance premiums vary substantially by type of coverage—single, family, employee-plus-one—and the shares of enrollees in different types of coverage affect employer health care costs. Higher percentages of enrollees in larger firms are enrolled in family coverage.

<i>Percentage of Enrollees in Single, Family and Employee-Plus-One Coverage: 2002-04</i>		
	Washington	US
Single	52%	47%
Family	29%	36%
Employee-Plus-One	19%	17%

Source: MEPS-IC.



Employer Health Insurance Expenditures

Employer expenditures on health insurance were estimated for the private sector firms with two or more employees contained in the Washington Employer Health Insurance Database. These estimates take into account imputed enrollments, the distribution of enrollments across types of coverage (single, family, employee-plus-one), and employer premiums for different types of coverage.¹²

The following four tables summarize estimated employer expenditures. Estimates in the first table (page 25) reflect the employer expenditures in 2005 associated with providing comprehensive coverage to *active employees*.¹³ The estimates are derived by multiplying imputed enrollments by employer premium contributions. Employee contributions are not included in these tables. It cost firms on average \$5,480 per enrollee to provide this coverage. This estimate is a weighted average across different types of coverage (single, family, and employee-plus-one). Among all firms, employer expenditures equaled about 7.7 percent of total payrolls. Average expenditures *per enrollee* vary somewhat by firm size and industry. Expenditures *per worker* vary more substantially – and the variation across firms is driven primarily by differences in offer and enrollment rates.

Reported *MEPS-IC* data on employer premium contributions do not reflect the costs of optional coverage plans for dental, vision, prescription drugs, and long-term care.¹⁴ So, the estimates in the first table underestimate total employer health care expenditures. The second table (page 26) attempts to address this by inflating the expenditure estimates to reflect the costs of optional coverage plans.¹⁵ This adjustment increases the estimated employer health expenditures in 2005 to about 8.2 percent of total payrolls—a figure close to that reported by the Bureau of Labor Statistics for 2005.¹⁶

Health insurance premiums have been increasing rapidly. The third table (page 27) estimates employer expenditures in 2006 by applying premium inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey*. Finally, the fourth table (page 28) provides the most recently published estimates of employer costs for employee compensation by the US Bureau of Labor Statistics. These estimates suggest that employers are currently spending on average the equivalent of 8.9 percent of payrolls on health insurance in the Pacific region.

¹² See *Appendix II* for a detailed description of the estimation methodology.

¹³ Costs associated with retiree medical benefits are not included in any of these tables.

¹⁴ Some employer provided plans for comprehensive coverage do include dental, vision and prescription drug benefits. And, these costs would be reflected in the premium contributions that firms report in *MEPS*. However, other employers provide these benefits through optional coverage plans, and the costs of these plans are not reflected in the reported premiums.

¹⁵ Estimates reported by the Agency for Healthcare Research and Quality, which conducts the *MEPS-IC Survey*, suggests that expenditures on optional coverage plans account for only about 6 percent of total health expenditures by private industry.

¹⁶ According to data from the US Department of Labor's *Employer Costs for Employee Compensation— June 2005*, the ratio of health insurance costs to wages and salaries was 8.5 percent in the Pacific region.

Estimated Employer Health Insurance Expenditures for Active Employees: Washington 2005

	Total Health Expenditures (Millions \$)	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)	Expenditures Relative to Wages (%)	
		All Firms	Firms That Offer		All Firms	Firms that Offer
All Firms	\$7,208	\$3,080	\$3,480	\$5,480	7.7%	8.2%
Firm Size						
2 - 9	\$628	\$2,170	\$4,040	\$5,840	7.5%	11.0%
10 - 24	\$633	\$2,380	\$3,220	\$5,180	7.3%	8.6%
25 - 99	\$1,217	\$2,710	\$3,040	\$5,030	7.1%	7.5%
100 - 999	\$2,374	\$3,190	\$3,260	\$5,260	7.9%	8.0%
1000 and above	\$2,356	\$3,960	\$3,970	\$6,000	8.0%	8.0%
Wage Quartile ⁽¹⁾						
Lowest 25% of firms	\$590	\$1,840	\$2,840	\$5,240	21.9%	35.9%
Second 25% of firms	\$908	\$2,180	\$2,760	\$5,080	11.5%	14.4%
Third 25% of firms	\$1,953	\$3,120	\$3,360	\$5,420	10.2%	10.9%
Highest 25% of firms	\$3,757	\$3,840	\$3,940	\$5,660	5.9%	6.0%
Industry						
Agriculture, forestry, fishing	\$141	\$1,790	\$2,770	\$5,040	8.7%	12.6%
Manufacturing	\$1,273	\$4,600	\$4,710	\$5,880	8.3%	8.4%
Construction	\$472	\$2,840	\$3,510	\$5,410	7.2%	8.5%
Transportation & warehousing	\$267	\$3,610	\$4,140	\$5,770	8.1%	9.1%
Wholesale trade	\$434	\$3,790	\$3,990	\$5,260	7.2%	7.5%
Finance, insurance, real estate	\$644	\$4,130	\$4,390	\$5,670	7.9%	8.1%
Retail trade	\$632	\$2,100	\$2,340	\$4,550	7.0%	7.4%
Professional services ⁽²⁾	\$2,641	\$3,700	\$3,870	\$5,730	8.1%	8.3%
Other services ⁽³⁾	\$704	\$1,530	\$2,040	\$4,990	6.4%	7.5%

