

OFFICE OF FINANCIAL MANAGEMENT

Washington State

Private Employer-Sponsored Health
Insurance



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Section 1: Introduction

Although most Washingtonians continue to obtain health insurance through their employment, the percent of employees with employer-sponsored insurance has been declining steadily over recent years, as is the case nationwide.¹ However, the underlying story is not the same for all employees, nor is it the same for all employers.

This report summarizes data contained in the *Washington State Employer Health Insurance Database* (EHID) including estimated coverage measures and expenditures for 106,053 Washington state firms and their employees in 2009.² There is no single perfect data source that tells the complete story of employer-sponsored health insurance in Washington State (from the employer and/or the employee perspective); data come from a variety of national and local Washington surveys that are integrated to build as full a picture as possible. Consequently the EHID remains a “work-in-progress” as data sources improve and as refinements occur in response to requests for information that was not available in prior versions. Until 2009, this report was known as the Employer Health Insurance Databook, previous versions are available at <http://www.ofm.wa.gov/healthcare/healthin/employerbaseins/default.asp>.

Throughout the report a variety of coverage measures, listed in Figure 1, provide information about coverage from the employer and employee perspectives.

Figure 1: **Definitions of Coverage Measures**

FROM THE EMPLOYEE PERSPECTIVE:

Employee Coverage Rate: *Among all employees*, the percentage of them that have coverage through their own employer.

(Coverage rate = offer rate * eligibility rate * take-up rate)

Employee Offer Rate: *Among all employees*, the percentage of them who work where coverage is offered to at least some of the employees.

Employee Eligibility Rate: *Among employees who work where coverage is offered*, the percentage of them that are eligible for their own employer's coverage. (a subset of offer)

Employee Take-up Rate: *Among employees who are eligible* for their employer's coverage, the percentage that take it up. (a subset of eligibility)

Employee Enrollment Rate: *Among employees who work where coverage is offered*, the percentage of them that enroll in their own employer's coverage.

FROM THE EMPLOYER PERSPECTIVE:

Employer Sponsor Rate: *Among all employers*, the percentage of them that offer coverage to at least some of their workers.

As context for more detailed information in the body of the report on these measures, employer and employee cost sharing, and firm expenditures on health, we include a high level summary of:

- Employer health insurance database sources – an overview of the database construction,
- Where people work in Washington,
- Workers' coverage by different size Washington employers – a summary of coverage experiences from the perspective of Washington *employees*, including *key drivers of coverage*, and an
- Orientation to measures and components of own-employer coverage - an approach to clarify the often confusing collection of coverage measures shown in Figure 1.

¹ 2010 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).

² These employers include most *private sector* firms that have *two or more* employees.

Employer Health Insurance Database Sources

Three main data sources were used to construct the Employer Health Insurance Database (EHID) that underlies coverage measures reported. Using these data sources, for the most part we are able to provide a 2009 picture of Washington employer-sponsored health insurance.

1. Washington State Employment Security Department, 2009 Employee Benefits Survey (EBS) provides information on health insurance sponsorship for private sector firms in the state. It allows analysis by broad industry categories included in Table 1. Results for the 2009 EBS survey have been published (see http://www.workforceexplorer.com/admin/uploadedPublications/10267_EB_2009_Report.pdf)

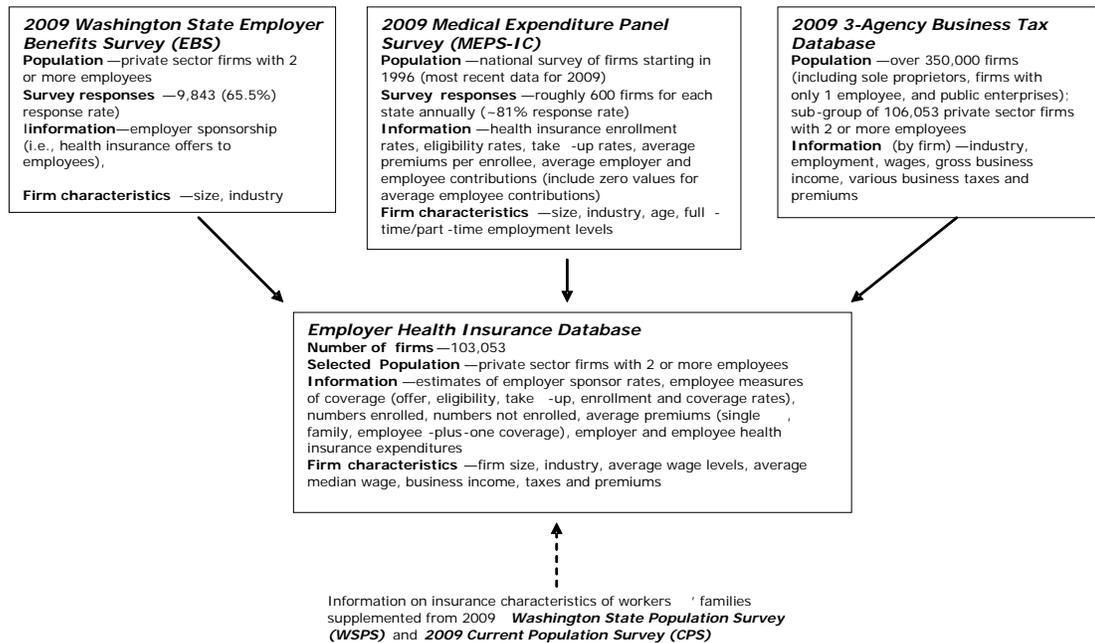
2. Washington State Office of Financial Management, Employment Security Department, Department of Revenue, Department of Labor and Industries; 2009 Business Tax & Premium Database supplies information on firm characteristics. The EHID does not include estimates of health insurance provided by sole proprietors and firms with only one employee. The firm estimates in this report are for 106,053 of the firms with two or more employees included in the *2009 Business Tax & Premium Database*. 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). Specific firms excluded from the EHID include:

- **Sole proprietorships and firms with only one employee.** Although there are many such firms, they account for a relatively small proportion of total employment.
- **Most public sector enterprises - federal employment and employment in public administration** (NAICS codes 91-93). 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** (NAICS code 814110).

3. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality (AHRQ), 2009 Medical Expenditure Panel Survey—Insurance Component (MEPS-IC) provides estimates for employee coverage measures (i.e., enrollment rates, eligibility rates, take-up rates, health insurance premiums, and employer and employee premium contributions). *MEPS-IC* is an annual data series that started in 1996. There is a one year omission in the data in 2007.³ This allows reporting of historical trends in coverage measures for Washington and comparison with national trends to get an idea of the outlook for the future.

³ As a result of administrative changes to reduce data lag and make *MEPS-IC* results available a full year sooner than in the past.

Figure 2: Construction of Employer Health Insurance Database



Methodology and Definitions

As described in Appendix I, the following health insurance information was synthetically estimated for each firm to give orders-of-magnitude estimates of:

- Employer sponsor rates - among all employers, the percentage of them that offer coverage to at least some of their employees
- Employee Health insurance offer and enrollment rates among firms that offer health insurance to at least some of their employees
- Counts of employees 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 employee and per enrollee, and
- Employee health care contributions.

In addition, the EHID includes information on firm characteristics—industry, wages, employment, gross business income, and various taxes and fund contributions.

Employer Sponsor Rates: Based on analysis of logistic regression described in Appendix II, average wage levels, firm size and industry appear to explain much of the variation in employer sponsor rates. Sponsor rates were assigned to firms based on these three characteristics (see Appendix I for details). Among firms that offer coverage to at least some of their workers, 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*. 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).

Three-year Moving Averages: *EHID* coverage measures and expenditures reported are only estimates, and as such they are subject to potential sources of error. They rely heavily on the *EBS* and *MEPS-IC* surveys. The 2009 *Washington State EBS* has a large sample although the survey response rate of 65.5 percent, while good, leaves some room for potential response bias especially for breakdowns by both industry and size. The *MEPS-IC* national survey of employers has a sample designed to support state-level estimates. However, the sample sizes for each state are relatively small and estimated parameters can have large standard errors. Three-year moving averages of *MEPS-IC* rates are used in most instances to adjust for the effects of slight year-to-year swings and provide more precise and stable estimates.

Industry: Data from the *MEPS-IC*, defined by the North American Industry Classification System (NAICS), are reported for broad industrial sectors. They represent a more aggregated version of the industry details available in the *EBS*. As a result, where analysis of coverage measures relies on *MEPS-IC* data it is constrained to the large sector *MEPS-IC* definitions.

Table 1 provides a cross-reference of the *MEPS-IC* and *EBS*-based NAICS industry sectors presented in this report.

Table 1: <i>Cross-Reference for Reported MEPS-IC and EBS Industry Sectors</i>	
MEPS-IC Sectors	EBS Sectors
Agriculture, forestry, fishing	Agriculture, forestry, fishing
Manufacturing (& mining)	Manufacturing
Construction	Construction
Transportation & warehousing (& utilities)	Transportation & warehousing
Wholesale trade	Wholesale trade
Finance, insurance, real estate	Finance & insurance
	Real estate & rental
Retail trade	Retail trade
Professional services (& Management Services)	Information
	Professional & technical services
	Educational services
	Health care and social assistance
Other services	Administrative and support services
	Arts, entertainment & recreation
	Accommodation and food services
	Other services

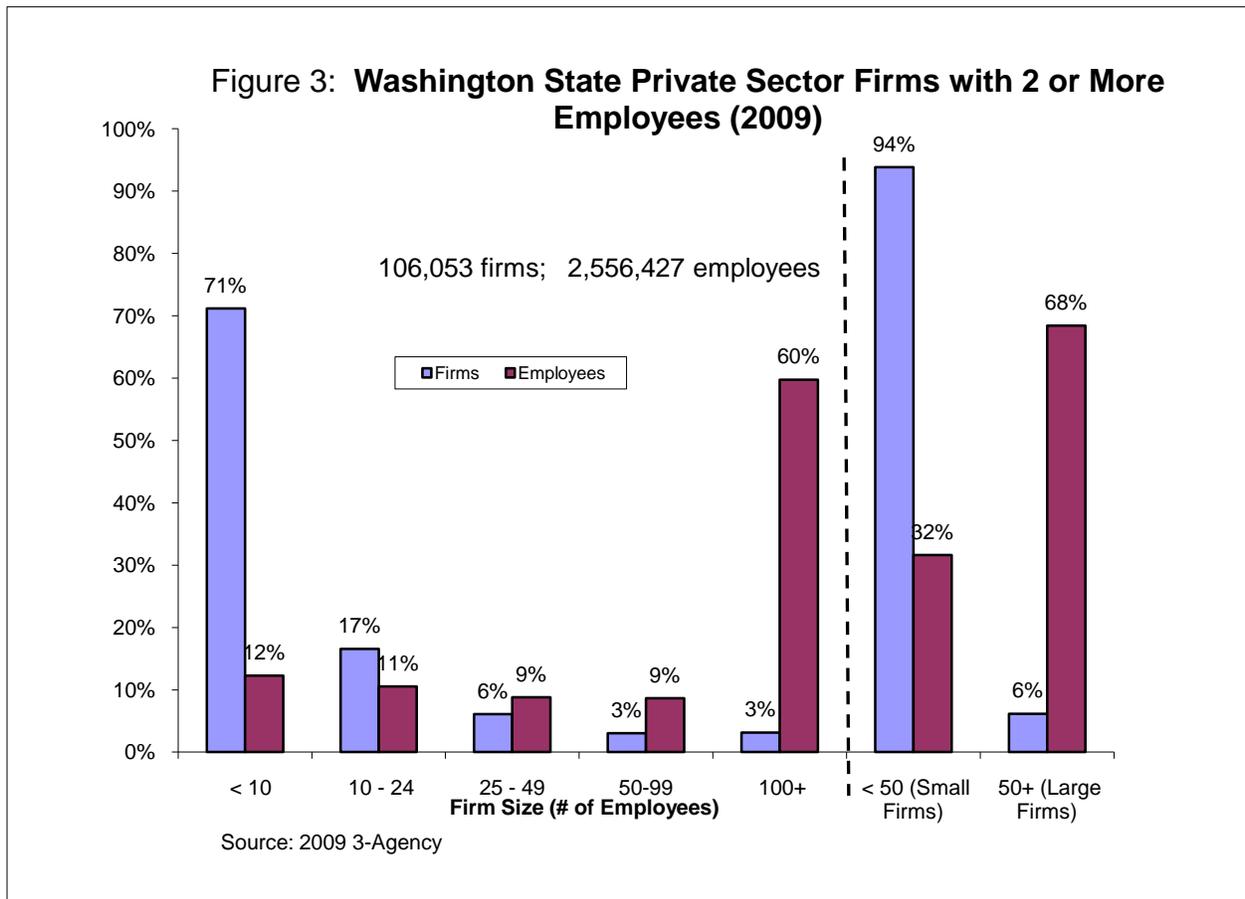
Wage Quartiles and Median Income Measures: Some tables (e.g., Table 6: *Employer Sponsor Rates by Firm Size, Average Wages and Industry*) report estimates by wage quartiles. The quartiles are based on the average wage of all firms, where: $\text{Average Wage} = \text{Total Payroll} / \text{Number of Employees}$ (full time and part-time employees included).

Other tables (e.g., Table 7: *Employer Sponsor Rates by Industry, Firm Size, Above and Below Median Firm Average Wage*, and Table 14: *Estimated Numbers Not Enrolled in Own Employer-Provided Health Insurance, Above and Below Median Wage*), report by median income by industry and size grouping where for each

industry/size group (e.g., Manufacturing / Small Firms), median income is calculated at the firm level, based on the firm's average wage.

Firms and Employment by Firm Characteristics

Firm Size: Of the 106,053 firms included in the EHID, almost 9 out of 10 (~88 percent) have fewer than 25 employees. Over 75,000 of them have fewer than 10 employees. However, it is the larger firms that account for the bulk of total employment. Firms with 100 or more workers account for 60 percent of total employment. More than two out of 3 workers are employed in firms with 50 or more employees. (See Figure 3 and Table 2)



- Large employers of 50 or more employees are 6% of Washington's businesses but they employ more than two-thirds of Washington workers while small employers of fewer than 50 employees are 94% of Washington's businesses but they employ less than one-third of the workers.
- Super-sized employers, those with 1000+ employees, make up a miniscule percentage of Washington businesses (two tenths of one percent) but employ about 30% of workers.⁴
- The smallest employers, those with between 2 and 9 employees make up over 70% of Washington businesses but employ about 12% workers.

⁴ Among large firms alone (those with 50 or more employees), the super-sized firms make up 4% of large firms and employ about 45% of the large employer workforce.

**Table 2: 2009 Employer Health Insurance Database Counts of Firms and Workers
Private sector firms with 2 or more employees**

	Firms		Employees	
	Number	Percent	Number	Percent
All Firms	106,053	100%	2,556,427	100%
Firm Size				
2 - 9	75,515	71%	314,078	12%
10 - 24	17,552	17%	269,244	11%
25 - 49	6,465	6%	224,476	9%
50 - 99	3,204	3%	221,217	9%
100 and above	3,317	3%	1,527,413	60%
Industry ⁽¹⁾				
Agriculture, forestry, fishing	4,979	5%	89,084	3%
Manufacturing	5,707	5%	291,701	11%
Construction	13,365	13%	142,865	6%
Transportation & warehousing	2,846	3%	144,696	6%
Wholesale trade	7,206	7%	113,271	4%
Finance, insurance, real estate	7,727	7%	191,848	8%
Retail trade	11,099	10%	236,223	9%
Professional services	25,532	24%	878,277	34%
Other services	27,592	26%	468,462	18%

⁽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).

Industry: The most prominent industry types for employers and employees overlap considerably, although there are differences between large and small employers. (see Table2)

- Of all industry types, the highest percentages of both employees and employers are found in Professional Services and other services.
- Two large sectors, “professional services” and “other services,” account for over half of total employment.⁵ The professional services category includes higher wage employment in information, professional and business services, education and health care. The other services category generally includes lower wage employment in food, accommodation, and administrative services (e.g., temporary help agencies).

⁵ Data from the *MEPS-IC Survey* are reported for the broad industrial sectors included in the table on page 9. 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.

