



# PROGRAM PERSPECTIVES

ISSUE 1

OCTOBER 2008

ON HEALTH BENEFITS

## Recent data on employers' costs and employees' access

**H**ealth care continues to be a topic of great concern to many Americans.

Employers worry about the rising cost of the health insurance plans they offer their workers. Consumers worry that increasing out-of-pocket expenses make their budgets ever more vulnerable. This issue of *Program Perspectives* highlights how data from the National Compensation Survey provide useful information and context for understanding the issues. Key findings include the following: the costs of employer-provided health benefits have increased dramatically since 1981—by approximately eight-fold; State and local government workers have substantially higher access to health plans than private industry workers; and employers pay a lower percentage of health

care premiums for employees with family coverage than for employees with single coverage.

The next two issues of *Program Perspectives* will feature paid leave benefits and retirement benefits, respectively.

### Trends in employer costs for health benefits

Employer costs for health benefits for private industry workers increased 4.2 percent for the 12-month period ending June 2008. These estimates do not reflect changes in costs to employees or adjust for changes in the plans available to employees; costs to employees have increased because of higher premiums, deductibles, and copayments.

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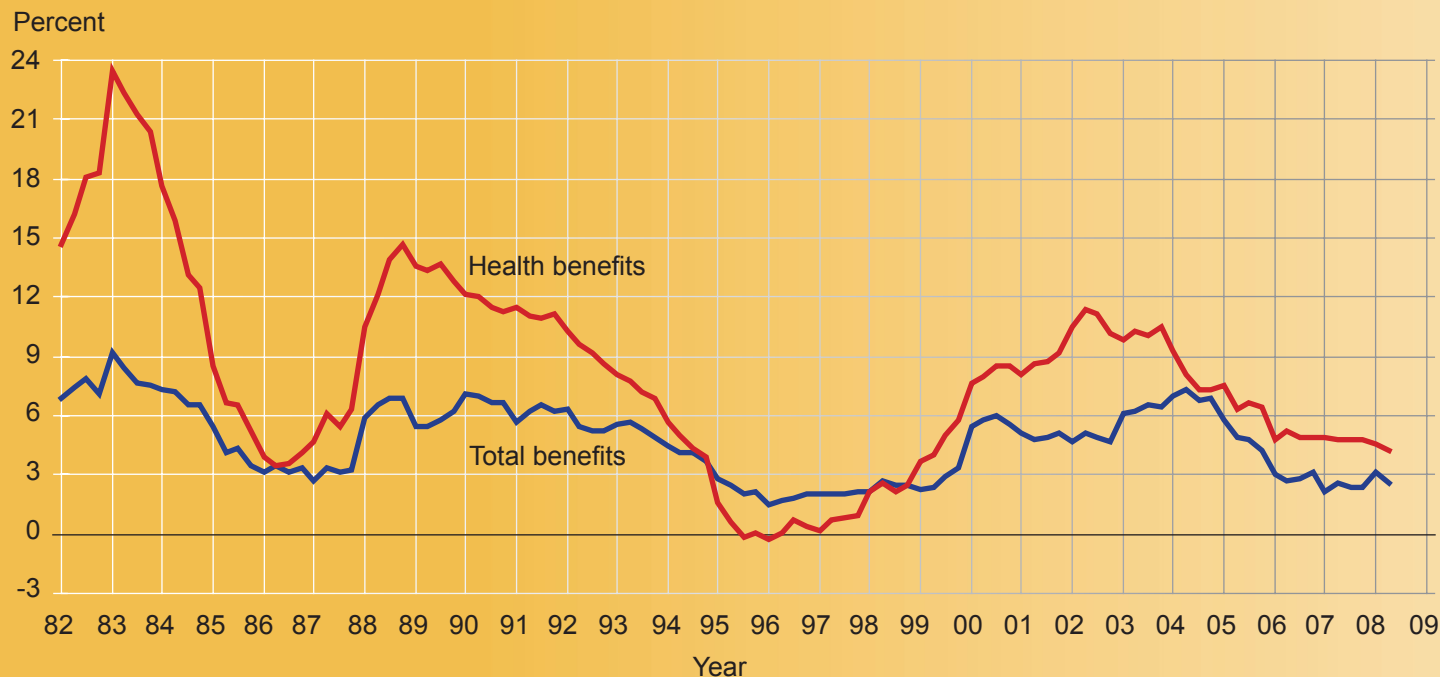
PAID LEAVE

RETIREMENT

*Welcome to the inaugural issue of **Program Perspectives**, a new publication from the U.S. Bureau of Labor Statistics in which BLS programs showcase their latest data.*

CHART 1

## Employment Cost Index, private industry, 12-month percent change, health benefits and total benefits,\* 1982–2008



\*Total benefits includes: paid leave, supplemental pay, insurance, retirement and savings, and legally required benefits.

### from cover page ►

Over the last 25 years, the growth in health benefit costs for employers has moved in fits and starts, as can be seen in Chart 1. In March 1983 health benefit costs recorded a 23.5 percent increase from a year earlier. After that, growth in costs decelerated for 3 years, followed by 2½ years of acceleration. In December 1988, another period of deceleration began, a period that was slower and longer than the first—lasting over 7 years until employer costs for health benefits declined by

0.3 percent in March 1996.