Estimates are for private sector firms with two or more employees.

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix II* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). Some of these plans include dental, vision and prescription benefits, and some do not. The costs optional coverage plans (for dental, vision, prescription, long-term care) are not included in these estimates.

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Estimated Employer Health Insurance Expenditures Including the Costs of Optional Coverage Plans: Washington 2005

	Total Health Expenditures (Millions \$)	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)	Expenditures Relative to Wages (%)	
		All Firms	Firms That Offer		All Firms	Firms that Offer
All Firms	\$7,680	\$3,280	\$3,700	\$5,840	8.2%	8.7%
Firm Size						
2 - 9	\$669	\$2,320	\$4,300	\$6,220	8.0%	11.7%
10 - 24	\$674	\$2,540	\$3,440	\$5,520	7.8%	9.1%
25 - 99	\$1,297	\$2,890	\$3,240	\$5,360	7.5%	8.0%
100 - 999	\$2,529	\$3,400	\$3,480	\$5,610	8.4%	8.5%
1000 and above	\$2,511	\$4,220	\$4,230	\$6,400	8.5%	8.5%
Wage Quartile ⁽¹⁾						
Lowest 25% of firms	\$628	\$1,970	\$3,030	\$5,590	23.3%	38.3%
Second 25% of firms	\$968	\$2,330	\$2,940	\$5,410	12.3%	15.3%
Third 25% of firms	\$2,081	\$3,320	\$3,580	\$5,780	10.8%	11.6%
Highest 25% of firms	\$4,003	\$4,090	\$4,200	\$6,030	6.3%	6.4%
Industry						
Agriculture, forestry, fishing	\$150	\$1,900	\$2,950	\$5,360	9.3%	13.4%
Manufacturing	\$1,356	\$4,900	\$5,020	\$6,270	8.8%	8.9%
Construction	\$503	\$3,020	\$3,740	\$5,770	7.7%	9.0%
Transportation & warehousing	\$284	\$3,840	\$4,410	\$6,150	8.7%	9.7%
Wholesale trade	\$463	\$4,030	\$4,250	\$5,610	7.7%	8.0%
Finance, insurance, real estate	\$686	\$4,400	\$4,670	\$6,040	8.4%	8.7%
Retail trade	\$673	\$2,240	\$2,490	\$4,840	7.4%	7.9%
Professional services ⁽²⁾	\$2,814	\$3,940	\$4,130	\$6,100	8.6%	8.8%
Other services ⁽³⁾	\$751	\$1,630	\$2,170	\$5,320	6.8%	8.0%

Estimates are for private sector firms with two or more employees.

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix II* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). The estimates in this table have been inflated to also include the costs of optional coverage plans (dental, vision, prescription drugs, long-term care).

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Estimated Employer Health Insurance Expenditures Including the Costs of Optional Coverage Plans: Washington 2006

	Total Health Expenditures (Millions \$)	Average Expenditure Per Worker (\$)		Average Expenditure Per Enrollee (\$)
		All Firms	Firms That Offer	
All Firms	\$8,044	\$3,440	\$3,880	\$6,120
Firm Size				
2 - 9	\$702	\$2,430	\$4,510	\$6,520
10 - 24	\$707	\$2,660	\$3,600	\$5,790
25 - 99	\$1,360	\$3,030	\$3,390	\$5,620
100 - 999	\$2,649	\$3,560	\$3,640	\$5,880
1000 and above	\$2,626	\$4,420	\$4,430	\$6,690
Wage Quartile ⁽¹⁾				
Lowest 25% of firms	\$658	\$2,060	\$3,170	\$5,860
Second 25% of firms	\$1,014	\$2,440	\$3,080	\$5,670
Third 25% of firms	\$2,181	\$3,480	\$3,750	\$6,060
Highest 25% of firms	\$4,191	\$4,280	\$4,390	\$6,310
Industry				
Agriculture, forestry, fishing	\$157	\$1,990	\$3,090	\$5,620
Manufacturing	\$1,419	\$5,130	\$5,250	\$6,560
Construction	\$527	\$3,160	\$3,920	\$6,040
Transportation & warehousing	\$297	\$4,020	\$4,620	\$6,440
Wholesale trade	\$485	\$4,220	\$4,450	\$5,870
Finance, insurance, real estate	\$719	\$4,610	\$4,890	\$6,330
Retail trade	\$706	\$2,340	\$2,610	\$5,080
Professional services ⁽²⁾	\$2,948	\$4,130	\$4,320	\$6,390
Other services ⁽³⁾	\$787	\$1,710	\$2,280	\$5,580

Estimates are for private sector firms with two or more employees.