Table 3: Firm Counts by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2009

Industry	Below Median Wage		Above Median Wage		Median Income
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)	
	Agriculture, forestry, fishing	2,330	112	2,245	
Construction	4,968	69	7,498	421	32,063
Manufacturing	2,458	11	2,385	689	33,704
Wholesale trade	3,960	101	2,695	127	49,618
Retail trade	5,013	287	5,264	509	19,077
Transportation, & warehousing	1,242	114	1,298	200	33,772
Information	781	60	706	129	50,224
Finance & insurance	1,523	78	1,650	236	40,428
Real estate & rental	1,732	17	2,004	120	24,134
Professional & technical services	4,967	20	4,898	413	46,029
Administrative and support services	2,671	129	2,850	254	23,490
Educational services	941	118	631	362	23,986
Health care and social assistance	4,809	19	5,576	608	27,077
Arts, entertainment & recreation	933	290	728	157	14,365
Accommodation and food services	5,258	66	5,377	455	12,763
Other services	3,541	79	4,375	112	24,257

⁽¹⁾ Median is on the firm level based on the average wage of each firm.

Table 4: *Employee Counts by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2009*

Industry	Below Median Wage		Above Median Wage		Median Income
	Small Firms	Large Firms	Small Firms	Large Firms	
	(2-50)	(50+)	(2-50)	(50+)	
Agriculture, forestry, fishing	17,779	18,853	20,044	42,049	18,490
Construction	20,603	9,038	68,934	51,834	32,063
Manufacturing	18,735	793	35,294	224,248	33,704
Wholesale trade	34,123	13,314	21,260	16,770	49,618
Retail trade	31,627	40,912	52,378	124,284	19,077
Transportation & warehousing	9,910	27,636	13,573	57,573	33,772
Information	7,163	63,571	8,207	78,741	50,224
Finance & insurance	6,604	14,175	15,502	57,221	40,428
Real estate & rental	8,363	1,932	15,346	17,109	24,134
Professional & technical services	28,107	3,208	44,807	77,390	46,029
Administrative and support services	17,010	61,839	26,868	58,400	23,490
Educational services	8,101	25,056	7,251	227,108	23,986
Health care and social assistance	36,355	2,124	50,661	234,317	27,077
Arts, entertainment & recreation	9,437	57,563	8,190	25,493	14,365
Accommodation and food services	41,235	7,299	71,172	84,741	12,763
Other services	19,210	13,879	30,613	18,853	24,257

⁽¹⁾ Median is on the firm level based on the average wage of each firm.

Workers' Coverage by Washington Employers

Washington workers continue to get coverage through their employers, but at somewhat lower rates than in the past.

Availability: Among all employees who work in Washington, most work for an employer that makes coverage available to at least some employees. In 2009 about 84% of all employees worked for firms that offered health insurance (Table 8). This is a lower percentage compared to 2008 (86%). However, the size of employer can make a big difference in the availability of coverage. (See employee offer rates in Figures 4-7). Based on *MEPS-IC* data:

- Offer rates for employees of *large* employers in Washington have stayed quite high over the last decade. Depending on how the data are arrayed (yearly rates or three-year moving averages), offer rates generally hovered in the high nineties between 1996 and 2009.⁶
- After increasing in the late 1990s, offer rates for employees of *small* employers steadily declined between 2000 and 2008 to reach a rate of about 60%, comparable with rates of the mid 1990s⁷. For employees of the *smallest* employers, (those with 2-9 employees), offer rates continue to be the lowest of all employee groups, 44% in 2009 compared with 46% in 2008 (see Table 8). (Note that MEPS data differs somewhat from Washington EBS/Business data base.)
- However, working where coverage is available to some workers is not the same as having coverage through one's own employer. For example, a worker may not meet the employer's eligibility criteria, or if s/he does, may choose not to accept the employer's offer of coverage.

Note that a measure of coverage availability often confused with employee offer rate is the employer sponsor rate. The latter is defined as the percentage of employers that offer coverage to at least some of their workers (in contrast to employee offer rate which is the percentage of employees who work for employers that offer coverage to at least some of their workers). Employer sponsor rates are described further in the details of the report.

Coverage: Although employees of *large* employers remain more likely to be covered by their own employer than employees of *small* employers, the trend for being covered by one's own employer is downward regardless of employer size. The degree of decline is difficult to precisely pinpoint and, like other measures, it differs by employer size and comparison period. However, it is fair to say that over time lower percentages of Washington workers are getting coverage through *their own employer*. (See Coverage Rates in Figures 4-7.)

- For employees of *large* employers, an estimate based on the yearly rates in Figure 4, shows that coverage through one's own employer, in Washington, declined by about 10 percentage points between 1998 and 2009⁸, but has been flattening between 2005 and 2009. A more conservative view of the decline occurs if 1996 is compared to 2009 (coverage is about the same); this occurs because a considerable jump in coverage is apparent between 1996 and 1998. An alternate estimate, based on three-year moving average rates (Figure 5) is more in the range of an 6 percentage point decline from 1998-2009, again with flattening between 2005 to 2009.
- For employees of *small* employers, an estimate based on the yearly rates in Figure 6, shows that coverage through one's own employer, in Washington, is somewhat lower in 2009 as in 1998. The alternate three-year moving average estimate (Figure 7) shows a slight decline from 1998-2009.
- Neither the yearly nor the three-year moving average estimate is "more right" than the other, they are simply different ways of looking at the data and may be best used as lower and upper bounds on the degree of decline for the comparison time period.

⁶ Moving averages are often used to "smooth" data, that is, adjust for the effects of slight year-to-year swings. This asset of averages also has a downside – flex points (changes in direction) and data anomalies are not readily visible. Unfortunately, the two views of the data (yearly or moving average rates) can sometimes tell different stories as well. For this reason, we have chosen to provide measures of coverage using both forms. (See Figures 4-7)

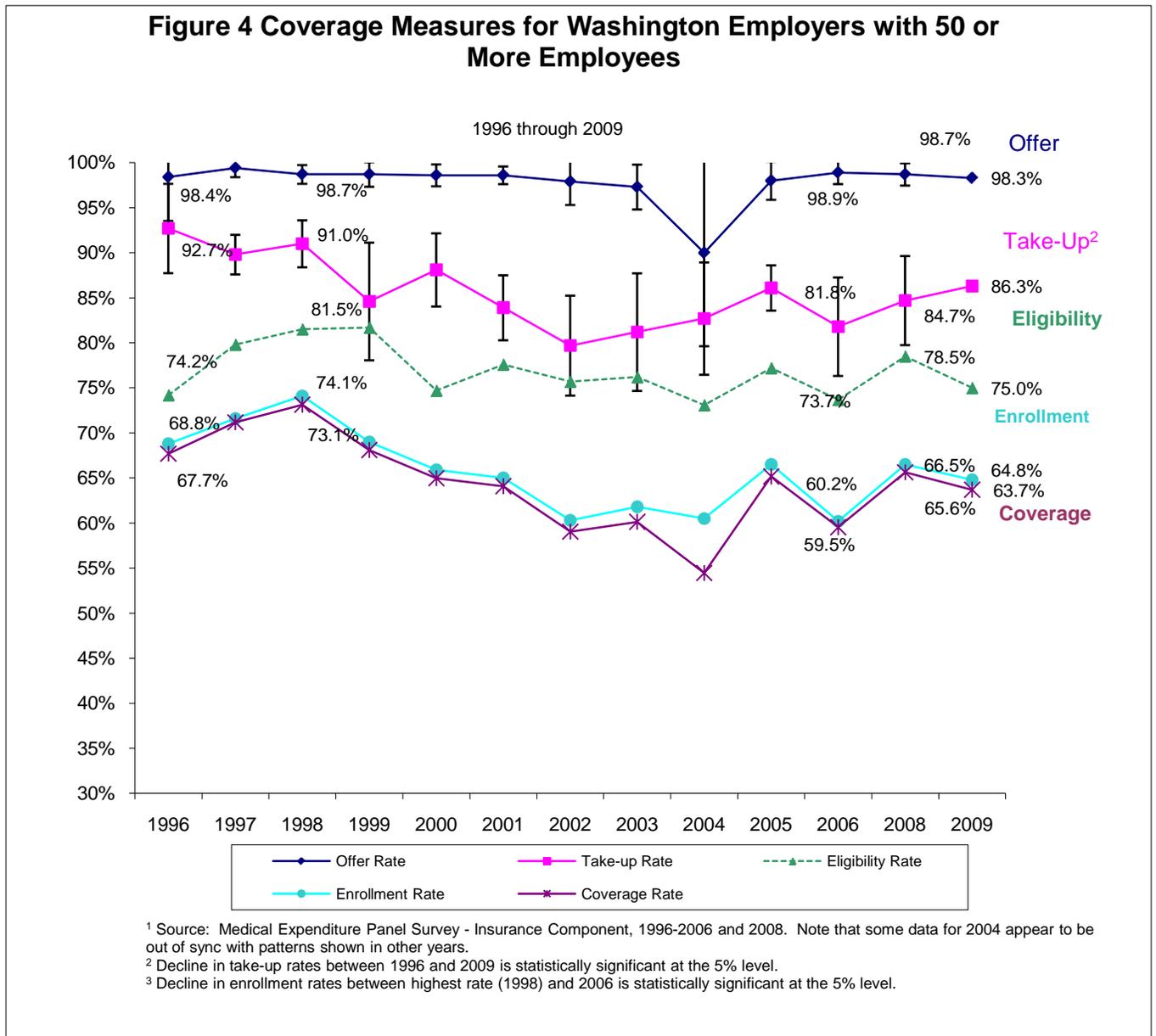
⁷ This pattern is consistent with trends at the national level, where further analysis shows that declines for both small employers and large employers, the decline is driven by offer rates for firms under five years of age.

⁸ 1998 (not 1996) is compared to 2009 in order to better ensure that comparable time periods are used for both yearly and moving-average forms of the data.

Drivers: There are three components to having coverage via one’s own employer – working where it’s available (offer), being eligible for it (eligibility), and (if eligible) accepting the offer (take-up). The relative importance of each component as a determiner of coverage differs by employer size and comparison period.⁹

Within a given year:

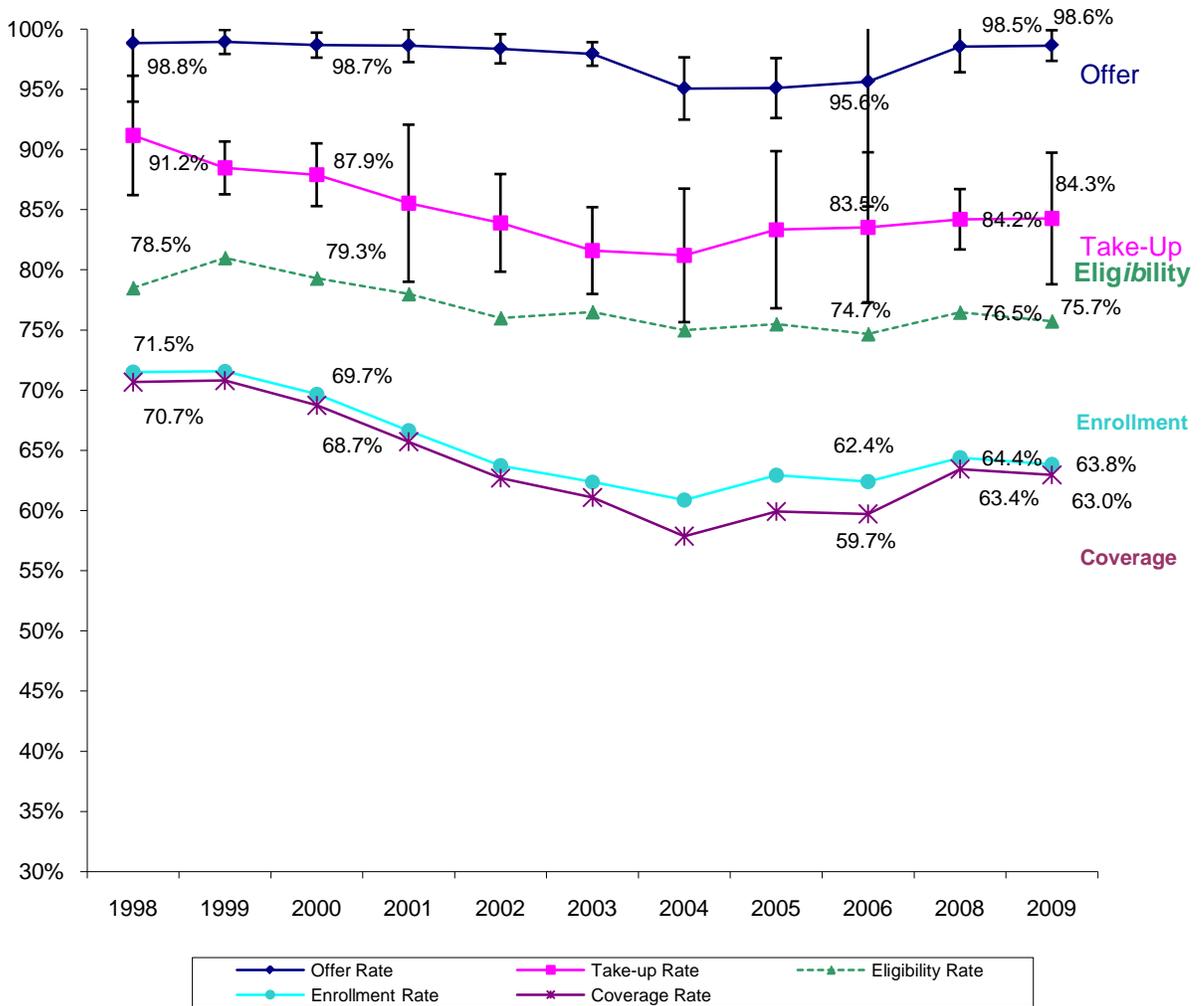
- For employees of *large employers* a worker is at greatest risk of not having *own-employer* coverage because of ineligibility, that is, the worker does not meet his/her employer’s eligibility requirements.
- For employees of *small employers*, a worker is at greatest risk of not having own-employer coverage because it simply is not available, that is, the employer does not offer coverage at all.



⁹ The decline in coverage rates is one form of what is often referred to as “erosion in employer-sponsored coverage”. Another potential form of erosion, not discussed here, is changes in benefit packages, either in terms of fewer covered services and/or higher premium and point-of-service cost sharing by employees. Changes in the percentage of premium cost sharing are displayed in Tables 19-21.

Figure 5 Coverage Measures for Washington Employers with 50 or More Employees

3-Year Moving Averages, 1996/98

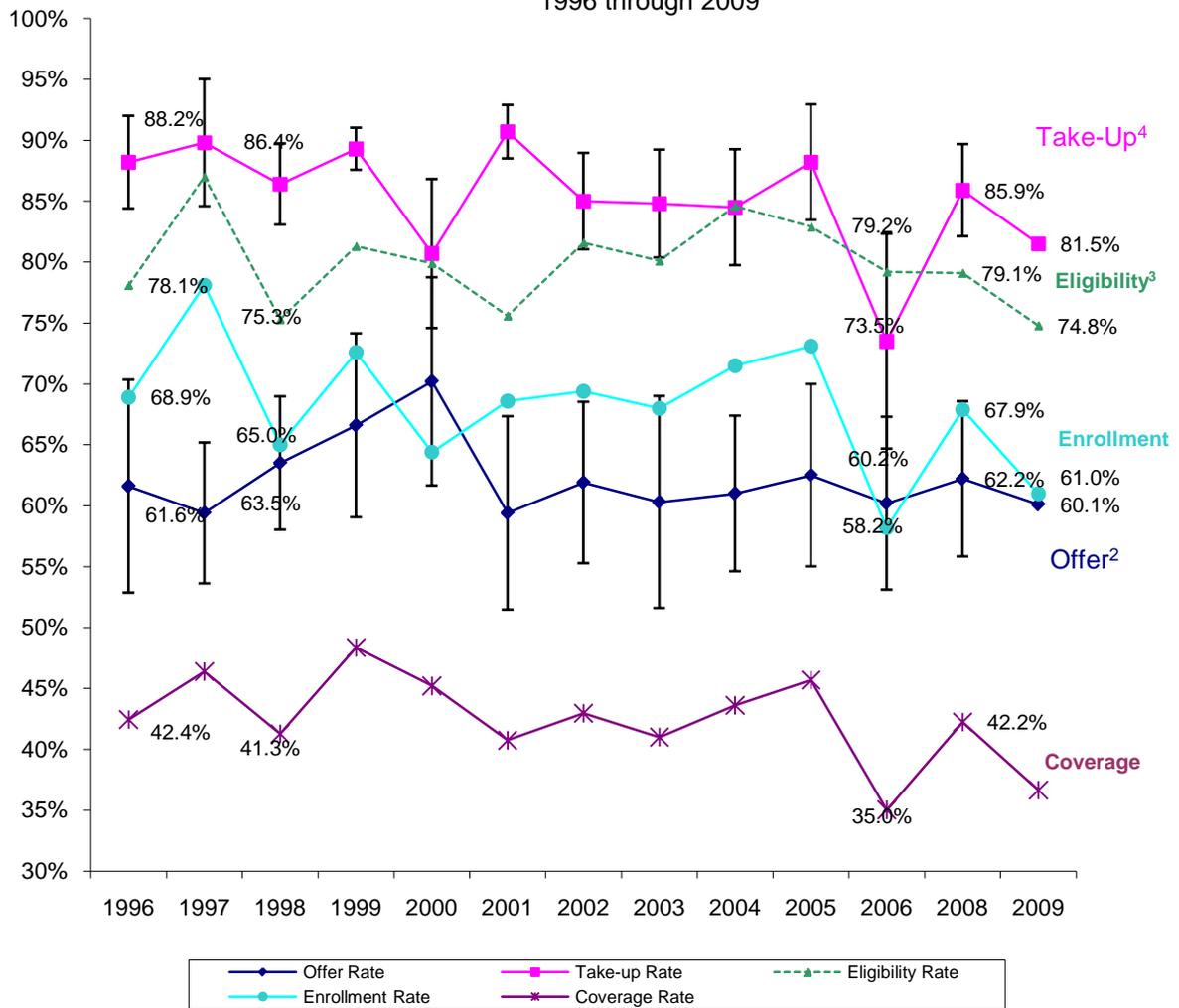


¹ Source: Medical Expenditure Panel Survey - Insurance Component, 1996-2006 and 2008-2009.
 Note that some data for 2004 appear to be out of sync with patterns shown in other years and therefore will affect the 3-year moving averages for 2004, 2005, and 2006.

