

## GLOSSARY

**Access to a 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 health plan offered by the employer, he or she is placed in a category with those having access to a health plan, regardless of whether the employee chooses to participate in the plan.

**Participation.** Participation is the percentage of employees who actually enroll in a benefit plan. A plan may be a contributory plan, which requires an employee to contribute to the plan's cost in order to participate, or it may be a noncontributory plan in which the employer pays 100 percent of the cost of the benefit.

**Health care.** Health care is a collective term for the following benefits: medical, dental, and vision care benefits; and outpatient prescription drug coverage. If workers have access to, or participate in, at least one of those benefits, they are considered as having access to, or participating in, health care.

**Medical care.** Medical care provides coverage for the treatment and prevention of a broad range of illnesses and injuries, including coverage for surgical care, visits to a physician, or hospital care with inpatient hospital charges.

**Flat-dollar contribution.** Flat-dollar contributions are fixed payments toward a particular benefit, for all eligible employees, that are not based on worker attributes, such as length of service or earnings.

TABLE 3

### Medical care benefits: monthly employee contributions for single and family coverage, private industry workers, March 2011

All workers	10th percentile	50th percentile (median)	90th percentile
Single coverage	\$35.84	\$89.72	\$186.67
Family coverage	\$133.71	\$335.81	\$774.00

Note: Includes workers participating in medical care benefits with flat-dollar contributory coverage. Source: U.S. Bureau of Labor Statistics, National Compensation Survey.

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contributions were not required for 21 percent of the highest 25-percent wage category and for 15 percent of the lowest 25 percent. (See table 2.)

The average flat monthly employee contribution for employees with single coverage and who were required to contribute was \$104.60. The median monthly flat dollar employee contribution for single-coverage medical benefit plans was \$89.72, ranging from \$35.84 at the 10th percentile to \$186.67 at the 90th percentile. (See table 3.) Employee contributions showed little variation by wage category.

#### Family coverage

Employee contributions were required for 90 percent of private industry workers participating in family coverage medical care

benefits, and employers covered all premiums for 10 percent of participating employees. Employee contributions were not required for 13 percent of the highest 25-percent wage category and for 8 percent of the lowest 25 percent.

Monthly employee contributions showed large differences for workers with family coverage. The average flat monthly employee contribution was \$404.03. The median monthly flat dollar employee contribution for family coverage medical benefit plans was \$335.81, ranging from \$133.71 at the 10th percentile to \$774.00 at the 90th percentile. Lower wage workers contributed about 17 percent more than higher wage workers at the median employee contribution level for family coverage (\$381.09 and \$324.32, respectively). ●

### The next *Program Perspectives* will feature Retirement Plan Costs by Participation

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PROGRAM

# PERSPECTIVES

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## ON HEALTH BENEFIT COSTS BY WAGE CATEGORY

### Costs and Participation Increase for Higher Paid Workers



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HEALTH BENEFIT COSTS BY WAGE CATEGORY

Costs for employer-provided health insurance constitute the largest single benefit cost for private industry employers. According to the March 2011 Employer Costs for Employee Compensation, private industry employers now spend \$2.12 per employee hour worked, or 7.5 percent of total compensation costs, on health insurance, compared with \$1.16 per employee hour worked, or 5.6 percent of total compensation, costs in March 2001. In most states, employers are not required by law to provide health plans for their employees, but coverage often helps to attract and retain desirable employees. Increasing premium rates on most health plans have led employers to consider or implement various cost containment options, such as increasing the employee share of the premium. Recent data show that employers are more likely to offer health and medical coverage to higher paid employees and to contribute a larger percentage toward medical care premiums for those workers.

This issue of *Program Perspectives* focuses on medical care benefit costs,

the largest component of health care, with an emphasis on employer costs by wage category, including data on contributions and on the share of premiums covered by employers. The percentage of employees required to make contributions to their premium is also reviewed. Wage categories are based on the average wage for each occupation surveyed for a given category.