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix II* for a discussion of the methodology. Expenditures include employer contributions for comprehensive coverage plans for active employees (not retirees). The estimates in this table have been inflated to also include the costs of optional coverage plans (dental, vision, prescription drugs, long-term care). Estimates have also been inflated to take into account premium inflation as reported by the Kaiser/HRET *Employer Health Benefits Survey*.

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees). The lowest 25% of firms have average annual wages of less than \$14,030. The next group has average wages from \$14,030 to \$23,907. The third group has average wages from \$23,907 to \$37,619. The highest group has average wages above \$37,619. Note that these averages include part-time workers.

⁽²⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽³⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Employer Costs for Employee Compensation in Private Industry: United States, September 2006

Average Costs Per Employee Per Hour

	Total Compensation	Wages & Salaries ⁽¹⁾	Health Insurance	Health Insurance Costs as as a Percentage of:	
				Total Compensation	Wages & Salaries ⁽¹⁾
All Workers	\$25.52	\$18.79	\$1.76	6.9%	9.4%
Pacific Region ⁽²⁾	\$28.51	\$20.94	\$1.86	6.5%	8.9%
Industry					
Construction	\$29.41	\$21.36	\$2.07	7.0%	9.7%
Manufacturing	\$29.87	\$20.66	\$2.71	9.1%	13.1%
Trade, Transportation, Utilities	\$21.21	\$15.64	\$1.53	7.2%	9.8%
Information	\$38.09	\$27.10	\$2.75	7.2%	10.1%
Financial Activities	\$34.33	\$25.08	\$2.41	7.0%	9.6%
Professional and Business Services	\$29.77	\$22.66	\$1.56	5.2%	6.9%
Education and Health	\$27.61	\$20.54	\$1.92	7.0%	9.3%
Leisure and Hospitality ⁽³⁾	\$10.96	\$8.78	\$0.49	4.5%	5.6%
Other Services	\$22.07	\$16.43	\$1.45	6.6%	8.8%
Establishment Size					
1-49	\$20.41	\$15.74	\$1.16	5.7%	7.4%
50-99	\$21.71	\$16.10	\$1.57	7.2%	9.8%
100-499	\$26.68	\$19.50	\$1.96	7.3%	10.1%
500+	\$36.10	\$25.35	\$2.77	7.7%	10.9%

Source: US Bureau of Labor Statistics, *Employee Costs for Employee Compensation*, September 2006.
Data from the *National Compensation Survey*.

⁽¹⁾ Includes supplemental pay (overtime premium, shift differentials, and nonproduction bonuses).

⁽²⁾ Includes Alaska, California, Hawaii, Oregon, Washington.

⁽³⁾ Includes food and accommodation.

Employee Health Care Contributions

Employee contributions to employer-provided health insurance were also estimated. The average contribution was about \$1,400 per enrollee in 2005. Note that this estimate represents a weighted average across different types of coverage (single, family, and employee-plus-one).

<i>Employee Contributions to Employer-Provided Health Insurance: Washington 2005</i>			
	Total Employee Contributions (millions \$)	Average Contribution Per Enrollee (\$)	Worker Share of Healthcare Premiums
All Firms	\$1,833	\$1,394	20.3%
Firm Size			
2 - 9	\$112	\$1,041	15.1%
10 - 24	\$155	\$1,273	19.7%
25 - 99	\$364	\$1,504	23.0%
100 - 999	\$679	\$1,505	22.2%
1000 and above	\$523	\$1,332	18.2%
Industry			
Agriculture, forestry, fishing	\$35	\$1,242	19.8%
Manufacturing	\$264	\$1,218	17.2%
Construction	\$123	\$1,413	20.7%
Transportation & warehousing	\$62	\$1,333	18.8%
Wholesale trade	\$117	\$1,414	21.2%
Finance, insurance, real estate	\$167	\$1,475	20.6%
Retail trade	\$220	\$1,586	25.9%
Professional services ⁽¹⁾	\$655	\$1,420	19.9%
Other services ⁽²⁾	\$191	\$1,351	21.3%
<p>Estimates are for private sector firms with two or more employees. Expenditures are estimated using data from <i>MEPS-IC</i>; see the <i>Technical Appendix II</i> for a discussion of the methodology.</p> <p>⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.</p> <p>⁽²⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>			

Employee contributions have been increasing rapidly along with total health insurance premiums. The estimates for 2006 presented below were derived by applying inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey*.