Note that Figure 4 starts with 1996 and Figure 5 starts with a 3-year moving average based on 1996 through 1998.

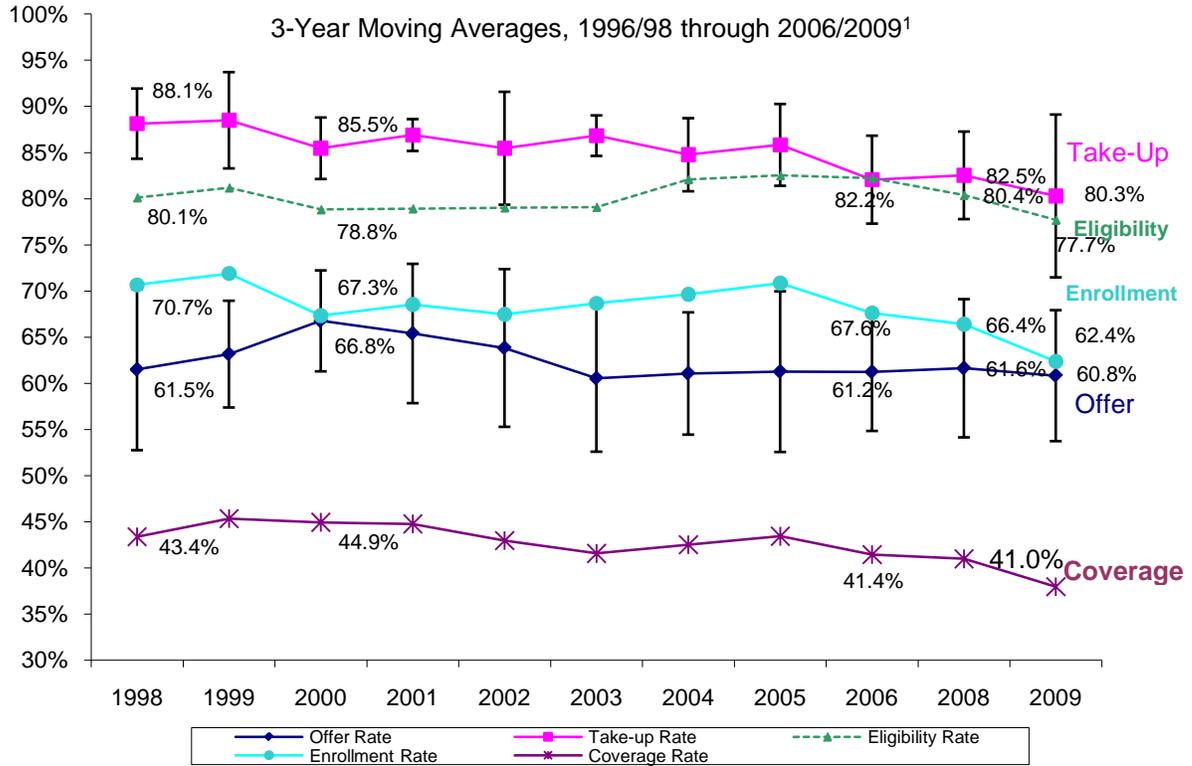
Figure 6 Coverage Measures for Washington Employers with Under 50 Employees

1996 through 2009



¹ Source: Medical Expenditure Panel Survey - Insurance Component, 1996-2006 and 2008-2009. Note that some data for 1997 - 2001 appear to be out of sync with patterns shown in other years.
² Decline in offer rates between highest rate (2000) and 2009 is statistically significant at the 5% level.
³ Decline in eligibility rates between 1996 and 2009 is statistically significant at the 5% level.
⁴ Decline in take-up and enrollment rates between 1996 and 2009, and between 2005-2009, is statistically significant at the 5% level.

Figure 7 Coverage Measures for Washington Employers with Under 50 Employees



¹ Source: Medical Expenditure Panel Survey - Insurance Component, 1996-2006, and 2008-2009
 Note that some data for 2000 appear to be out of sync with patterns shown in other years and therefore will affect the 3-year moving averages for 2006 - 2009 in Figure 7.

Note that Figure 6 starts with 1996 and Figure 7 starts with a 3-year moving average based on 1996 through 1998. In Figure 6, data for some years appears to be a little out of sync with patterns shown by other years and therefore will affect the 3-year moving averages for 2006 - 2009 in Figure 7.

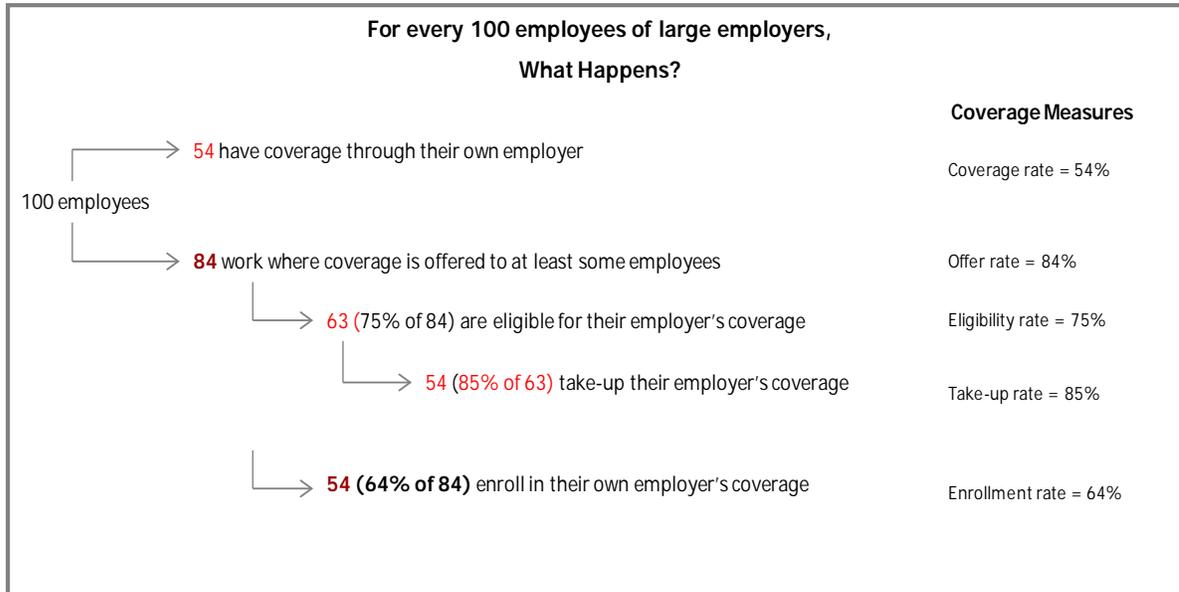
Key Measures and Components of Own-Employer Coverage

Although the definitions previously presented in Figure 1 define the key coverage measures used throughout this report, tracking relationships among these measures can be confusing. Figures 8 and 9 are included for clarification. Using rates for 2009, they answer the question:

“For every 100 employees of (large/small) employers in Washington, what happens with respect to coverage?”

In the figure below, key coverage measures are shown on the far right. To their left is the diagram that tracks the 100 employees. The figure includes a summary statement at the bottom.

**Figure 8: Relationships Among the Employee-Based Measures of Coverage:
An Example for Washington Large Employers, 2009**

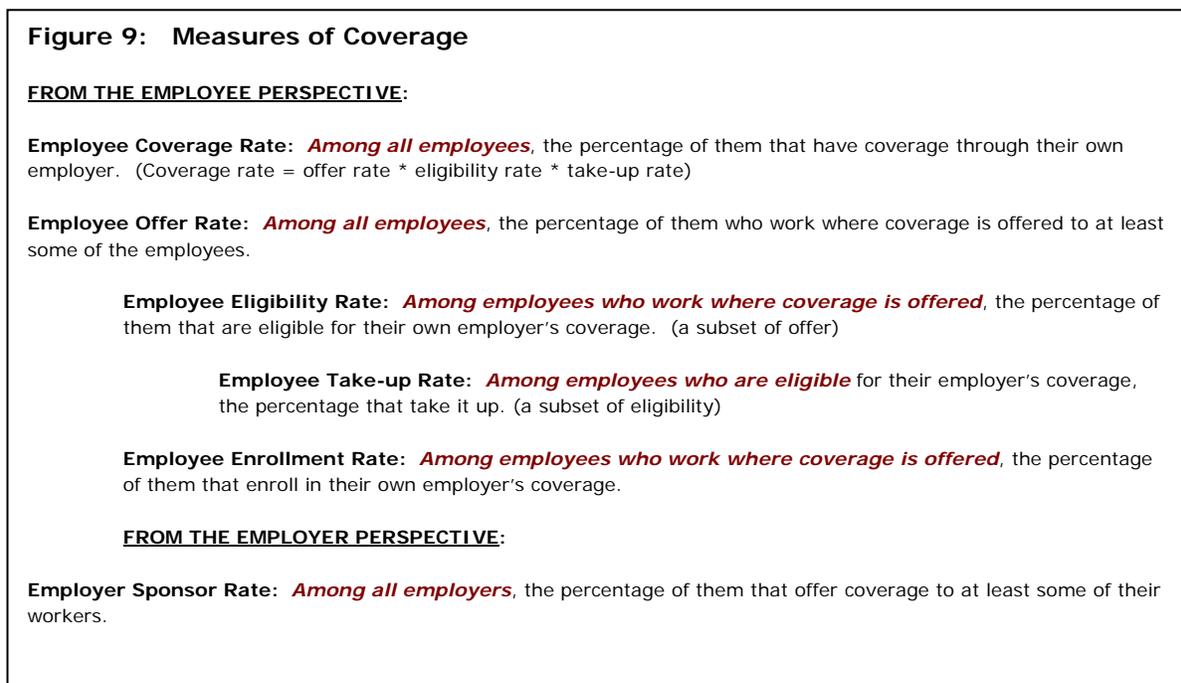


In the end, the measures converge to one story for 2009: Out of every 100 employees of large Washington employers, 54 end up being covered by their own employer and 46 do not. 37 of the 46 (80%) have little choice in the matter – they work for an employer that doesn't offer coverage to anyone or they are not eligible for what is offered. The other 9 (20%) make a decision (for a variety of reasons) to not take-up the employer coverage for which they are eligible.

Notes:
 Large employers are those with 50 or more employees.
 Data are Medical Expenditures Panel Survey, Insurance Component, Washington-specific.
 Data may not sum exactly due to rounding.

Section 2: Health Insurance Coverage Measures

Coverage measures included are those defined in Figure 9 which is the same as Figure 1, repeated here for ease of reference.



This report makes the distinction between “offer” rates *by employers* and *to employees* as shown in Figure 1. These rates are easily confused. We use the *Employer Sponsor Rate* to refer to the percentage of **employers** that offer coverage to at least some of their workers; we use *Employee Offer Rate* to refer to the percentage of **employees** who work where coverage is offered to at least some employees.

From the Employer Perspective

Employer Sponsor Rates

Employee sponsor rates reported for Washington are estimated from data collected by the *2009 Washington Employee Benefits Survey*. Fifty-two percent of Washington firms with two or more employees offer health insurance to at least some of their workers. The rates are lower than those suggested by *MEPS-IC Survey* data for Washington - the differences are mainly due to estimates for large firms.

Table 5: Comparison of Employer Health Insurance Sponsor Rates (percentage of firms offering coverage to any employees)					
2009 Washington Employer Health Insurance Database		2010 Kaiser Survey (National Rates)		2009 MEPS-IC Survey (Washington rates)	
Firm Size	Sponsor Rate	Firm Size	Sponsor Rate	Firm Size	Sponsor Rate
2-9	43%	3-9	59%	1-9	34%
10-24	66%	10-24	76%	10-24	64%
25-49	83%	25-49	92%	25-99	84%
50-99	90%	50+	95%	100-999	97%
100-499	95%			1000+	100%
500+	93%				
All (2+)	52%	All (3+)	69%	All (1+)	54%

The 2009 Washington Employee Benefits Survey had a response rate of 65.5%.
The 2010 Kaiser/HRET Employer Health Benefits Survey had a response rate of 73% for the question used to determine employer sponsor rates.
The 2009 MEPS-IC Survey had an 88% response rate, but relatively small (~600) samples at the state level.

Table 6 summarizes 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 II*, suggest that each of these factors influence the probability that a firm offers health insurance. Average wage levels significantly affect employer sponsor rates even after controlling for firm size and industry.

- Fifty-two percent of firms offer insurance to at least some of their employees. Of the smallest firms, only 43% offer insurance. The sponsor rate increases with the size of firm; 93% of firms with at least 500 employees offer insurance.
- Firms that have higher wages are also more likely to offer health insurance. Only 23% of firms with average wages in the lowest quartile offer insurance to some of their workers, while 80% of firms in the highest wage quartile I (over three times as many) offer insurance to some of their workers.
- The sponsor rates vary considerably by industry, with only 21% of firms in accommodation and food services industries at the low end and 77% of Information sector firms at the high end offering health insurance to some of their workers.
- Even in the categories where the sponsorship rate is lowest, the percentage of employees in firms that offer is higher than the percentage of firms that offer. For example, even though only 23% of firms in the lowest wage quartile offer insurance, 51% of employees in the same category are working for firms that offer.
- In 2010, offer rates have increased to 69% according to the Kaiser 2010 HRET Employer Health Benefits Survey.

For the Technical and Professional Services industry, the percentage of firms offering health care insurance decreased by 12 percentage points since 2008. The percent of firms offering health care insurance in the Information services industry dropped 7% since 2008 (after an increase of 19% from 2007 to 2008).

Most other industries experienced a decrease of 1 to 5 percentage points in the percentage of firms that offer health insurance. The Administration and support services and Education services sectors experienced increases.

Note that the agriculture, forestry and fishing data is somewhat erratic and therefore has a wide margin of error. This is because agricultural firms do not need to report to either DOR or ESD each year. Because of this, year by year comparisons can be misleading.

Table 7 provides a finer level of industry detail which highlights greater variation in employer sponsor rates among industries by firm size. Small Accommodation and food services firms with wages below their industry median have a sponsor rate of only 8% whereas many of the industries in the large, above median wage categories have sponsor rates in the high 90's or 100%.

Of the three factors that affect sponsor rate, (firm size, average wage and industry), firm size contributes the most variation when the other factors are held constant. The statistical logistic regression analysis described in *Appendix II* shows that when wage and industry are held constant, the largest firms (500 employees and over) are nearly 14 times more likely to offer health insurance than small firms with under 10 employees. Refer to tables 2, 3 and 4 for firm and employee counts in these same categories.

Table 6: *Employer Sponsor Rates by Firm Size, Average Wages and Industry:
Washington 2009*

(percentage of firms offering coverage to any employees)	Percent of firms
All Firms	
Total	52%
Firm Size	
2 - 9	43%
10 - 24	66%
25 - 49	83%
50 - 99	90%
100 - 499	95%
500+	93%
Wage Quartiles⁽¹⁾	
Lowest 25% of firms	23%
Second 25% of firms	41%
Third 25% of firms	66%
Highest 25% of firms	80%
Industry⁽²⁾	
Agriculture, forestry, fishing	21%
Construction	50%
Manufacturing	69%
Wholesale trade	76%
Retail trade	46%
Transportation & warehousing	58%
Information	77%
Finance & insurance	73%
Real estate & rental	50%
Professional & technical services	72%
Administrative and support services ⁽³⁾	44%
Educational services	64%
Health care and social assistance	62%
Arts, entertainment & recreation	45%
Accommodation and food services	21%
Other services	47%

⁽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 \$15,286. The next group has average wages from \$15,286 to \$26,318; the third group has average wages from \$26,318 to \$42,476; the highest group has average wages above \$42,476. Part-time workers included.