Estimates of benefit provisions in this issue are from the U.S. Bureau of Labor Statistics (BLS) *National Compensation Survey: Employee Benefits in the United States, March 2011*, available online at <http://www.bls.gov/ncs/ebs/benefits/2011>. Wage categories are based on estimates published in the *National Compensation Survey: Occupational Earnings in the United States, 2010*, available online at <http://www.bls.gov/ncs/ncswage2010.htm>.

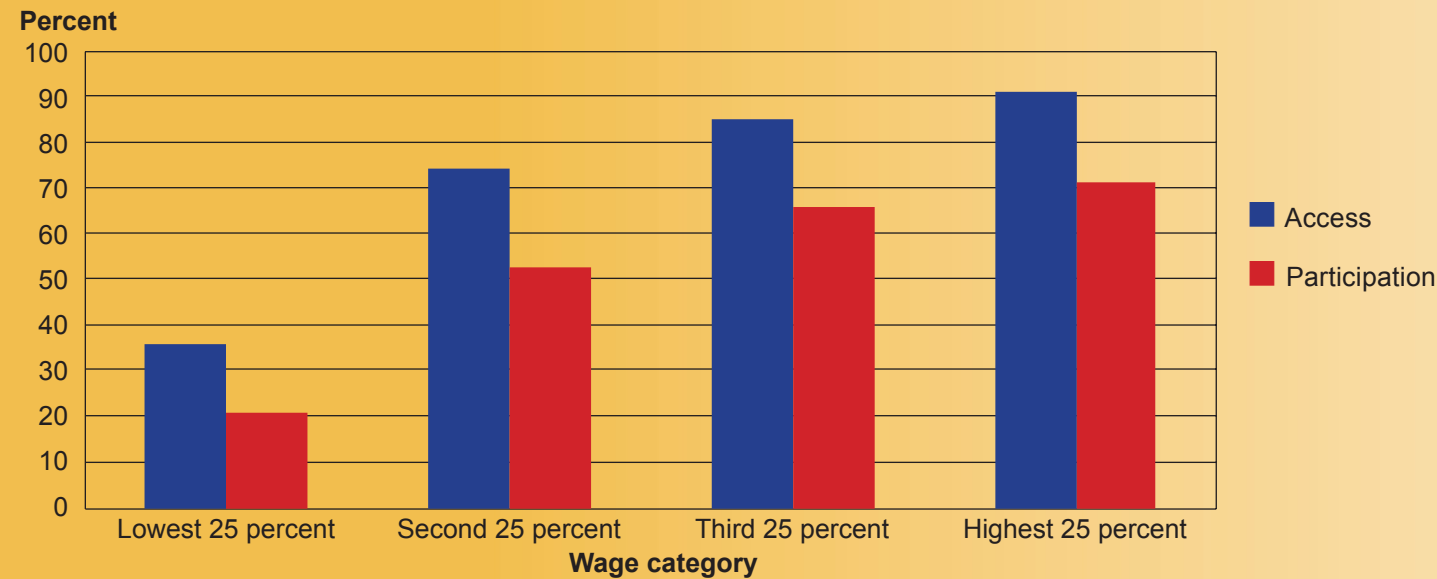
#### Participation in a medical care plan

More than two-thirds of private industry workers have access to medical care benefits, and 51 percent of all workers participate

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CHART 1

**Medical care benefits: access and participation rates by wage category, private industry workers, March 2011**



Source: U.S. Bureau of Labor Statistics, National Compensation Survey.

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in a medical care plan, but access and participation vary substantially by wage category. The rate of participation varies from 21 percent for lower wage workers (the lowest 25 percent of private industry wage earners, at or below \$10.69 per hour) to 71 percent of higher wage workers (the highest 25 percent of private industry wage earners, at or above \$24.81 per hour). (See chart 1.)

**Employer share of premiums**

In March 2011, private industry employers paid 80 percent of premiums for single-coverage medical care benefits and 69 percent of premiums for family coverage. (See table 1.)

The share of single-coverage health care premiums paid by private industry employers increased from

the lowest 25 percent of wage earners to the highest 25 percent of wage earners. A similar pattern appears in the share of employer premiums paid for family coverage.