<i>Employee Contributions to Employer-Provided Health Insurance: Washington 2006</i>			
	Total Employee Contributions (millions \$)	Average Contribution Per Enrollee (\$)	Worker Share of Healthcare Premiums
All Firms	\$1,988	\$1,512	20.8%
Firm Size			
2 - 9	\$121	\$1,128	15.6%
10 - 24	\$169	\$1,380	20.3%
25 - 99	\$395	\$1,631	23.6%
100 - 999	\$736	\$1,633	22.8%
1000 and above	\$568	\$1,446	18.7%
Industry			
Agriculture, forestry, fishing	\$38	\$1,353	20.4%
Manufacturing	\$286	\$1,323	17.7%
Construction	\$134	\$1,535	21.3%
Transportation & warehousing	\$67	\$1,446	19.3%
Wholesale trade	\$127	\$1,535	21.8%
Finance, insurance, real estate	\$182	\$1,601	21.2%
Retail trade	\$239	\$1,717	26.5%
Professional services ⁽¹⁾	\$710	\$1,541	20.4%
Other services ⁽²⁾	\$206	\$1,459	21.8%
<p>Estimates are for private sector firms with two or more employees. Expenditures are estimated using data from <i>MEPS-IC</i>; see the <i>Technical Appendix II</i> for a discussion of the methodology.</p> <p>⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.</p> <p>⁽²⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).</p>			

Employer Health Insurance Expenditures in Perspective

Employer health care costs have been increasing rapidly, and health insurance accounts for a significant and rising share of total employee compensation. Health care is now a major cost of doing business for employers—a cost that rivals total state business taxes, contributions, and premiums combined.

<i>Summary of Washington Employer Health Insurance Database: 2005</i>							
Estimates for private sector firms with 2 or more employees							
	Number of Firms	Total payroll (millions \$)	B&O tax ⁽¹⁾ (millions \$)	Total taxes, premiums and contributions ⁽²⁾		Employer health insurance expenditures	
				Total (millions \$)	Rate (% of gross business income)	Total (millions \$)	Rate (% of gross business income)
All Firms	96,771	\$93,691	\$1,915	\$7,642	2.4%	\$7,680	2.4%
Industry							
Agriculture, forestry, fishing	4,730	\$1,618	\$9	\$153	10.5%	\$150	10.3%
Manufacturing	5,657	\$15,351	\$328	\$1,859	2.3%	\$1,356	1.7%
Construction	13,779	\$6,516	\$129	\$1,035	3.9%	\$503	1.9%
Transportation & warehousing	2,545	\$3,271	\$34	\$281	5.0%	\$284	5.0%
Wholesale trade	6,829	\$6,000	\$240	\$547	1.0%	\$463	0.9%
Finance, insurance, real estate	7,333	\$8,125	\$195	\$467	2.8%	\$686	4.1%
Retail trade	10,742	\$9,057	\$327	\$765	1.1%	\$673	1.0%
Professional services ⁽³⁾	22,077	\$32,697	\$487	\$1,672	4.1%	\$2,814	6.9%
Other services ⁽⁴⁾	23,079	\$11,057	\$166	\$862	3.7%	\$751	3.2%

⁽¹⁾ B&O includes the Business & Occupation tax due plus the Public Utility tax due less tax credits.

⁽²⁾ Total taxes, premiums and contributions include: B&O tax, Public Utility tax, Sales and Use tax, Property tax, Employment Security unemployment insurance contributions, Labor & Industries workers compensation premiums.

⁽³⁾ Professional services' includes information, professional and technical services, educational services and health care. This industrial classification follows the data reporting practice used by the MEPS-IC Survey.

⁽⁴⁾ Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration). Food and accommodation services are the largest group in this sector.

<i>Payrolls, Business Income and Health Expenditures by Firm Size: Washington 2005</i>					
Firm Size	Number of Firms	Total payroll (millions \$)	Gross business income (millions \$)	Employer health insurance expenditures	
				Total (millions \$)	Rate (percent of business income)
2 - 9	66,788	\$8,358	\$44,497	\$669	1.5%
10 - 24	17,160	\$8,633	\$35,764	\$674	1.9%
25 - 99	9,613	\$17,186	\$66,125	\$1,297	2.0%
100 - 999	2,989	\$29,993	\$98,260	\$2,529	2.6%
1000+	221	\$29,520	\$70,248	\$2,511	3.6%

Appendix I: Heath Care Offer Analysis

Logistic regressions were estimated using data from the *2005 Employee Benefits Survey* to examine how firm characteristics affect the probability of offering health insurance. The firm characteristics include firm size, industry, average wage levels and the percentage of employees working full-time. (See the table on the next page.)