⁽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.

⁽³⁾ Administrative and support services includes temporary help services.

Table 7: *Employer Sponsor Rates by Industry, Firm Size, Above and Below Median Firm Average Wage: Washington 2009*
(percentage of firms offering coverage to any employees)

Industry	Below Median Wage		Above Median Wage	
	Small Firms (2-50)	Large Firms (50+)	Small Firms (2-50)	Large Firms (50+)
Agriculture, forestry, fishing	8%	49%	28%	76%
Construction	25%	73%	65%	95%
Manufacturing	43%	95%	88%	98%
Wholesale trade	67%	97%	85%	97%
Retail trade	23%	90%	64%	94%
Transportation & warehousing	36%	73%	72%	96%
Information	59%	97%	92%	99%
Finance & insurance	56%	100%	86%	97%
Real estate & rental	28%	75%	67%	96%
Professional & technical services	56%	92%	87%	98%
Administrative and support services	21%	69%	60%	93%
Educational services	36%	89%	85%	100%
Health care and social assistance	37%	89%	79%	96%
Arts, entertainment & recreation	23%	86%	60%	86%
Accommodation and food services	9%	68%	27%	86%
Other services	19%	83%	68%	94%

⁽¹⁾ Median is at the firm level based on the average wage of each firm.

See notes for Table 6. Small samples for some cells can cause relatively wide margin of error. Year to year comparisons for this table may not be reliable.

From the Employee Perspective

Employee Offer Rates

Employee offer rates tell a similar general story to that of employer sponsor rates just described, although the numbers are different. For example, in 2009, while 52% of Washington *firms* offered health insurance to at least some of their workers (Table 6), 84% of Washington *workers* were actually employed in firms that offered health insurance (see Table 8).

Looking at these workers based on the size of the firm they work for (i.e., large or small), most employees work where coverage is offered to at least some employees (see Table 8). This appears to be the case for workers who work part-time as well as full-time worker (see Table 9).

But, the devil is in the details. At any given time, employees who work for small firms are considerably less likely to work where coverage is offered to some employees than employees who work for large firms. That is also true for part time workers in comparison to full-time workers.

However, over time, between 1998-2009, the *MEPS-IC* survey indicates that the decline in the percentage of employees who work in firms that offer coverage to at least some employees has been significant *only* for employees working for small employers, those with fewer than 50 employees. Table 9 and Figure 10 show employee offer rates over time based on 3-year moving averages. Note that the 3 year moving average for all employees has declined from 87% in the 1998-2000 period to 86% in the 2006-2009 period¹⁰.

¹⁰ Three-year moving averages are used because year to year variation can be volatile and therefore be misleading regarding trends.

**Table 8: *Employee Offer Rates by Firm Size, Average Wages and Industry:*
*Washington 2009***

	Number of employees in firms that offer	Percent of employees in firms that offer
All Firms		
Total	2,142,027	84%
Firm Size		
2 - 9	138,653	44%
10 - 24	177,789	66%
25 - 49	186,333	83%
50 - 99	199,545	90%
100 - 499	526,511	95%
500+	913,197	94%
Wage Quartiles⁽¹⁾		
Lowest 25% of firms	134,306	51%
Second 25% of firms	336,356	72%
Third 25% of firms	581,630	87%
Highest 25% of firms	1,089,736	94%
Industry⁽²⁾		
Agriculture, forestry, fishing	1,028	54%
Construction	6,646	74%
Manufacturing	3,963	95%
Wholesale trade	5,467	90%
Retail trade	5,160	84%
Transportation & warehousing	1,640	74%
Information	1,328	93%
Finance & insurance	2,568	95%
Real estate & rental	1,991	76%
Professional & technical services	7,724	92%
Administrative and support services ⁽³⁾	2,633	74%
Educational services	1,270	98%
Health care and social assistance	7,077	92%
Arts, entertainment & recreation	853	72%
Accommodation and food services	2,388	59%
Other services	3,878	66%

⁽¹⁾ Wages refer to average wages (total wages divided by number of employees).

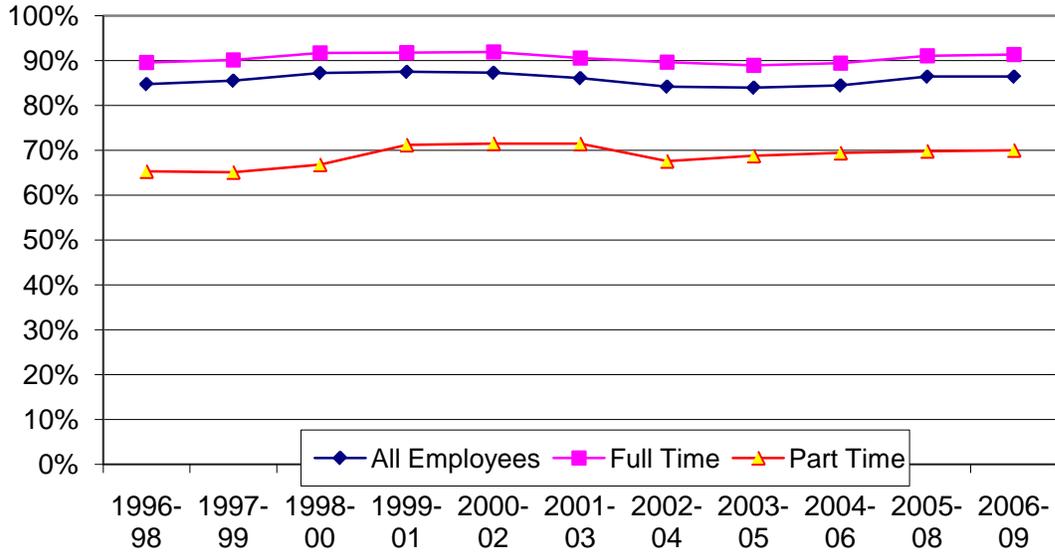
The lowest 25% of firms have average annual wages of less than \$15,286. The next group has average wages from \$15,286 to \$26,318. The third group has average wages from \$26,318 to \$42,476. The highest group has average wages above \$42,476. Note that these averages include part-time workers.

⁽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.

⁽³⁾ Administrative and support services includes temporary help services.

**Figure 10: Employee Health Insurance Offer Rates (by FT/PT status)
(percentage of employees in firms that offer)
3-Year Moving Averages**

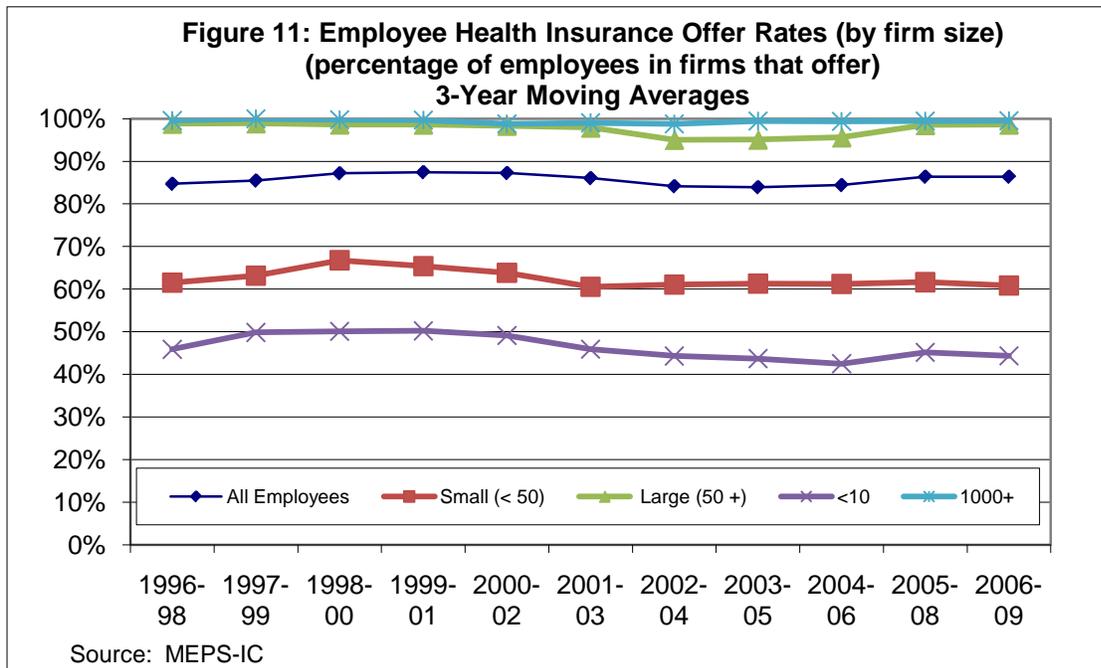


Source: MEPS-IC

**Table 9: Employee Health Insurance Offer Rates: Washington
(percentage of employees who work in firms that offer coverage)**

	All Employees	Employees in firms with		Full- time workers	Part- time workers
		< 50 workers	50+ workers		
Annual 2009	87%	60%	98%	91%	74%
3-Year Averages					
1998-00	87%	67%	99%	92%	67%
1999-01	87%	65%	99%	92%	71%
2000-02	87%	64%	98%	92%	72%
2001-03	86%	61%	98%	91%	71%
2002-04	84%	61%	95%	90%	68%
2003-05	84%	61%	95%	89%	69%
2004-06	84%	61%	96%	89%	69%
2005-08	86%	62%	99%	91%	70%
2006-09	86%	61%	99%	91%	70%

Source: MEPS-IC Survey



Employee Eligibility Rates

“Even in firms that offer coverage, not all workers are covered. Some workers are not eligible to enroll as a result of waiting periods, or minimum work-hour rules, and others choose not to enroll, perhaps because they must pay a share of the premium or can get coverage through a spouse.”¹¹ Among Washington firms that offer health insurance, 75 percent of workers are eligible to participate.

The percentage of part-time employees who are eligible for their employer’s coverage is much smaller than the percentage of full-time employees (21% for part time compared to 91% for full time).

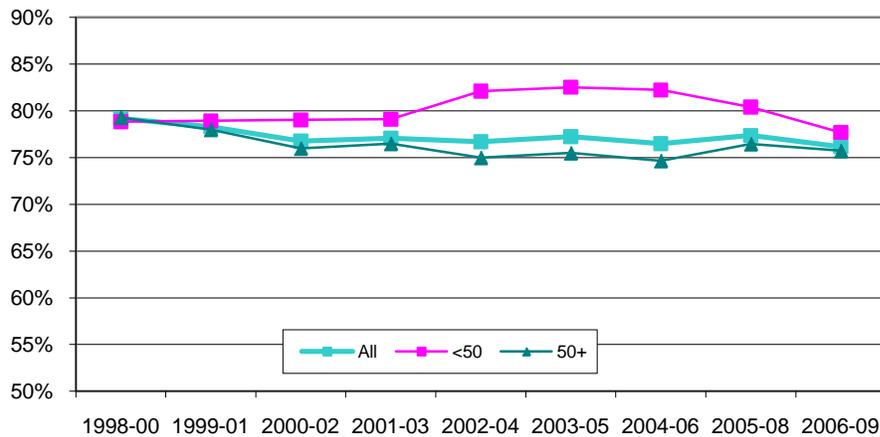
¹¹ 2008 Kaiser/HRET *Employer Health Benefits Survey* (<http://ehbs.kff.org/>).

Table 10: Employee Health Insurance Eligibility Rates: Washington
(percentage of employees eligible among those in firms that offer coverage)

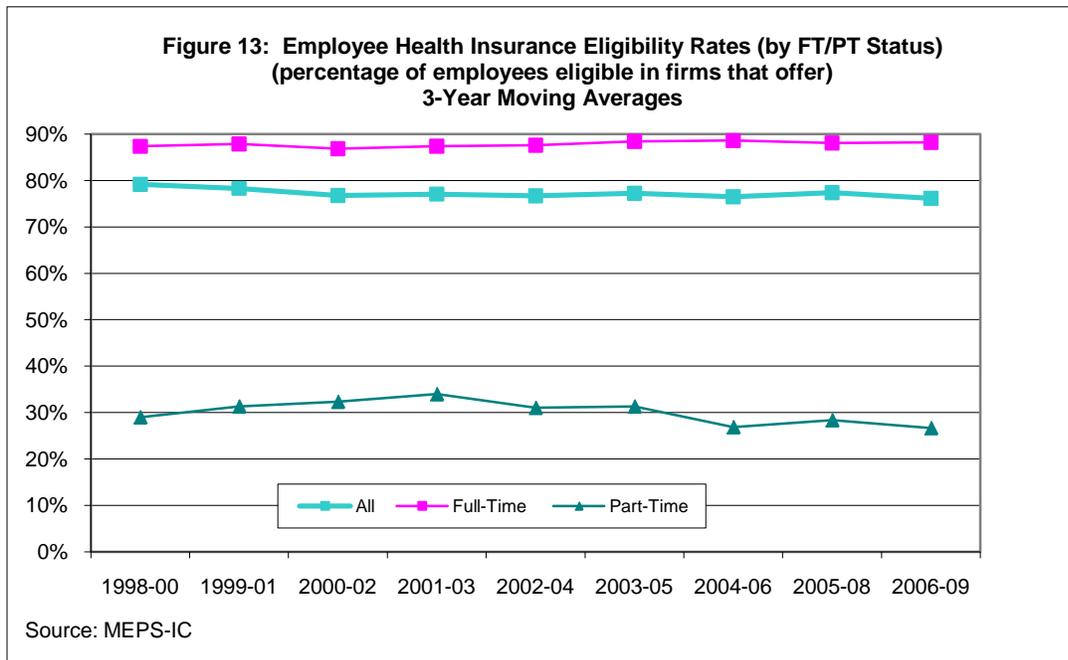
	All Employees	Employees in firms with < 50 workers	Employees in firms with 50+ workers	Full-time workers	Part-time workers
Annual					
2009	75%	75%	75%	91%	21%
3-Year Averages					
1998-00	79%	79%	79%	87%	29%
1999-01	78%	79%	78%	88%	31%
2000-02	77%	79%	76%	87%	32%
2001-03	77%	79%	77%	87%	34%
2002-04	77%	82%	75%	88%	31%
2003-05	77%	83%	76%	88%	31%
2004-06	77%	82%	75%	89%	27%
2005-08	77%	80%	76%	88%	28%
2006-09	76%	78%	76%	88%	27%

Source: MEPS-IC Survey

Figure 12: Employee Health Insurance Eligibility Rates
(percentage of employees eligible in firms that offer)
3-Year Moving Averages



Source: MEPS-IC



Employee Take-Up Rates

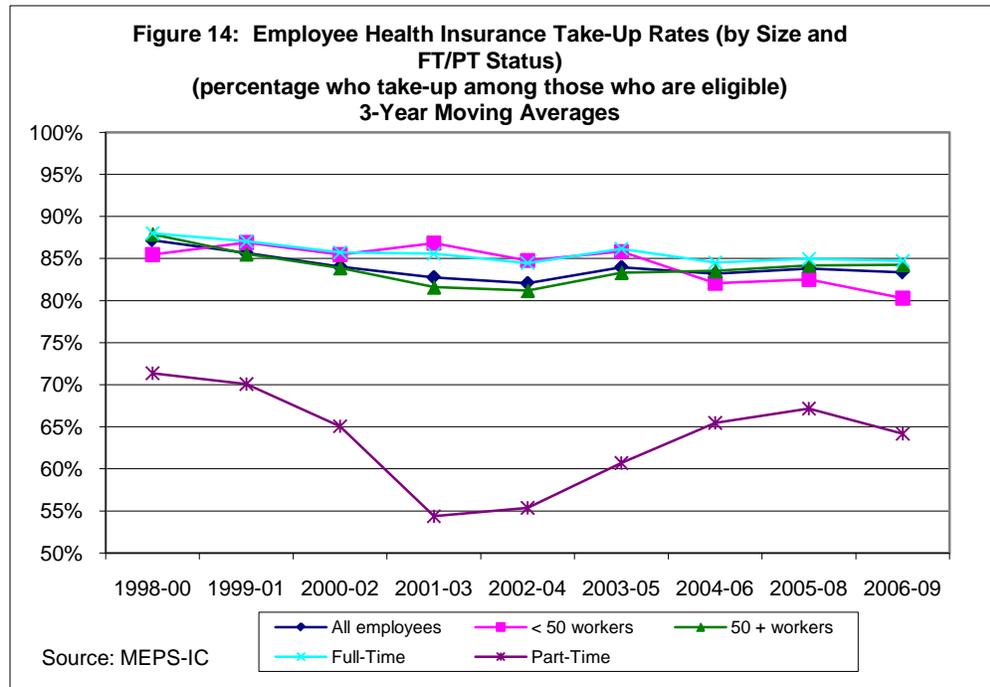
Among workers who are eligible for employer-provided health insurance in Washington, 85 percent take up the offer. The take-up rate has been declining, especially in larger firms and it has declined for both full-time and part-time employees, though the 3-year moving average decline is more pronounced for part-time workers.