**Employer premium costs**

For workers with medical care benefits, employers made the majority of contributions toward

premiums, but there were differences by wage category, especially for family coverage. Employers contributed higher average flat-dollar premiums for higher wage workers than for lower wage workers. Flat-dollar payments are the most common type of contribution for employees with contributory single or family medical care coverage.

TABLE 1

**Medical care benefits: share of premiums paid by employer and employee, private industry workers, March 2011**

(In percent)

Characteristic	Single coverage		Family coverage	
	Employer share	Employee share	Employer share	Employee share
All workers	80	20	69	31
Average wage within the following categories:				
Lowest 25 percent	76	24	63	37
Second 25 percent	78	22	66	34
Third 25 percent	80	20	69	31
Highest 25 percent	82	18	73	27

Source: U.S. Bureau of Labor Statistics, National Compensation Survey.

**Single coverage**

In March 2011, private industry employers paid an average flat monthly employer premium of \$346.85 for all workers participating in single-coverage medical plans. (See table 2.) Average flat employer premiums paid for single-coverage medical care benefits were \$372.55 for the highest 25-percent wage category, compared to \$311.86 for the lowest 25 percent. For single-coverage medical plan participants without a contribution requirement, the average flat monthly employer premium was \$446.46. Average employer-paid premiums were \$421.90 for the lowest paid group and \$468.98 for the highest paid group.

**Family coverage**

Private industry employers paid an average flat monthly employer

premium of \$835.52 for workers participating in family coverage medical plans. Average flat employer premiums paid for family coverage medical care benefits were \$931.22 for the highest 25-percent wage category and \$708.51 for the lowest 25 percent. For family coverage medical plan participants without a contribution requirement, the average flat monthly employer premium was \$1,086.33. Average employer-paid premiums were \$903.89 for the lowest 25-percent wage category and \$1,175.40 for the highest 25 percent.

**Employee contributions**

Although private industry employers cover the majority of premiums for employees participating in either single- or family-coverage medical plans, many still require employee

contributions toward this expensive benefit. Contributions for both single and family coverage show some differences by wage category, for both the percentage of employees requiring premium contributions and the amount of premiums based on monthly flat-dollar payments. Employee contributions for medical care premiums varied widely for private industry workers participating in medical care benefits, especially for family coverage.

**Single coverage**

Employee contributions were required for 82 percent of private industry workers participating in single-coverage medical care benefits, and employers covered all premiums for 18 percent of participating employees. Employee

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TABLE 2

**Medical care benefits, single and family coverage: employer and employee premiums, by employee contribution requirement, private industry workers, March 2011**

Characteristic	Single coverage					
	Total	Employee contribution not required		Employee contribution required		
	Average flat monthly employer premium	Percent of participating employees	Average flat monthly employer premium	Percent of participating employees	Average flat monthly employer premium	Average flat monthly employee contribution
All workers	\$346.85	18	\$446.46	82	\$324.58	\$104.60
Average wage within the following category:						
Lowest 25 percent	311.86	15	421.90	85	291.71	107.74
Second 25 percent	325.57	15	418.07	85	309.32	104.60
Third 25 percent	350.45	20	446.14	80	327.25	104.12
Highest 25 percent	372.55	21	468.98	79	347.35	103.83
Characteristic	Family coverage					
	Total	Employee contribution not required		Employee contribution required		
	Average flat monthly employer premium	Percent of participating employees	Average flat monthly employer premium	Percent of participating employees	Average flat monthly employer premium	Average flat monthly employee contribution
All workers	\$835.52	10	\$1,086.33	90	\$808.29	\$404.03
Average wage within the following category:						
Lowest 25 percent	708.51	8	903.89	92	691.63	433.32
Second 25 percent	770.75	7	981.18	93	755.81	412.76
Third 25 percent	834.10	9	1070.26	91	809.70	399.79
Highest 25 percent	931.22	13	1175.40	87	894.00	389.67

Note: All workers with single and family coverage medical care benefits = 100 percent. Source: U.S. Bureau of Labor Statistics, National Compensation Survey.