Costs remained relatively flat for about the next year and then grew more and more rapidly for 5 years. Then, in June 2002, growth in health benefit costs began to decelerate; this slowing has continued into the current period. (For further information on the Employment Cost Index, see [www.bls.gov/ect/sp/ehealth.pdf](http://www.bls.gov/ect/sp/ehealth.pdf). Standard errors for the employer cost changes are not available for estimates prior to 1996 and for the period from March 2003 to September 2006. Thus, the

statistical reliability of some estimates within the series cannot be judged. See [www.bls.gov/opub/cwc/cm20030825ar01p1.htm](http://www.bls.gov/opub/cwc/cm20030825ar01p1.htm).)

## Access rates to health care benefits and participation in health plans

Seventy-one percent of private industry workers had access to employer-provided medical care benefits in 2008, while 87 percent of State and local government workers had access. Access to other types of health care benefits—

TABLE 1

**Health benefits: access, participation, and take-up rates for all workers, by private industry and State and local government, March 2008 (in percent)**

	Access	Participation	Take-up rate
<b>Private industry</b>			
Medical care	71	53	75
Dental care	47	37	79
Vision care	28	22	78
Outpatient prescription drug coverage	68	51	75
<b>State and local government</b>			
Medical care	87	73	83
Dental care	55	47	85
Vision care	38	31	81
Outpatient prescription drug coverage	86	72	83

dental care, vision care, and outpatient prescription drug coverage—also is shown in Table 1. The take-up rate—the percentage of workers with access who participate in the plans—for private industry was 75 percent and for government workers was 83 percent. As shown in Table 2, health savings accounts are available to 8 percent of private industry workers and 20 percent of State and local government workers. Health care reimbursement accounts are more prevalent in both sectors—33 percent for private industry and 59 percent for government. Wellness programs, fitness centers, and employee assistance programs are also

more prevalent in government than in private industry. (For further information, see [www.bls.gov/ebs/#bulletins](http://www.bls.gov/ebs/#bulletins).)

## Costs per hour worked

Another way of analyzing health care costs to employers is to examine the cost per hour worked. In March 2008, State and local government employers paid \$4.15 towards health care benefits. Private industry employers paid \$1.92. (For further information, see [www.bls.gov/ect](http://www.bls.gov/ect).)

Employers pay a higher percentage of the total premium for employees with single coverage than for employees with family coverage. In private industry, employers paid an average of 81 percent of the total premium for single coverage and 71 percent for family coverage.

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TABLE 2

**Access to selected health benefits, all workers, by private industry and State and local government, March 2008 (in percent)**

Selected benefit	Private industry	State and local government
Health savings accounts	8	20
Healthcare reimbursement accounts	33	59
Wellness programs	25	52
Fitness centers	13	23
Employee assistance programs	42	73

## GLOSSARY

**Access to a benefit plan.** Employees are considered to have access to a benefit plan if it is available for their use. For example, if an employee is permitted to participate in a medical care plan offered by the employer, he or she is placed in a category with those having access to medical care, regardless of whether he or she chooses to participate.

**Participation in a benefit plan.** Employees in contributory plans are considered to be participants in an insurance or retirement plan if they have paid required contributions and fulfilled all applicable service requirements. Employees in noncontributory plans are counted as participating regardless of whether they have fulfilled the service requirements.

**Take-up rate of a benefit plan.** The take-up rate is the percentage of workers with access to a plan who participate in the plan. Take-up rates are computed by dividing the number of workers participating in a plan by the number of workers with access to the plan, multiplying by 100, and rounding to the nearest 1 percent.

**Health savings accounts (HSAs).** These are accounts that allow employees to pay for future medical expenses with tax-exempt contributions. HSAs must be used in conjunction with employer-provided, high-deductible health plans with an annual maximum limit on out-of-pocket and deductible expenses. Other features include the rollover of unused contributions, the portability of accounts, and tax-free interest.

**Health reimbursement accounts (or flexible spending accounts).** These are accounts that provide employees the opportunity to allocate pretax amounts for out-of-pocket qualified expenses, including deductibles, copayments, and other health care costs not covered by their health insurance.

**Wellness program.** A wellness program is a structured plan, independent from health insurance, that offers employees two or more of the following benefits: smoking cessation programs, exercise/physical fitness programs, weight control programs, nutrition education, hypertension tests, periodic physical examinations, stress management programs, back care courses, or life style assessment tests.

**Employer assistance program.** This is a structured plan, independent from health insurance, that provides employee referral services, or referral and counseling services, concerning alcoholism, drug abuse, marital difficulties, financial problems, emotional problems, and legal problems.

TABLE 3

### Medical plans: average monthly employer premium and share of premium paid by employer, by single coverage and family coverage, for all workers, by private industry and State and local government, March 2008

Selected benefit	Private industry	State and local government
<b>Single coverage</b>		
Average employer premium for all workers with coverage	\$309.03	\$399.86
Share of premium paid by employer	81%	90%
<b>Family coverage</b>		
Average employer premium for all workers with coverage	\$708.83	\$794.72
Share of premium paid by employer	71%	73%

from page 3 

State and local government employers paid 90 percent of the premium for single coverage and 73 percent for family coverage.

When comparing benefit costs in private industry with those in State and local government, it is important to note that some

of the differences between them are due to variations in work activities and occupational structures. For further information see: "Compensation Cost Trends in Private Industry and State and Local Governments" at [www.bls.gov/opub/cwc/archive/fall1999art2.pdf](http://www.bls.gov/opub/cwc/archive/fall1999art2.pdf). ●

For additional assistance on benefits, contact one of our information offices:

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