While employee offer rates are considerably lower for employees in small firms than employees in large firms, employees in smaller firms *were* more likely to take-up coverage when it was offered...until recently. The moving average for years 2004-2006 appears to reflect a turning point for employees in small firms.

Table 11: Employee Health Insurance Take-Up Rates: Washington
(percentage enrolled among those who are eligible)

Annual	All Employees	Employees in firms with		Full-time workers	Part-time workers
		< 50 workers	50+ workers		
2009	85%	82%	86%	87%	65%
3-Year Averages					
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%
2003-05	84%	86%	83%	86%	61%
2004-06	83%	82%	84%	85%	65%
2005-08	84%	83%	84%	85%	67%
2006-09	83%	80%	84%	85%	64%

Source: MEPS-IC Survey



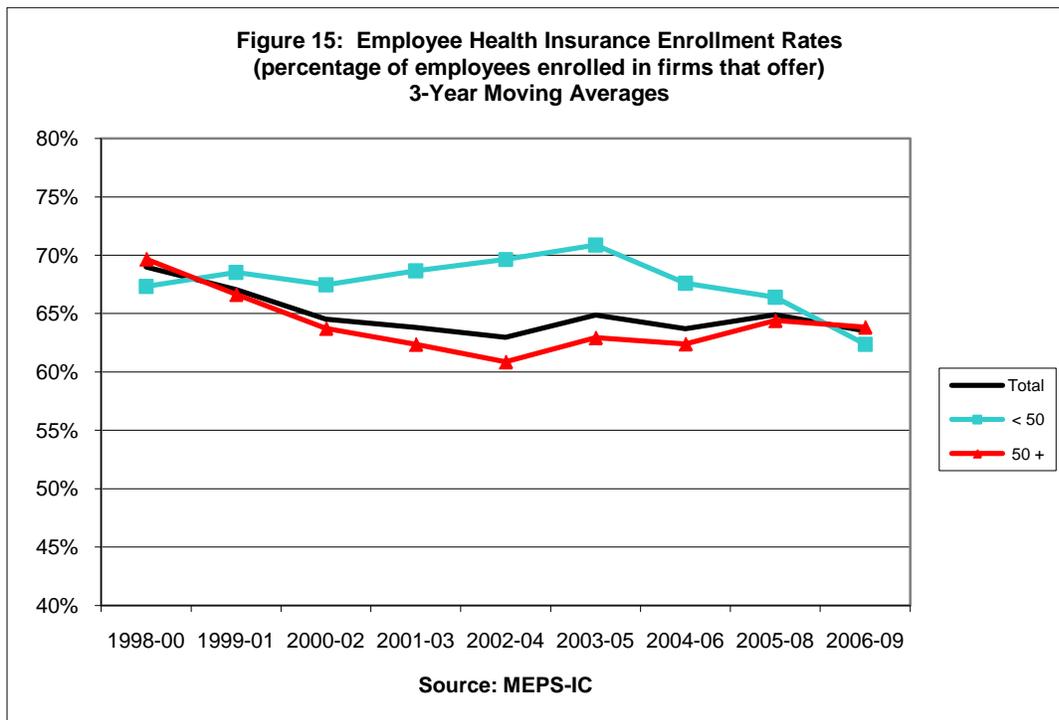
Employee Enrollment Rates

Among Washington firms that offer health insurance to at least some workers, 64 percent of employees are enrolled in own employer-provided coverage. This is not the same as the “coverage” rate, in which the denominator is employees in all firms (see Figure 1). The rate of coverage among all employees is lower, since some employees work in firms that do not offer health benefits. (Estimates of this coverage rate are presented in Table 13.)

Enrollment rates vary by firm size and full-time versus part-time job status.¹² Relatively few part-time workers are enrolled (around 14 percent).

Table 12: Employee Health Insurance Enrollment Rates: Washington (percentage of employees enrolled among those in firms that offer coverage)					
	All	Employees in firms with		Full-time	Part-time
	Employees	< 50 workers	50+ workers	workers	workers
Annual					
2009	64%	61%	65%	79%	14%
3-Year Averages					
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%
2003-05	65%	71%	63%	76%	18%
2004-06	64%	68%	62%	75%	*
2005-08	65%	66%	64%	75%	*
2006-09	64%	62%	64%	75%	*

* Data for 2006, 2008 and 2009 do not meet standards of reliability or precision.
Source: MEPS-IC Survey



¹² 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 I for details.

Employee Coverage Rates

Among all workers in private sector firms with two or more employees, including those in firms that do not offer insurance, 54 percent have health coverage provided by their employer.¹³ Note that workers who do not have own-employer provided health insurance could receive coverage through other sources and are therefore not necessarily uninsured, as described in Section 3.

	Number Enrolled (1,000s)	Number Not Enrolled (1,000s)	Coverage Rate ⁽¹⁾	Percent Not Enrolled
All Firms	1,383	1,174	54%	46%
Firm Size				
2 - 9	93	221	30%	70%
10 - 24	108	161	40%	60%
25 - 99	229	216	51%	49%
100 - 999	445	322	58%	42%
1000 and above	507	254	67%	33%
Wage Quartile ⁽²⁾				
Lowest 25% of firms	67	198	25%	75%
Second 25% of firms	186	282	40%	60%
Third 25% of firms	369	299	55%	45%
Highest 25% of firms	761	395	66%	34%
Industry ⁽³⁾				
Agriculture, forestry, fishing	29	60	33%	67%
Manufacturing	223	68	77%	23%
Construction	70	73	49%	51%
Transportation and Warehousing	78	67	54%	46%
Wholesale trade	76	37	67%	33%
Finance, insurance, real estate	134	58	70%	30%
Retail Trade	101	135	43%	57%
Professional services	550	329	63%	37%
Other services	122	347	26%	74%

⁽¹⁾ Coverage Rate = Offer Rate * Eligibility Rate * Take-up Rate
 Estimates are for firms with two or more employees.
 Estimates rely on MEPS-IC enrollment rate data.

⁽²⁾ Wages refer to average wages (total wages divided by number of employees).
 The lowest 25% of firms have average annual wages of less than \$15,286. The next group has average wages from \$15,286 to \$26,318. The third group has average wages from \$26,318 to \$42,476.
 The highest group has average wages above \$42,476. Note that these averages include part-time workers.

⁽³⁾ '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).

¹³ According to the Bureau of Labor Statistics, *National Compensation Survey March 2009* - <http://www.bls.gov/news.release/ebs2.nr0.htm> - 74% of full-time private industry workers in the US had access to employee health benefits in 2010.

An interesting comparison of Table 8 and Table 13 shows that while approximately 2,142,000 employees work for firms that offer insurance, only about 1,383,000 are actually covered by their own employer.

	Below Median Wage		Above Median Wage		Median Income
	Small Firms	Large Firms	Small Firms	Large Firms	
	Agriculture, forestry, fishing	16,673	5,268	15,876	
Construction	16,174	423	34,478	21,506	32,063
Manufacturing	11,303	3,117	11,629	42,129	33,704
Wholesale trade	13,787	11,547	7,179	4,790	49,618
Retail trade	25,836	13,868	30,792	64,346	19,077
Transportation & warehousing	6,464	31,562	5,922	22,528	33,772
Information	3,780	5,228	3,134	27,465	50,224
Finance & insurance	3,412	505	5,214	14,399	40,428
Real estate & rental	6,138	1,705	6,450	5,023	24,134
Professional & technical services	15,555	15,532	17,637	28,332	46,029
Administrative and support services	14,781	18,091	17,943	38,912	23,490
Educational services	5,660	857	3,003	71,598	23,986
Health care and social assistance	24,308	20,980	22,691	77,592	27,077
Arts, entertainment & recreation	8,075	4,945	5,580	18,094	14,365
Accommodation and food services	38,296	9,270	59,848	55,835	12,763
Other services	16,979	6,603	19,282	13,341	24,257

⁽¹⁾ Median is on the firm level based on the average wage of each firm.

Section 3: Other Sources of Health Insurance and the Uninsured

Workers not enrolled in plans provided by their employer often receive coverage through their spouses' employers, privately purchased insurance or public plans. The 2009 *Washington Employer Health Insurance Database* suggests that 54 percent of private sector workers are enrolled in health insurance provided by their own employer. The comparable estimate from 2010 *Current Population Survey* (CPS) data for Washington is 58 percent. CPS data suggest that an additional 12 percent are covered through the employer of a family member. According to the 2010 *Washington State Population Survey*, 75 percent are covered by their employer or a family member's employer, 6 percent are covered through public programs, and 5 percent are covered through other insurance (e.g., self-purchased, military). That leaves 14 percent who are uninsured. The percent uninsured varies substantially across industries.

	2009 Washington Employer Health Insurance Database	2010 Current Population Survey (CPS) Data for Washington ⁽¹⁾			2010 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	54%	58%	12%	70%	75%	6%	5%	14%	
Industry									
Agriculture, forestry, fishing	33%	3%	3%	5%	25%	27%	2%	46%	
Manufacturing	77%	79%	6%	85%	87%	3%	3%	7%	
Construction	49%	49%	4%	53%	70%	5%	8%	17%	
Transportation & warehousing ⁽³⁾	54%	64%	2%	65%	78%	5%	4%	12%	
Wholesale trade ⁽⁴⁾	67%	57%	13%	69%	76%	5%	5%	15%	
Finance, insurance, real estate	70%	63%	20%	83%	83%	2%	6%	9%	
Retail trade ⁽⁴⁾	43%	57%	13%	69%	67%	9%	4%	19%	
Professional services ⁽⁵⁾	63%	67%	15%	82%	84%	4%	5%	7%	
Other services ⁽⁶⁾	26%	34%	14%	48%	60%	9%	6%	25%	

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

⁽²⁾ The Washington State Population Survey (WSPS) estimates are for persons ages 18 to 64 employed in private firms excluding self-employed. Public programs include the Basic Health program, Medicaid, and Medicare. Industry-level estimates based on the CPS and WSPS have wide confidence intervals due to relatively small sample sizes for some industries (e.g., Agriculture).

⁽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.

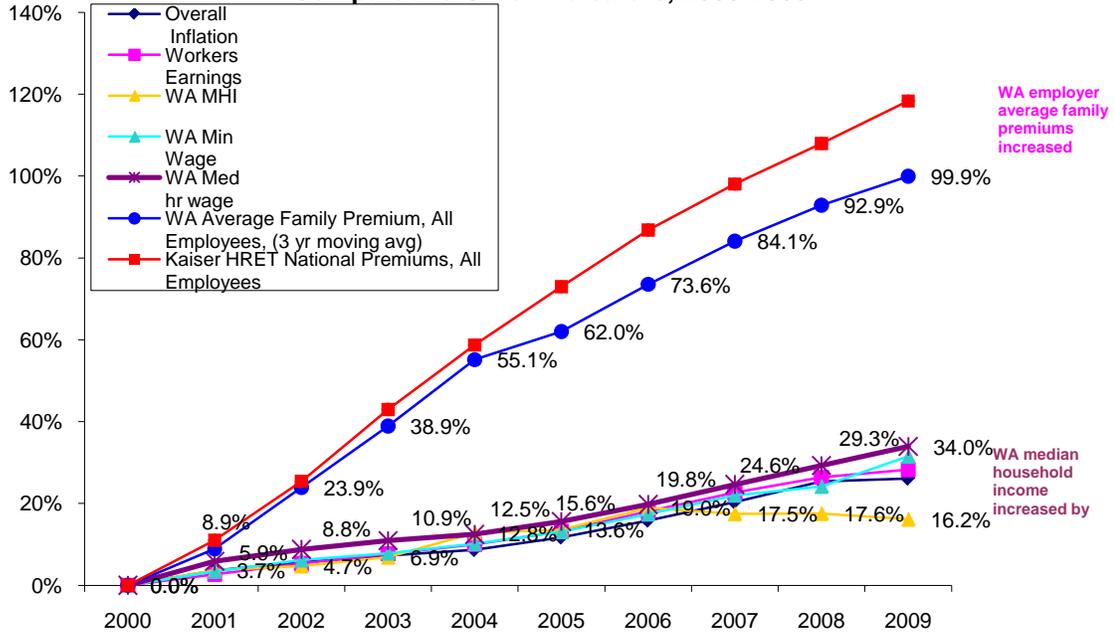
⁽⁵⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

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

While the data sources are different, the story is the same. The majority of adults continue to obtain their health insurance through an employer.

Figure 16 provides an interesting perspective on coverage declines – *affordability* appears to clearly be an issue. The growth in health insurance premiums continues to outpace workers’ earnings and inflation – no matter what measures we use to determine “income.” In this century, while median household income (MHI) in Washington had increased by ~16%, family premiums increased by ~110%. Family premiums actually decreased in 2009 compared to peak rates in 2008.

Figure 16: Cumulative Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 2000-2009



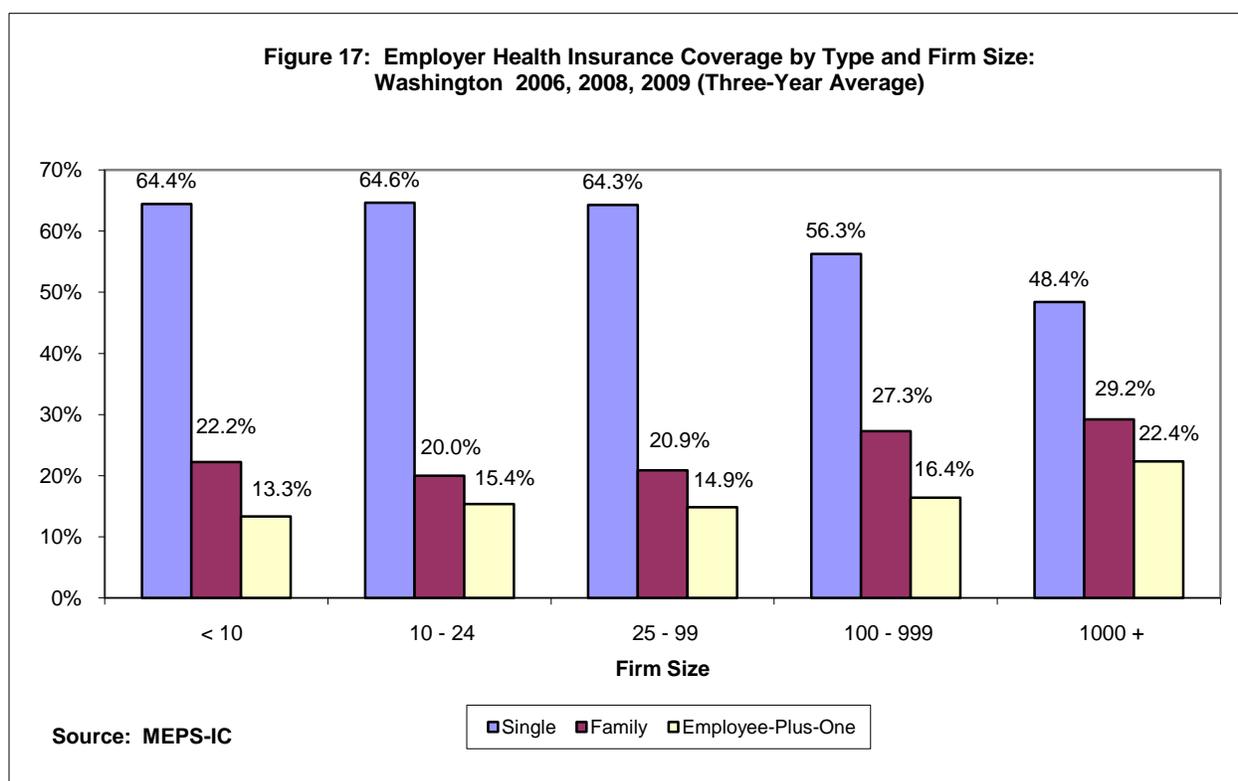
Sources:
 Kaiser Family Foundation and Health Research & Educational Trust, 2009 Employer Benefits Survey; Medical Expenditure Panel Survey - Insurance Component, 1996-2009; United States Department of Labor, Bureau of Labor Statistics;

Section 4: Health Insurance Premiums and Cost-Sharing

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.