One can obtain fairly accurate offer status predictions based on firm size, industry and average wages. Each of these three factors has significant, independent effects on the probability of offering insurance. Larger firms are more likely to provide coverage, for example, even after controlling for industry and wage levels. And, firms that pay higher average wages are more likely to offer insurance, even after controlling for firm size and industry. The methodology used to impute the offer status for firms in the *Employer Health Insurance Database* allows for offer rates to vary by these three characteristics. (See *Appendix II* for a discussion).

The incidence of part-time employment also affects the probability that firms will offer health insurance. Firms that have a higher percentage of full-time workers (i.e., fewer part-time workers) are significantly more likely to offer health insurance, even after controlling for other factors. Unfortunately, we do not have information on the incidence of part-time employment for the firms in the *Employer Health Insurance Database*, and we cannot use this variable in the imputation procedure.¹⁷ However, this does not appear to be a major problem. Including a full-time employment share variable in the offer status regression does not substantially improve the model statistics. Variation in average wage levels already captures much of the impact of the incidence of part-time employment. Higher percentages of part-time employment are associated with lower average wage levels across firms.¹⁸

¹⁷ Full-time and part-time employment levels are reported by firms responding to the *Employee Benefits Survey*. However, full-time and part-time employment levels are not included in the administrative records used to create the *Employer Health Insurance Database*.

¹⁸ Average wages are equal to total payroll divided by employment (including part-time employment). So, higher incidences of part-time employment are associated with lower average wage levels. Average wages were regressed on firm size, industry and the percentage of workers who are full-time. The estimated coefficients suggest that a 10 percentage point increase in the part-time employment share reduces average wages by about \$2,300.

Employer Health Insurance Offer Status: Logistic Regressions				
Dependent Variable: Offer Status⁽¹⁾				
Variable	Model 1		Model 2	
	Coefficient		Coefficient	
Intercept	-2.8086	*	-3.1640	*
Average wage	0.00008	*	0.00007	*
Percent full-time			1.2261	*
Firm Size Dummy Variables⁽²⁾				
10-24	1.0643	*	1.0657	*
25-49	1.9397	*	2.0007	*
50-99	2.4049	*	2.5305	*
100-499	3.4033	*	3.5632	*
500+	4.9310	*	4.9316	*
Industry Dummy Variables⁽³⁾				
Agriculture, forestry, fishing	-0.1342		-0.3049	
Construction	0.3983	*	0.1341	
Manufacturing	1.8005	*	1.5779	*
Wholesale trade	1.5746	*	1.3784	*
Retail trade	1.1084	*	0.9773	*
Transportation & warehousing	0.6870	*	0.5218	*
Information	1.0027	*	0.8808	*
Finance & insurance	2.1137	*	1.9163	*
Real estate & rental	1.2993	*	1.1307	*
Professional & technical services	1.8209	*	1.7250	*
Administrative and support services	0.6418	*	0.4588	*
Educational services	1.5358	*	1.6716	*
Health care and social assistance	1.6274	*	1.4861	*
Arts, entertainment & recreation	0.7549	*	0.8024	*
Other services	1.0694	*	0.9219	*
Number of observations	8,391		8,134	
Model Statistics				
Akaike Information Criterion	6,154.8		5868.7	
Percent concordant pairs	87.8		88.1	
Somer's D	0.757		0.763	
Models were estimated using data from the <i>2005 Employee Benefits Survey</i> .				
* indicates the coefficient is significant at 5 percent level.				
(1) The dependent variable (offer status) is equal to 1 if the firm offers health insurance, 0 if not.				
(2) The reference (omitted) firm size category is firms with 2 - 9 employees.				
(3) The reference (omitted) industrial category is food and accommodation.				

Appendix II: Database Construction and Imputation Methodology

The health insurance offer status, enrollment, employer health insurance expenditures and employee contributions for each of the 96,771 firms in the *Employer Health Insurance Database (EHID)* were imputed using data from two surveys—the *2005 Washington Employee Benefits Survey (ESB)* and the *Medical Expenditure Panel Survey—Insurance Component (MEPS-IC)*.

Imputing the health insurance offer status of firms

EBS data were used to impute offer statuses of firms in the *EHID*. First, the 8,813 firms that responded to the *EBS* were stratified into 145 groups based on firm size, industry and average wage levels.¹⁹ The percentages of firms offering insurance (offer rate) within each of these strata were calculated. The firms in the *EHID* were also stratified into the same firm size-industry-wage groupings. Offer statuses for the *EHID* firms within a given strata were randomly assigned so as to achieve the *EBS* offer rate observed for that group.

This procedure produced offer rates that are comparable to those reported in the *2005 Employee Benefits Survey* report. The validity of the procedure ultimately depends upon how representative the *EBS* survey responses are; the *EBS* response rate was 57 percent. The offer rates suggested by this survey are consistent with national rates found in the *Kaiser/HRET 2006 Employer Health Benefits Survey*. However, the rates are higher than those suggested by *MEPS-IC* data for Washington and the differences are mainly due to estimates for small firms. (See page 6 of this report.) The *EBS* data were used because the large sample size supported offer rate estimates at a detailed industry-firm size-wage group level.

Imputing Health Insurance Enrollments

MEPS—IC provides information on enrollment rates. This annual survey of firms is conducted by the Agency for Healthcare Research and Quality, which is part of the U.S. Department of Health and Human Services.²⁰ AHRQ publishes estimates for most states, including Washington. The typical sample for a state includes 825 firms, and response rates are typically around 79 percent. So, estimates for a given year are based on about 600 firms (of which roughly 340 would offer insurance). The survey sample includes private sector firms with one or more employees. Data are currently available from 1996 to 2004.

MEPS-IC is a valuable source of data, but discretion is required in using estimates at the state level. Relatively small sample sizes can lead to large standard errors and estimates can fluctuate from year to year. In order to mitigate this, three-year moving averages were often used to generate statistics for this report.

Enrollment rate refers to the percentage of employees who are enrolled in employer-provided health insurance among those workers employed in firms that offer coverage. The enrollment rate in Washington is currently around 63 percent.²¹

¹⁹ There were 6 firm size groups, 16 industry groups (based on 2-digit NAICS codes), and two wage groups (based on high and low wage firms within a given industry). In some cases cells were combined due to small sample sizes; thus the total of 145 groups.

²⁰ The U.S. Census Bureau administers the survey for AHRQ.

²¹ This is the average enrollment rate from 2002 to 2004.

Enrollment rates vary by firm size and industry. The *MEPS-IC* sample for Washington, however, is too small for reliably estimating these rates for detailed firm size-industry groups. Enrollment rates in Washington, therefore, were assumed to vary by firm size and industry as they do in the US. First, three year average enrollment rates (2002-04) for firm size-industry groups were calculated for the US. These rates were then scaled so as to produce the employment-weighted average rate observed for Washington.²² This produced the following table of enrollment rates, which were assigned to firms in the database.

Employer Health Insurance Enrollment Rates: Washington					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	65%	51%	47%	57%	66%
Manufacturing	73%	73%	74%	80%	86%
Construction	73%	66%	63%	61%	65%
Transportation & warehousing	68%	66%	71%	72%	75%
Wholesale trade	75%	72%	75%	78%	81%
Finance, insurance, real estate	74%	73%	74%	79%	80%
Retail trade	63%	56%	55%	56%	45%
Professional services	71%	67%	64%	64%	72%
Other services	58%	45%	38%	36%	46%
Employment-Weighted Average	63.0%				
Source: Estimated from <i>MEPS-IC</i> data.					

Health insurance enrollments were then estimated by multiplying total employment in a firm by the relevant firm size-industry specific enrollment rate. Enrollment was set to zero in firms that were imputed not to offer coverage.

Imputing Employer Health Insurance Expenditures

MEPS-IC reports state-level estimates for total health insurance premiums, employer contributions, and employee contributions for three types of coverage—single, family and employee-plus-one. Premiums and contributions vary somewhat by firm size and industry. The *MEPS-IC* sample for Washington, however, is too small for reliably estimating these rates for detailed firm size-industry groups. Again, premiums and contributions were assumed to vary by firm size and industry as they do in the US. The US firm size-industry rates were scaled so as to produce the employment-weighted average observed for Washington. This produced the following employer contributions per enrollee, which were assigned to the database.

²² The employment weights were derived from the firm size-industry employment levels observed for Washington.

Employer Contributions to Single Premiums: Washington 2004					
(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	\$3,263	\$3,038	\$2,986	\$2,493	\$2,690
Manufacturing	\$3,479	\$3,186	\$2,890	\$3,037	\$3,120
Construction	\$3,472	\$2,933	\$2,997	\$2,787	\$3,037
Transportation & warehousing	\$3,262	\$3,240	\$3,011	\$2,995	\$3,035
Wholesale trade	\$3,625	\$3,264	\$3,047	\$2,828	\$3,167
Finance, insurance, real estate	\$4,020	\$3,491	\$3,466	\$3,289	\$3,147
Retail trade	\$3,291	\$3,101	\$2,843	\$2,659	\$2,880
Professional services	\$3,741	\$3,502	\$3,330	\$3,420	\$3,317
Other services	\$3,600	\$3,383	\$3,116	\$2,981	\$2,826
Employment-Weighted Average	\$3,181				
Source: Estimated from <i>MEPS-IC</i> data.					