	Washington			United States		
	Single	Family	PlusOne	Single	Family	PlusOne
All	55%	26%	19%	50%	32%	18%
Small Firms	65%	20%	14%	59%	27%	14%
Large Firms	52%	28%	20%	48%	33%	20%

Source: MEPS-IC



The *MEPS-IC Survey* also provides data on employer health insurance *premiums* for single, family, and employee-plus-one coverage. Tables 16-22 and Figures 18-23 summarize estimates and trends for premiums in Washington.¹⁴ Given the relatively small *MEPS-IC* sample sizes for individual states, trends are examined by using three-year moving averages.¹⁵

¹⁴ Premiums vary somewhat by firm size and industry. These variations are taken into account when estimating employer health care expenditures. See *Appendix I* for details.

¹⁵ Data for employee-plus-one premiums are available only starting in 2001; so moving averages are not used for this series.

Coverage Types and Premium Contributions

Based on the *MEPS-IC* survey, employee contributions in Washington State 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 to their employer-sponsored coverage. Among those enrolled in single coverage, about 41 percent of enrollees in Washington are in plans that require no employee contribution; nationally the figure is about 22 percent. Opportunities for “zero-contribution” plans for single coverage have been declining in Washington until 2008, but are still not at 2005 levels. The average employee contributions reported in the *MEPS-IC* data include enrollees whose contribution is zero. If these enrollees are excluded, average contributions are substantially higher (see Table 18, note that this data is only available through 2006—however, a similar pattern is likely).

	Single Coverage	Family Coverage	Employee-Plus-One
Washington State			
2004	46.9%	18.1%	16.0%
2005	43.4%	22.6%	16.0%
2006	34.4%	18.4%	13.9%
2008	37.3%	21.4%	16.2%
2009	41.3%	18.6%	13.9%
United States			
2004	23.7%	14.7%	9.5%
2005	23.1%	13.4%	12.7%
2006	21.9%	12.6%	11.6%
2008	22.0%	10.7%	9.4%
2009	20.6%	11.4%	10.3%

Source: *MEPS-IC*.

		WITH \$0 Enrollees	WITHOUT \$0 Enrollees
2004	Single	\$427	\$804
	Family	\$2,892	\$3,531
	Employee-Plus-One	\$1,572	\$1,871
2005	Single	\$384	\$678
	Family	\$2,474	\$3,196
	Employee-Plus-One	\$1,552	\$1,848
2006	Single	\$623	\$950
	Family	\$2,886	\$3,537
	Employee-Plus-One	\$1,877	\$2,259

Source: Estimated from *MEPS-IC* survey., data only through 2006

Table 19: *Employer-Provided Health Insurance Premiums: Single Coverage*

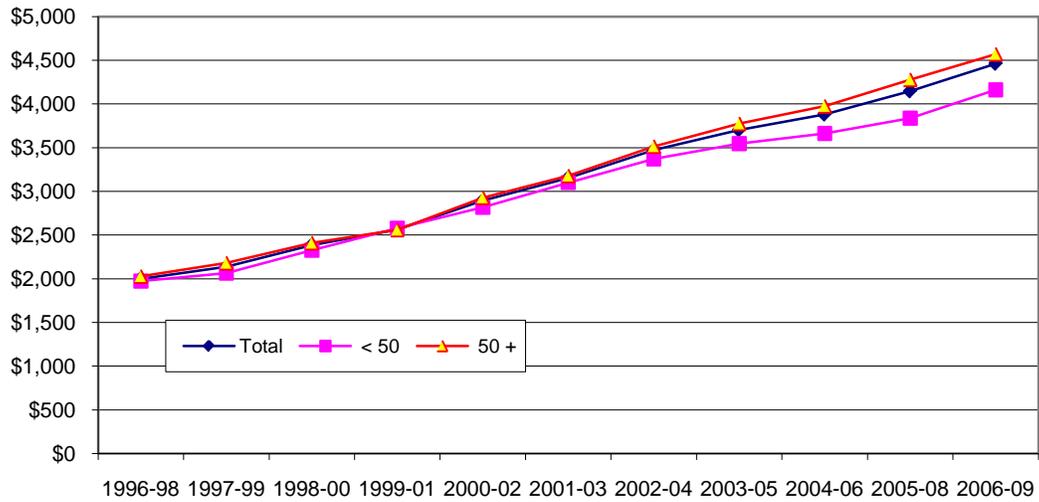
	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington State				
2004 (MEPS-IC)	\$3,608	\$3,181	\$427	12%
2005 (MEPS-IC)	\$3,975	\$3,591	\$384	10%
2006 (MEPS-IC)	\$4,056	\$3,433	\$623	15%
2008(MEPS-IC)	\$4,056	\$3,433	\$623	15%
2009(MEPS-IC)	\$4,923	\$4,354	\$569	12%
United States				
2004 (MEPS-IC)	3,705	3,034	671	18%
2005 (MEPS-IC)	3,991	3,268	723	18%
2006 (MEPS-IC)	4,118	3,330	788	19%
2008(MEPS-IC)	4,386	3,504	882	20%
2009(MEPS-IC)	4,669	3,712	957	20%
United States (Kaiser)				
2004	\$3,695	\$3,137	\$558	15%
2005	\$4,024	\$3,413	\$610	15%
2006	\$4,242	\$3,615	\$627	15%
2007	\$4,479	\$3,785	\$694	15%
2008	\$4,704	\$3,983	\$721	15%
2009	\$4,824	\$4,045	\$779	16%

MEPS-IC Survey (2009), Kaiser/HRET Employer

Source: Health Benefits Survey (2009)

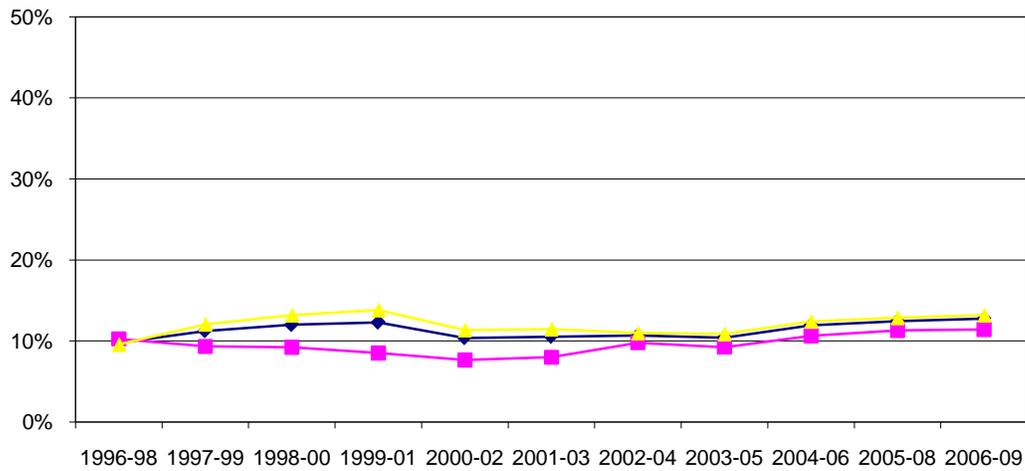
The Washington premiums and contributions for 2004-2009 are taken from *MEPS-IC*.

**Figure 18: Employer Health Insurance Average Single Premium
(3-Year Moving Averages)**



Source: MEPS-IC

Figure 19: Employer Health Insurance Employee Share of Single Premium
(3-year Moving Averages)



Source: MEPS-IC



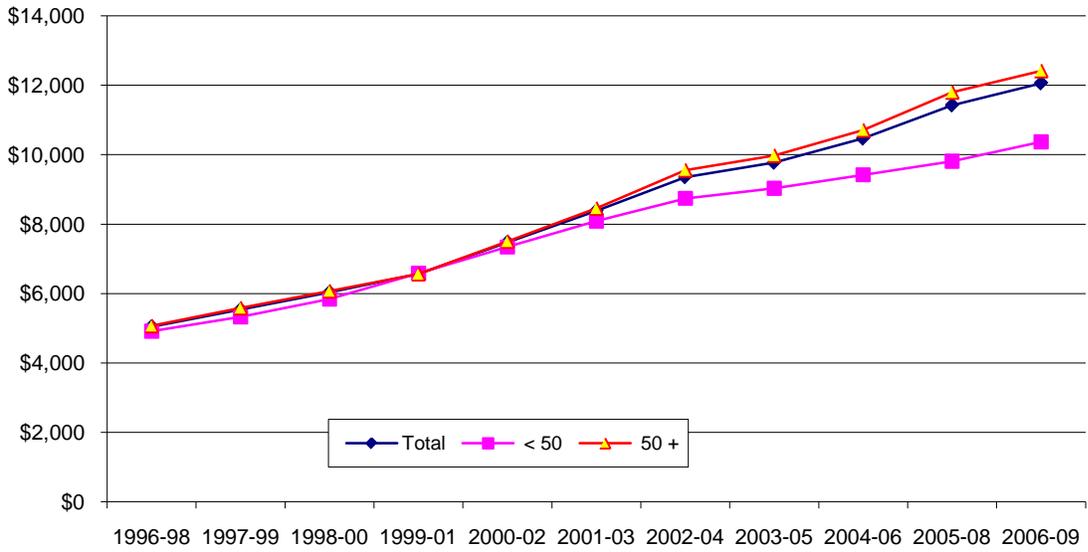
Table 20: *Employer-Provided Health Insurance Premiums: Family Coverage*

	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington State				
2004 (MEPS-IC)	\$10,217	\$7,325	\$2,892	28%
2005 (MEPS-IC)	\$11,018	\$8,544	\$2,474	22%
2006 (MEPS-IC)	\$11,423	\$8,537	\$2,886	25%
2008 (MEPS-IC)	\$13,036	\$9,778	\$3,258	25%
2009 (MEPS-IC)	\$12,758	\$9,500	\$3,258	26%
United States				
2004 (MEPS-IC)	10,006	7,568	2,438	24%
2005 (MEPS-IC)	10,728	8,143	2,585	24%
2006 (MEPS-IC)	11,381	8,491	2,890	25%
2008(MEPS-IC)	12,298	8,904	3,394	28%
2009(MEPS-IC)	13,027	9,553	3,474	27%
United States (Kaiser)				
2004	\$9,950	\$7,289	\$2,661	27%
2005	\$10,880	\$8,167	\$2,713	25%
2006	\$11,480	\$8,508	\$2,973	26%
2007	\$12,106	\$8,824	\$3,281	27%
2008	\$12,680	\$9,325	\$3,384	27%
2009	\$13,375	\$9,860	\$3,515	26%

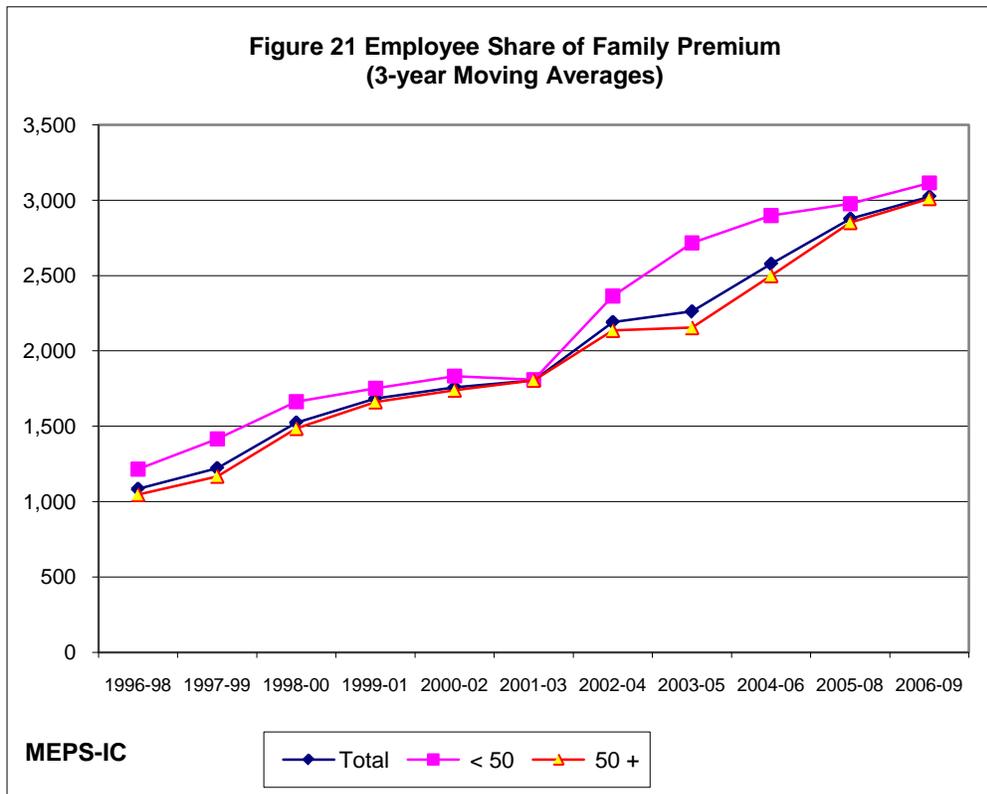
Source: MEPS-IC Survey (2009), Kaiser/HRET
Employer Health Benefits Survey (2009)

The Washington premiums and contributions for 2004-2009 are taken from *MEPS-IC*.

**Figure 20: Employer Health Insurance Average Family Premiums
(3-Year Moving Averages)**



Source: MEPS-IC



**Table 21: Employer-Provided Health Insurance Premiums:
Employee-Plus-One Coverage**

	Total Premium	Employer Contribution	Employee Contribution	Employee Share
Washington State				
2004 (MEPS-IC)	\$7,176	\$5,604	\$1,572	22%
2005 (MEPS-IC)	\$7,757	\$6,205	\$1,552	20%
2006 (MEPS-IC)	\$7,355	\$5,478	\$1,877	26%
2008 (MEPS-IC)	\$8,681	\$5,208	\$2,147	29%
2009 (MEPS-IC)	\$8,997	\$6,600	\$2,397	24%
United States				
2004 (MEPS-IC)	\$7,056	\$5,389	\$1,667	24%
2005 (MEPS-IC)	\$7,671	\$5,912	\$1,759	23%
2006 (MEPS-IC)	\$7,988	\$6,085	\$1,903	24%
2008 (MEPS-IC)	\$8,535	\$6,232	\$2,303	27%
2009 (MEPS-IC)	\$9,053	\$6,690	\$2,363	26%

Source: MEPS-IC Survey (2009)

Premiums and contributions for 2004-2009 are taken from MEPS-IC.