Employer Contributions to Family Premiums: Washington 2004					
(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	\$5,580	\$6,911	\$6,737	\$6,711	\$5,013
Manufacturing	\$8,003	\$7,218	\$6,765	\$7,688	\$8,071
Construction	\$7,935	\$7,141	\$7,163	\$6,964	\$7,833
Transportation & warehousing	\$8,227	\$7,358	\$7,800	\$7,298	\$7,874
Wholesale trade	\$9,152	\$7,464	\$7,008	\$6,511	\$8,182
Finance, insurance, real estate	\$8,231	\$7,062	\$7,330	\$7,572	\$7,952
Retail trade	\$7,224	\$6,693	\$5,279	\$5,293	\$6,965
Professional services	\$8,094	\$7,323	\$7,256	\$7,336	\$8,335
Other services	\$8,053	\$7,397	\$7,400	\$6,364	\$7,272
Employment-Weighted Average	\$7,325				
Source: Estimated from <i>MEPS-IC</i> data.					

Employer Contributions to Employee-Plus-One Premiums: Washington 2004					
(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	\$6,955	\$5,901	\$6,363	\$4,729	\$5,378
Manufacturing	\$5,910	\$5,575	\$5,188	\$5,724	\$5,918
Construction	\$5,817	\$5,218	\$5,271	\$5,231	\$5,523
Transportation & warehousing	\$6,567	\$6,497	\$5,614	\$5,696	\$5,868
Wholesale trade	\$6,351	\$5,172	\$5,249	\$4,728	\$6,045
Finance, insurance, real estate	\$6,692	\$5,460	\$5,544	\$5,536	\$5,791
Retail trade	\$5,808	\$5,003	\$4,514	\$4,426	\$5,043
Professional services	\$6,204	\$6,009	\$5,438	\$5,821	\$6,092
Other services	\$6,782	\$5,702	\$5,461	\$5,166	\$5,274
Employment-Weighted Average	\$5,604				
Source: Estimated from <i>MEPS-IC</i> data.					

The most recent *MEPS-IC* data are for 2004, but premiums have continued to increase during the past few years. Premiums, employer contributions, and employee contributions in 2005 and 2006 were estimated using inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey*.

MEPS-IC reports estimates of the percentage of enrollees who are in single, family and employee-plus-one coverage. Again, these enrollment shares were assumed to vary by firm size and industry as they do in the US.

Percentage of Enrollees in Single Coverage: Washington					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	50%	52%	53%	41%	42%
Manufacturing	53%	55%	50%	42%	35%
Construction	52%	51%	46%	46%	44%
Transportation & warehousing	53%	56%	47%	45%	38%
Wholesale trade	53%	55%	51%	47%	36%
Finance, insurance, real estate	58%	60%	54%	51%	40%
Retail trade	60%	60%	57%	56%	51%
Professional services	59%	61%	60%	55%	43%
Other services	56%	60%	64%	58%	50%
Employment-Weighted Average	52%				
Source: Estimated from <i>MEPS-IC</i> data.					

Percentage of Enrollees in Family Coverage: Washington					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	34%	30%	28%	34%	34%
Manufacturing	28%	27%	29%	37%	39%
Construction	31%	30%	34%	34%	34%
Transportation & warehousing	29%	28%	31%	34%	38%
Wholesale trade	29%	27%	29%	32%	39%
Finance, insurance, real estate	25%	23%	25%	29%	34%
Retail trade	26%	23%	25%	25%	28%
Professional services	25%	23%	23%	26%	33%
Other services	28%	25%	21%	25%	30%
Employment-Weighted Average	29%				
Source: Estimated from <i>MEPS-IC</i> data.					

Percentage of Enrollees in Employee-Plus-One Coverage: Washington					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	16%	18%	19%	25%	24%
Manufacturing	18%	17%	21%	21%	26%
Construction	17%	19%	20%	19%	22%
Transportation & warehousing	18%	16%	22%	21%	24%
Wholesale trade	19%	18%	19%	21%	25%
Finance, insurance, real estate	17%	17%	20%	20%	26%
Retail trade	13%	17%	18%	19%	21%
Professional services	16%	16%	17%	19%	24%
Other services	16%	15%	15%	17%	21%
Employment-Weighted Average	19%				
Source: Estimated from <i>MEPS-IC</i> data.					

Multiplying enrollments in the three types of coverage by the relevant employer premium contributions provides estimates of health expenditures for firms that offer coverage.

Employer health insurance expenditure =
 (total enrolled)*(percent in single coverage)*(employer premium for single coverage) +
 (total enrolled)*(percent in family coverage)*(employer premium for family coverage) +
 (total enrolled)*(percent in employee-plus-one coverage)*(employer premium for employee-plus-one coverage)

These estimates reflect employer²³ costs associated with providing comprehensive²⁴ coverage to *active employees*. Costs associated with providing benefits to retirees and former employees are not included. Also, the reported *MEPS-IC* premiums do not reflect the costs of optional coverage plans for dental, vision, prescription drugs, and long-term care. Some employer-provided plans for comprehensive coverage do include dental, vision and prescription drug benefits. And, these costs would be reflected in the premium contributions that firms report in *MEPS*. However, many employers provide these benefits through optional coverage plans, and the costs of these plans are not reflected in the reported premiums.

Agency for Healthcare Research and Quality estimates suggest that expenditures on optional coverage plans account for about 6 percent of total health expenditures by private industry.

Estimated Health Expenditures in Private Industry: US 2004	
Employer and Employee Contributions to:	(millions \$)
Hospitalization and physician care health plans	\$453,179
Optional coverage plans	\$29,690
Source: Agency for Healthcare Research and Quality	

²³ Employee contributions are not included in these figures. These are reported separately.

²⁴ Physician care and hospitalization coverage.

So, the methodology outlined above underestimates total employer health care expenditures. In order to *roughly* adjust for the costs of optional coverage plans, the initial employer expenditure estimates were inflated by a factor suggested by the AHRQ total health care expenditure estimates.²⁵ This adjustment increased estimated employer health expenditures in 2005 to about 8.2 percent of total payrolls—a figure close to that reported by the Bureau of Labor Statistics for the Pacific region in 2005.²⁶

Imputing Employee Health Insurance Contributions

Employee health insurance contributions were estimated using the same approach that was used to estimate employer contributions. The following average employee contributions for different types of coverage were assigned to firms in the database. Employee contributions in 2005 and 2006 have been estimated using inflation factors suggested by the Kaiser/HRET *Employer Health Benefits Survey*.

Employee Contributions to Single Premiums: Washington 2004					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	\$244	\$244	\$244	\$244	\$244
Manufacturing	\$298	\$331	\$408	\$393	\$384
Construction	\$317	\$354	\$449	\$424	\$432
Transportation & warehousing	\$425	\$425	\$440	\$464	\$424
Wholesale trade	\$298	\$359	\$388	\$483	\$387
Finance, insurance, real estate	\$273	\$335	\$388	\$421	\$456
Retail trade	\$432	\$425	\$587	\$554	\$519
Professional services	\$291	\$322	\$398	\$440	\$443
Other services	\$375	\$417	\$494	\$517	\$515
Employment-Weighted Average	\$427				
Source: Estimated from <i>MEPS-IC</i> data.					

²⁵ The initial expenditure estimates were inflated by a factor of 1.066 [= (29,690+453,179)/453,179].

²⁶ According to the Bureau of Labor Statistics, *Employer Costs for Employee Compensation— June 2005*, the ratio of employer health insurance costs to wages and salaries was 8.5 percent in the Pacific region.

Employee Contributions to Family Premiums: Washington 2004					
(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	\$2,740	\$2,740	\$2,740	\$2,740	\$2,740
Manufacturing	\$2,212	\$2,602	\$2,762	\$2,066	\$1,810
Construction	\$1,937	\$2,552	\$2,939	\$2,794	\$2,336
Transportation & warehousing	\$2,183	\$2,217	\$2,820	\$2,265	\$2,141
Wholesale trade	\$1,554	\$2,676	\$3,044	\$3,084	\$2,190
Finance, insurance, real estate	\$2,482	\$3,531	\$3,602	\$3,378	\$2,553
Retail trade	\$2,338	\$3,179	\$4,631	\$4,246	\$2,636
Professional services	\$2,667	\$3,318	\$3,686	\$3,475	\$2,582
Other services	\$2,094	\$2,805	\$3,156	\$3,181	\$2,837
Employment-Weighted Average	\$2,892				
Source: Estimated from <i>MEPS-IC</i> data.					

Employee Contributions to Employee-Plus-One Premiums: Washington 2004					
(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	\$989	\$989	\$989	\$989	\$989
Manufacturing	\$1,144	\$1,439	\$1,543	\$1,357	\$976
Construction	\$1,259	\$1,674	\$1,780	\$1,948	\$1,440
Transportation & warehousing	\$1,259	\$1,259	\$1,872	\$1,430	\$1,177
Wholesale trade	\$1,332	\$1,655	\$1,777	\$1,762	\$967
Finance, insurance, real estate	\$1,375	\$1,816	\$2,017	\$1,808	\$1,209
Retail trade	\$1,227	\$1,824	\$2,392	\$2,200	\$1,387
Professional services	\$1,340	\$1,876	\$1,931	\$1,848	\$1,259
Other services	\$1,218	\$1,668	\$1,755	\$1,747	\$1,516
Employment-Weighted Average	\$1,572				
Source: Estimated from <i>MEPS-IC</i> data.					