Figure 22: Employer Health Insurance Average Employee-Plus-One Premiums (3-Year Moving Averages)

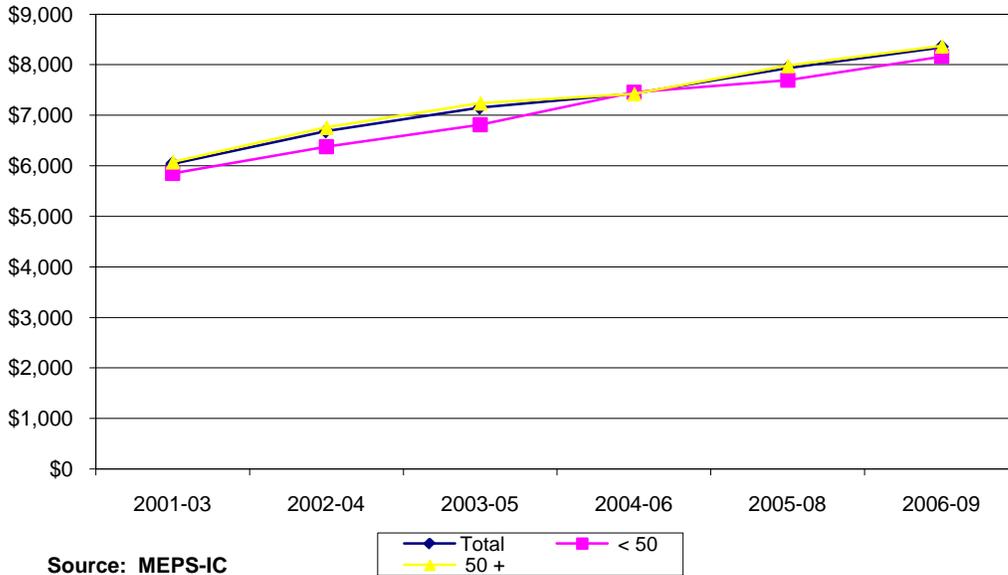
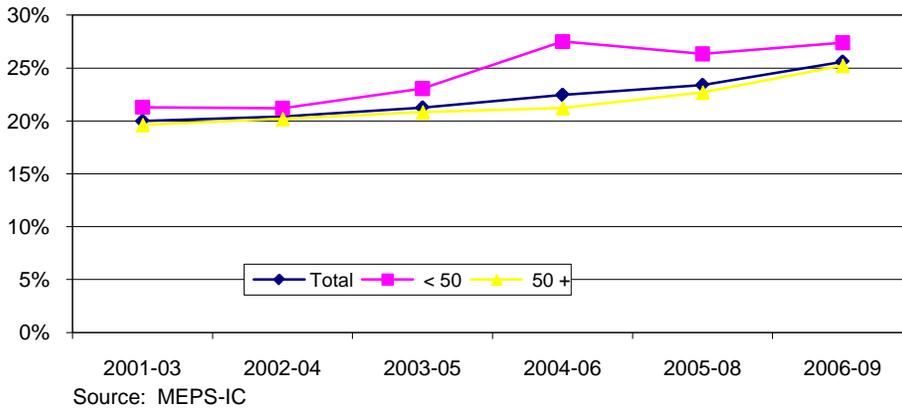


Figure 23: Employer Health Insurance Employee Share of Employee-Plus-One Premium (3-Year Moving Averages)



Estimated Employee Premium Contributions

Employee contributions to employer-provided health insurance were also estimated. The average contribution paid by an enrolled employee was \$1,941 per year in 2009. Employees paid 22.8% of the total premium. (See Table 22)

Table 22: *Employee Contributions to Employer-Provided Health Insurance, by Firm Size, Wages and Industry: Washington 2009*

	Total Employee Contributions (millions \$)	Average Contribution Per Enrollee (\$)	Worker Share of Healthcare Premiums
All Firms	\$2,683	\$1,941	22.8%
Firm Size			
2 - 9	\$130	\$1,396	17.6%
10 - 24	\$196	\$1,807	23.3%
25 - 99	\$467	\$2,036	26.5%
100 - 999	\$924	\$2,076	25.0%
1000 and above	\$967	\$1,907	20.4%
Wage Quartile⁽¹⁾			
Lowest 25% of firms	\$130	\$1,957	25.1%
Second 25% of firms	\$357	\$1,923	24.0%
Third 25% of firms	\$720	\$1,948	23.2%
Highest 25% of firms	\$1,476	\$1,940	22.1%
Industry			
Agriculture, forestry, fishing	\$36	\$1,245	16.7%
Manufacturing	\$402	\$1,799	20.8%
Construction	\$130	\$1,865	24.5%
Transportation & warehousing	\$155	\$1,985	22.2%
Wholesale trade	\$151	\$1,989	24.4%
Finance, insurance, real estate	\$269	\$2,009	22.7%
Retail trade	\$211	\$2,084	29.9%
Professional services ⁽¹⁾	\$1,080	\$1,964	21.8%
Other services ⁽²⁾	\$250	\$2,050	26.3%

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.

⁽¹⁾ 'Professional services' includes information, professional and technical services, educational services and health care.

⁽²⁾ 'Other services' includes administrative services, arts/entertainment/recreation, accommodation and food services, and other services (except public administration).

Section 5: Employer Expenditures on Health Insurance

Total 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 coverage¹⁶ (single, family, employee-plus-one), and employer premiums for different types of coverage.

Tables 23 and 24 summarize estimated employer expenditures. Estimates in Table 23 reflect the employer expenditures in 2009 associated with providing comprehensive coverage to *active employees*.¹⁷ As described in Appendix I, the estimates are derived by multiplying synthetic enrollment estimates by employer premium contributions. Employee contributions are not included in these tables. It cost firms on average \$5,954 per enrollee to provide this coverage, an estimate that is a weighted average across different types of coverage (single, family, and employee-plus-one). It makes no distinction for variation in the value of coverage. Changes in the value of benefits purchased can represent a form of “erosion in employer-sponsored coverage”, either in terms of fewer covered services and/or higher point-of-service cost sharing by employees.

Among all firms, employer expenditures equaled about 6.8 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.

Optional Coverage: 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.¹⁸ So, estimates in Table 24 underestimate total employer health care expenditures. Table 24 attempts to address this by inflating the expenditure estimates to reflect the 2009 costs of optional coverage plans.¹⁹ This adjustment increases the estimated employer health expenditures in 2009 to about 8.0 percent of total payrolls

Health insurance premiums have been increasing rapidly, as was shown in Figure 16. Table 25 provides recent estimates of employer costs for employee compensation published by the US Bureau of Labor Statistics (BLS) in December 2009. These estimates suggest that Pacific region employers currently spend on average the equivalent of 9.6 percent of payrolls on health insurance. According to BLS archived reports²⁰ the ratio of health insurance costs to wages and salaries has increased from 9.4 percent in December, 2008 to 9.9 percent in December 2009, a growth of over 5 percent.

¹⁶ See *Appendix I* for a detailed description of the estimation methodology.

¹⁷ Costs associated with retiree medical benefits are not included in any of these tables.

¹⁸ 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.

¹⁹ Estimates reported by the Agency for Healthcare Research and Quality, which conducts the *MEPS-IC Survey*, suggests that expenditures on optional coverage plans continue to account for only about 6 percent of total health expenditures by private industry.

²⁰ BLS reports are available at: http://www.bls.gov/schedule/archives/eccec_nr.htm

**Table 23: Estimated Employer Health Insurance Expenditures for Active Employees:
Excluding the Costs of Optional Coverage: Washington 2009**

	Total Health Expenditures	Average Expenditure		Average Expenditure Per Enrollee (\$)	Expenditures Relative to Wages (%)	
		Per Worker (\$)			All Firms	Firms that Offer
	(Millions \$)	All Firms	Firms That Offer			
All Firms	\$8,229	\$3,223	\$3,844	\$5,954	6.8%	7.6%
Firm Size						
2 - 9	\$551	\$1,773	\$4,010	\$5,955	5.4%	9.2%
10 - 24	\$585	\$2,172	\$3,289	\$5,394	5.8%	7.3%
25 - 99	\$1,171	\$2,627	\$3,034	\$5,106	6.1%	6.6%
100 - 999	\$2,512	\$3,276	\$3,478	\$5,644	7.0%	7.3%
1000 and above	\$3,410	\$4,482	\$4,753	\$6,730	7.6%	8.0%
Wage Quartile ⁽¹⁾						
Lowest 25% of firms	\$352	\$1,338	\$2,625	\$5,297	11.9%	22.0%
Second 25% of firms	\$1,021	\$2,187	\$3,038	\$5,500	10.5%	14.4%
Third 25% of firms	\$2,150	\$3,217	\$3,698	\$5,823	9.4%	10.7%
Highest 25% of firms	\$4,706	\$4,074	\$4,320	\$6,186	5.5%	5.9%
Industry						
Agriculture, forestry, fishing	\$164	\$1,849	\$3,421	\$5,628	7.8%	13.3%
Manufacturing	\$1,385	\$4,751	\$4,993	\$6,201	7.4%	7.6%
Construction	\$363	\$2,555	\$3,434	\$5,220	4.9%	6.0%
Transportation & warehousing	\$492	\$3,401	\$4,572	\$6,294	8.3%	10.8%
Wholesale trade	\$423	\$3,741	\$4,138	\$5,583	6.3%	6.9%
Finance, insurance, real estate	\$825	\$4,308	\$4,675	\$6,178	7.2%	7.6%
Retail trade	\$447	\$1,897	\$2,264	\$4,427	6.2%	7.6%
Professional services ⁽²⁾	\$3,493	\$3,980	\$4,268	\$6,358	7.2%	7.6%
Other services ⁽³⁾	\$635	\$1,358	\$2,068	\$5,215	5.1%	6.7%

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

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix I* 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 for 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). In 2008, the lowest 25% of firms have average annual wages of less than \$15,286. The next group has average wages from \$15,286

to \$26,318. The third group has average wages from \$26,318 to \$42,476. The highest group has average wages above \$42,476. 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).

Table 24: Estimated Employer Health Insurance Expenditures Including the Cost of Optional Coverage: Washington 2009

	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	\$8,717	\$3,414	\$4,072	\$6,308
Firm Size						
2 - 9	\$584	\$1,878	\$4,248	\$6,308	5.7%	9.7%
10 - 24	\$620	\$2,301	\$3,485	\$5,714	6.2%	7.8%
25 - 99	\$1,240	\$2,783	\$3,215	\$5,410	6.4%	7.0%
100 - 999	\$2,661	\$3,471	\$3,685	\$5,980	7.4%	7.8%
1000 and above	\$3,613	\$4,748	\$5,035	\$7,130	8.0%	8.4%
Wage Quartile ⁽¹⁾						
Lowest 25% of firms	\$373	\$1,417	\$2,781	\$5,612	12.6%	23.3%
Second 25% of firms	\$1,082	\$2,317	\$3,218	\$5,827	11.1%	15.3%
Third 25% of firms	\$2,278	\$3,408	\$3,918	\$6,169	9.9%	11.3%
Highest 25% of firms	\$4,985	\$4,316	\$4,576	\$6,554	5.9%	6.2%
Industry						
Agriculture, forestry, fishing	\$174	\$1,959	\$3,624	\$5,962	8.3%	14.1%
Manufacturing	\$1,468	\$5,033	\$5,289	\$6,569	7.8%	8.1%
Construction	\$385	\$2,707	\$3,638	\$5,530	5.2%	6.4%
Transportation & warehousing	\$521	\$3,603	\$4,844	\$6,668	8.8%	11.5%
Wholesale trade	\$448	\$3,963	\$4,383	\$5,914	6.7%	7.3%
Finance, insurance, real estate	\$874	\$4,564	\$4,953	\$6,545	7.7%	8.0%
Retail trade	\$474	\$2,009	\$2,398	\$4,689	6.6%	7.5%
Professional services ⁽²⁾	\$3,701	\$4,217	\$4,521	\$6,736	7.6%	8.0%
Other services ⁽³⁾	\$673	\$1,438	\$2,191	\$5,524	5.4%	7.1%

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

Expenditures are estimated using data from *MEPS-IC*; see the *Technical Appendix I* 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). In 2009, the lowest 25% of firms have average annual wages of less than \$15,286. The next group has average wages from \$15,286

to \$26,318. The third group has average wages from \$26,318 to \$42,476. The highest group has average wages above \$42,476. 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).

Table 25: *Employer Costs for Employee Compensation in Private Industry: United States 2009*
Average Costs Per Employee Per Hour

	Total Compensation	Wages & Salaries⁽¹⁾	Health Insurance	Health Insurance Costs as a Percentage of:	
				Total Compensation	Wages & Salaries⁽¹⁾
All Workers	\$27.42	\$20.23	\$2.01	7.3%	9.9%
Pacific Region ⁽²⁾	\$30.59	\$22.62	\$2.18	7.1%	9.6%
Industry					
Construction	\$31.20	\$22.75	\$2.14	6.9%	9.4%
Manufacturing	\$31.87	\$22.43	\$3.03	9.5%	13.5%
Trade, Transportation, Utilities	\$22.80	\$17.06	\$1.84	8.1%	10.8%
Information	\$40.47	\$29.39	\$3.36	8.3%	11.4%
Financial Activities	\$36.12	\$26.60	\$2.71	7.5%	10.2%
Professional and Business Services	\$33.00	\$25.20	\$1.90	5.8%	7.5%
Education and Health	\$29.28	\$21.55	\$2.19	7.5%	10.2%
Leisure and Hospitality ⁽³⁾	\$11.86	\$9.61	\$0.60	5.1%	6.2%
Other Services	\$24.38	\$18.57	\$1.36	5.6%	7.3%
Establishment Size					
1-49	\$21.89	\$17.04	\$1.31	6.0%	7.7%
50-99	\$24.87	\$18.65	\$1.79	7.2%	9.6%
100-499	\$27.79	\$20.36	\$2.24	8.1%	11.0%
500+	\$38.26	\$27.57	\$3.26	8.5%	11.8%

Source: US Bureau of Labor Statistics, *Employee Costs for Employee Compensation*, December 2009.
 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.

Employer Health Insurance Expenditures in Perspective

As shown in Tables 23 and 24 employer health care costs now accounts for a significant share of employee compensation costs - health care is a major cost of doing business. Tables 26 and 27 put health insurance expenditures in perspective – Washington firms typically spend more on health care than they pay in Business & Occupation (B&O) Tax. In 2009, businesses with 2 or more employees spent more for health insurance (2.3% of gross business income [GBI] on average) than they did for total state taxes (2.0% of GBI).

Table 26: *Summary of Washington Employer Health Insurance Database, 2009*

Estimates for private sector firms with 2 or more employees and Gross Business Income > 0

	Number of Firms	Total Payroll (millions \$)	B&O tax (1) (millions \$)	Total taxes, premiums and contributions (2)	Employer health ins. expend. (no optional)	Rate (% of gross business income)	Rate (% of gross business income)
				Total (millions \$)	Total (millions \$)		
All Firms	103,806	\$ 119,316	\$ 2,487	\$ 6,870	\$ 8,099	2.0%	2.3%
Firm Size							
2 - 9	73,289	\$ 10,235	\$ 328	\$ 904	\$ 551	2.0%	1.2%
10 - 24	17,552	\$ 10,045	\$ 261	\$ 761	\$ 585	2.1%	1.6%
25 - 99	9,663	\$ 19,313	\$ 448	\$ 1,346	\$ 1,170	1.9%	1.7%
100 - 999	3,069	\$ 35,882	\$ 696	\$ 2,008	\$ 2,502	1.9%	2.4%
1000 and above	233	\$ 43,841	\$ 753	\$ 1,851	\$ 3,291	2.0%	3.5%
Wage Quartile⁽¹⁾							
Lowest 25% of firms	25,601	\$ 2,954	\$ 77	\$ 346	\$ 352	2.9%	2.9%
Second 25% of firms	25,994	\$ 9,577	\$ 203	\$ 804	\$ 987	2.4%	3.0%
Third 25% of firms	26,151	\$ 22,873	\$ 427	\$ 1,368	\$ 2,147	2.0%	3.2%
Highest 25% of firms	26,060	\$ 83,911	\$ 1,780	\$ 4,352	\$ 4,613	1.8%	1.9%
Industry							
Agricultures, forestry, fishing	4,859	\$ 2,080	\$ 9	\$ 137	\$ 161	8.5%	10.0%
Manufacturing	5,632	\$ 18,705	\$ 411	\$ 978	\$ 1,384	1.2%	1.8%
Transportation and warehousing	2,800	\$ 5,910	\$ 110	\$ 391	\$ 492	1.8%	1.3%
Construction	12,896	\$ 7,429	\$ 143	\$ 735	\$ 361	2.5%	2.4%
Wholesale trade	7,069	\$ 6,738	\$ 268	\$ 493	\$ 423	0.9%	0.8%
Retail trade	10,894	\$ 7,139	\$ 236	\$ 551	\$ 446	1.1%	2.7%
Professional services (3)	25,095	\$ 47,385	\$ 684	\$ 1,891	\$ 3,373	3.4%	1.0%
Finance, Insurance, Real Estate	7,538	\$ 11,408	\$ 424	\$ 852	\$ 825	2.6%	6.7%
Other services (4)	27,023	\$ 12,522	\$ 202	\$ 842	\$ 634	3.1%	2.5%

(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.

(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.

Table 27: Employer Health Insurance Expenditures as a Percentage of Wages and Gross Business Income, All Firms, Washington 2009

	Total Wages (millions \$)	Gross Business Income (millions \$)	Total Health Exp. (millions \$)	Total Health Exp. Incl. Optional Coverage	Health Exp as % of Wages	Health Exp. as % of GBI	Health Exp. Incl. Optional as % of Wages	Health Exp. Incl. Optional as % of GBI
All Firms	\$120,529	\$350,964	\$8,229	\$8,717	6.8%	2.3%	7.2%	2.5%
Firm Size								
2 - 9	\$10,235	\$45,900	\$551	\$584	5.4%	1.2%	5.7%	1.3%
10 - 24	\$10,045	\$36,300	\$585	\$620	5.8%	1.6%	6.2%	1.7%
25 - 99	\$19,323	\$69,217	\$1,171	\$1,240	6.1%	1.7%	6.4%	1.8%
100 - 999	\$36,009	\$104,970	\$2,512	\$2,661	7.0%	2.4%	7.4%	2.5%
1000 and above	\$44,916	\$94,576	\$3,410	\$3,613	7.6%	3.6%	8.0%	3.8%
Wage Quartile ⁽¹⁾								
Lowest 25% of firms	\$2,960	\$11,969	\$352	\$373	11.9%	2.9%	12.6%	3.1%
Second 25% of firms	\$9,713	\$33,026	\$1,021	\$1,082	10.5%	3.1%	11.1%	3.3%
Third 25% of firms	\$22,904	\$66,745	\$2,150	\$2,278	9.4%	3.2%	9.9%	3.4%
Highest 25% of firms	\$84,952	\$239,223	\$4,706	\$4,985	5.5%	2.0%	5.9%	2.1%
Industry								
Agr., forestry, fishing	\$2,107	\$1,613	\$164	\$174	7.8%	10.2%	8.3%	10.8%
Manufacturing	\$18,726	\$83,107	\$1,385	\$1,468	7.4%	1.7%	7.8%	1.8%
Construction	\$7,470	\$28,855	\$363	\$385	4.9%	1.3%	5.2%	1.3%
Transpo. and warehousing	\$5,910	\$21,744	\$492	\$521	8.3%	2.3%	8.8%	2.4%
Wholesale trade	\$6,738	\$52,746	\$423	\$448	6.3%	0.8%	6.7%	0.8%
Finance, ins.& real estate	\$11,408	\$32,335	\$825	\$874	7.2%	2.6%	7.7%	2.7%
Retail trade	\$7,163	\$48,268	\$447	\$474	6.2%	0.9%	6.6%	1.0%
Professional services ⁽²⁾	\$48,469	\$55,427	\$3,493	\$3,701	7.2%	6.3%	7.6%	6.7%
Other services ⁽³⁾	\$12,539	\$26,869	\$635	\$673	5.1%	2.4%	5.4%	2.5%

⁽¹⁾ Wage Quartiles are based on average wages (total wages divided by number of employees).

The lowest 25% of firms have avg. annual wages of less than \$15,286. The next group has avg. wages from \$15,286 to \$26,318.

The third group has average wages from \$26,318 to \$42,476. The highest group has average wages above \$42,476.

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). Food and accommodation services are the largest group in this sector.

Appendix I: Synthetic Estimation Methodology

The employer sponsor status (i.e., did the employer offer health insurance to any employees?), enrollment, employer health insurance expenditures and employer contributions for each of the 106,053 firms in the *Employer Health Insurance Database (EHID)* were synthetically estimated using data from two surveys—the *2009 Washington Employee Benefits Survey (EBS)* and the *2009 Medical Expenditure Panel Survey—Insurance Component (MEPS-IC)*.

Firm level health insurance sponsor status

EBS data were used to synthetically estimate offer statuses of firms in the *EHID*. First, for firms that responded to the survey, *EBS* data was merged into the *EHID* on a firm level basis. Methodology for other firms follows. The firms that responded to the *EBS* were stratified into groups based on firm size, industry and average wage levels.²¹ The percentages of firms offering insurance (employer sponsor rates) 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* employer sponsor rate observed for that group.

This procedure produced employer sponsor rates that are comparable to those reported in the *2009 Employee Benefits Survey* report. The validity of the procedure ultimately depends upon how representative the *EBS* survey responses are; the *EBS* response rate was 65.5 percent.

Employee enrollment rates: (*among employees who work where coverage is offered, the percentage of them that enroll in their own employer's coverage.*)

Report enrollment rates by industry are based on *MEPS-IC* data. The 2006-2009 average enrollment rate in Washington is 63.5 percent. 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 United States. First, three year average enrollment rates (2005-09) for firm size-industry groups were calculated for the United States. These rates were then scaled by an adjustment factor comparing the relationship between Washington and the US, to produce the employment-weighted average rates observed for Washington²² in Table 28.

²¹ 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.

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

Table 28: *Employer Health Insurance Enrollment Rates: Washington 3, year average 2006-2009*

Industry	Firm Size				
	2-9	10-24	25-99	100-999	1000+
Agriculture, forestry, fishing	70%	48%	50%	61%	78%
Manufacturing	70%	69%	74%	80%	85%
Construction	72%	65%	68%	61%	67%
Transportation & warehousing	65%	65%	67%	71%	76%
Wholesale trade	75%	71%	74%	75%	80%
Finance, insurance, real estate	74%	73%	72%	75%	79%
Retail trade	61%	52%	53%	53%	47%
Professional services	68%	64%	63%	63%	72%
Other services	58%	45%	36%	36%	42%
Employment-Weighted Average	63.5%				

Source: Estimated from *MEPS-IC* data.

Employer health insurance expenditures

Employer Contributions: *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. As for coverage measures, premiums and contributions were assumed to vary by firm size and industry as they do in the United States. The United States firm size-industry rates were scaled to produce the employment-weighted average observed for Washington. This produced the following employer contributions per enrollee.

Table 29: *Employer contributions to Single Premiums: Washington, 3 year average 2006-2009*

Industry (\$ per enrollee per year)	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$3,979	\$3,936	\$3,550	\$3,075	\$2,757
Mining and Manufacturing	\$4,158	\$3,582	\$3,442	\$3,562	\$3,801
Construction	\$4,134	\$3,342	\$3,338	\$3,198	\$3,734
Utilities	\$3,949	\$3,405	\$3,666	\$3,748	\$3,773
Wholesale trade	\$4,364	\$3,827	\$3,498	\$3,443	\$3,653
Finance, insurance, real estate	\$4,628	\$4,316	\$3,957	\$4,087	\$3,554
Retailing	\$3,980	\$3,533	\$3,006	\$2,996	\$3,058
Professional services	\$4,361	\$4,117	\$3,987	\$4,054	\$4,219
Other services	\$4,102	\$4,049	\$3,580	\$3,544	\$3,224
Employment -Weighted Average	\$4,283				

Source: Estimated from *MEPS-IC* data

Table 30: Employer contributions to Family Premiums: Washington, 3 year average 2006 -2009					
(\$ per enrollee per year)					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$7,568	\$9,517	\$9,394	\$9,928	\$6,012
Mining and Manufacturing	\$10,081	\$8,352	\$8,681	\$9,149	\$10,335
Construction	\$9,345	\$8,218	\$8,452	\$8,548	\$9,052
Utilities	\$10,184	\$9,190	\$9,628	\$9,616	\$10,769
Wholesale trade	\$10,431	\$8,890	\$8,392	\$8,772	\$10,672
Finance, insurance, real estate	\$10,089	\$9,489	\$8,839	\$10,520	\$10,252
Retailing	\$9,133	\$8,331	\$6,253	\$6,806	\$8,541
Professional services	\$10,052	\$9,136	\$8,597	\$9,618	\$11,481
Other services	\$9,685	\$9,415	\$8,755	\$8,959	\$8,734
Employment -Weighted Average	\$9,282				

Source: Estimated from *MEPS-IC* data

Table 31: Employer contributions to Employee-Plus-One Premiums: Washington, 3 year average 2006-2009					
(\$ per enrollee per year)					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$7,571	\$7,370	\$7,120	\$5,705	\$5,102
Mining and Manufacturing	\$7,055	\$6,103	\$5,546	\$6,027	\$6,509
Construction	\$6,559	\$5,484	\$4,827	\$5,162	\$5,753
Utilities	\$5,846	\$5,384	\$4,876	\$6,531	\$6,358
Wholesale trade	\$7,488	\$6,336	\$5,645	\$5,527	\$6,398
Finance, insurance, real estate	\$6,656	\$6,742	\$5,993	\$6,467	\$6,002
Retailing	\$6,582	\$5,606	\$4,276	\$4,374	\$5,150
Professional services	\$6,532	\$5,946	\$5,559	\$6,053	\$7,009
Other services	\$6,749	\$6,072	\$5,412	\$5,785	\$5,470
Employment -Weighted Average	\$6,600				

Source: Estimated from *MEPS-IC* data

Type of Coverage: *MEPS-IC* reports estimates of the percentage of enrollees who are in single, family and employee-plus-one coverage. As for premium contributions these estimates were assumed to vary by firm size and industry as they do in the US.

Table 32: Percentage of Enrollees in Single Coverage: Washington					
3 year average: 2006-2009 Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	52%	58%	58%	49%	57%
Mining and Manufacturing	61%	58%	54%	45%	38%
Construction	54%	57%	55%	50%	47%
Utilities	59%	56%	54%	48%	44%
Wholesale trade	61%	58%	53%	48%	41%
Finance, insurance, real estate	58%	57%	55%	53%	44%
Retailing	67%	64%	63%	61%	56%
Professional services	65%	64%	63%	59%	44%
Other services	63%	64%	65%	61%	52%
Employment -Weighted Average	55%				

Source: Estimated from MEPS-IC data

Table 33: Percentage of Enrollees in Family Coverage: Washington					
3 year average: 2006-2009 Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	32%	26%	26%	34%	27%
Mining and Manufacturing	23%	24%	26%	32%	36%
Construction	30%	26%	26%	31%	31%
Utilities	27%	27%	29%	29%	33%
Wholesale trade	24%	26%	28%	31%	33%
Finance, insurance, real estate	25%	26%	26%	27%	30%
Retailing	21%	22%	21%	24%	22%
Professional services	22%	22%	22%	24%	32%
Other services	24%	23%	21%	23%	27%
Employment -Weighted Average	26%				

Source: Estimated from MEPS-IC data

Table 34: <i>Percentage of Enrollees in Employee-Plus-One Coverage: Washington</i>					
3 year average: 2006-2009 Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	16%	17%	15%	17%	16%
Mining and Manufacturing	16%	18%	20%	22%	26%
Construction	16%	17%	19%	19%	22%
Utilities	14%	18%	18%	23%	24%
Wholesale trade	15%	16%	19%	20%	26%
Finance, insurance, real estate	17%	17%	19%	20%	26%
Retailing	12%	14%	15%	16%	22%
Professional services	13%	14%	15%	17%	24%
Other services	14%	14%	15%	16%	21%
Employment -Weighted Average	19%				
Source: Estimated from <i>MEPS-IC</i> data			WA Rate /Weighted Avg		

Employer Total Costs

Multiplying percentage enrollments in single, family, and employee-plus-one coverage by the relevant employer premium contributions provides estimates of health expenditures for firms that sponsor coverage, where:

Employer health insurance expenditure =

(total enrolled)*(percent in single coverage)*(employer contribution for single coverage) +

(total enrolled)*(percent in family coverage)*(employer contribution for family coverage) +

(total enrolled)*(percent in employee-plus-one coverage)*(employer contribution for employee-plus-one coverage)

These estimates reflect employer²³ costs associated with providing comprehensive 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.

The methodology outlined above therefore 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 of 1.06 suggested by the AHRQ total health care expenditure estimates. (See Table 24.)

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.

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

Table 35: <i>Employee contributions to Single Premiums: Washington, 3 year average 2006-2009</i>					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$513	\$513	\$513	\$513	\$513
Mining and Manufacturing	\$513	\$647	\$703	\$736	\$744
Construction	\$548	\$745	\$673	\$670	\$713
Utilities	\$1,044	\$1,079	\$762	\$954	\$774
Wholesale trade	\$544	\$587	\$764	\$819	\$719
Finance, insurance, real estate	\$490	\$580	\$754	\$723	\$811
Retailing	\$645	\$822	\$977	\$979	\$831
Professional services	\$552	\$611	\$664	\$763	\$744
Other services	\$693	\$756	\$897	\$906	\$993
Employment -Weighted Average	\$640				

Source: Estimated from *MEPS-IC* data

Table 36: <i>Employee contributions to Family Premiums: Washington, 3 year average 2006 - 2009</i>					
Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$2,082	\$2,082	\$2,082	\$2,082	\$2,082
Mining and Manufacturing	\$2,262	\$3,213	\$3,394	\$2,849	\$2,456
Construction	\$2,264	\$3,666	\$3,502	\$3,459	\$3,084
Utilities	\$2,548	\$3,719	\$3,362	\$3,401	\$2,783
Wholesale trade	\$2,220	\$3,145	\$3,901	\$3,850	\$2,713
Finance, insurance, real estate	\$3,335	\$3,833	\$4,221	\$3,526	\$3,167
Retailing	\$2,675	\$3,878	\$5,021	\$4,495	\$3,266
Professional services	\$2,874	\$3,960	\$4,415	\$4,213	\$3,035
Other services	\$2,677	\$3,390	\$3,931	\$4,557	\$4,171
Employment -Weighted Average	\$3,476				

Source: Estimated from *MEPS-IC* data

Table 37: <i>Employee contributions to Employee-Plus-One Premiums: Washington, 3 year average 2006-2009</i>					
(\$ per enrollee per year) Industry	Firm Size				
	2-9	10-24	25-99	100-999	1,000 +
Agriculture, forestry, fishing	\$1,472	\$1,472	\$1,472	\$1,472	\$1,472
Mining and Manufacturing	\$2,049	\$1,839	\$2,356	\$1,947	\$1,611
Construction	\$1,576	\$2,510	\$2,558	\$2,232	\$2,159
Utilities	\$2,148	\$2,807	\$2,710	\$2,400	\$1,803
Wholesale trade	\$1,666	\$1,947	\$2,542	\$2,294	\$1,655
Finance, insurance, real estate	\$2,180	\$2,372	\$2,581	\$2,384	\$1,960
Retailing	\$1,682	\$2,739	\$3,233	\$2,928	\$2,073
Professional services	\$2,236	\$2,625	\$2,737	\$2,646	\$1,925
Other services	\$1,918	\$2,115	\$2,796	\$2,534	\$2,475
Employment -Weighted Average	\$2,397				
Source: Estimated from <i>MEPS-IC</i> data					

Appendix II: Probability of an Employer Coverage Offer

Logistic regressions were estimated using data from the *2009 Employee Benefits Survey* to examine how firm characteristics affect the probability of a firm's offer of health insurance (i.e., Employer Sponsor Rate). The firm characteristics include firm size, industry, and average wage levels. (See Table 2 for firm counts by these characteristics)

Table 38 shows the results in terms of *Odds Ratio Estimates*. Each Odds Ratio Estimate relates one variable to another variable, when all other factors are held constant. For example, the firm size variables are each related to the smallest firm size of 2-9 employees. The point estimate for firms with 10–24 employees indicates that these firms are estimated to be more than 3 times (3.052) as likely to offer health insurance as the smallest firms with 2-9 employees. The 95% Wald Confidence Limits show the upper and lower bounds of the point estimate at 95% confidence.

By holding the other factors constant (i.e., industry and relation to median wage), the Odds Ratio Estimates show the isolated effect of size. For example, the smallest firms are less likely to offer health insurance not only because they are small, but also because they are more likely to pay below-median wage and to do business in retail and service industries. The Odds Ratio Estimates for firm size also shows that compared to firms in the same industry and wage categories, increasing size increases the odds of offering health insurance.

The industry variables are related to the economy as a whole. For example, firms in the information industry are more than 2.7 times more likely to offer health insurance than the economy-wide average firm. Similarly, the likelihood of a firm in the construction industry offering health insurance is only 0.646 times that of the economy-wide average firm.

The average wage variable shows that firms with wages above median wage are over 5 times (5.031) more likely than firms below median wage to offer health insurance.

**Table 38: *Probability of Employer Health Insurance Offer:*
Logistic Regression Dependent Variable: Offer Status, 2009 data
**Odds Ratio
Estimates****

Variable	Point Estimate	95% Wald Confidence Limits	
Above Median Wage (based on average firm wages)	5.031	4.877	5.189
Firm Size compared to 2-9 employee firms			
10-24	3.052	2.927	3.181
25-49	8.66	8.017	9.355
50-99	13.709	12.059	15.586
100-499	29.262	21.936	31.441
500+	13.647	9.811	18.984
Industry Variables (compared to the economy as a whole)			
Agriculture, forestry, fishing	0.114	0.103	0.125
Construction	0.646	0.605	0.689
Manufacturing	1.209	1.044	1.402
Wholesale trade	3.192	2.952	3.451
Retail trade	0.562	0.522	0.604
Transportation & warehousing	0.889	0.799	0.989
Information	2.713	2.368	3.11
Finance & insurance	2.582	2.341	2.849
Real estate & rental	0.769	0.704	0.84
Professional & technical services	2.517	2.347	2.7
Administrative and support services	0.474	0.438	0.513
Educational services	1.158	1.026	1.307
Health care and social assistance	1.16	1.085	1.241
Arts, entertainment & recreation	0.407	0.361	0.459
Accommodation and food services	0.095	0.088	0.102
Other services	0.659	0.614	0.707
Number of observations (firms)	104,279		
Model Statistics			
Akaike Information Criterion	144,246		
Percent concordant pairs	81.6		
Somers's D	0.65		