

## Employer-Based Health Insurance Coverage in Wisconsin

Wisconsin is one of 20 states that received a grant in 2000-01 from the Health Resources and Services Administration (HRSA), U.S. Department of Health and Human Services, to explore new approaches to increasing access to health insurance for state residents. Research under the Wisconsin State Planning Grant has focused on several topics, including analyses of employer-based coverage in the state.

Access to health insurance in Wisconsin is at an unprecedented high level. According to the 1999 Wisconsin Family Health Survey, a point-in-time estimate of the number of uninsured individuals in Wisconsin was approximately 340,000—just 7% of the state's population. Based on the survey, approximately 86% of Wisconsin household residents under age 65 were covered by private health insurance. The majority of this coverage was employer-based coverage.

This briefing paper provides detailed information about employer-based health insurance in Wisconsin. The availability of coverage by various employer characteristics is examined, and employee eligibility and enrollment are discussed. In addition, the costs of health insurance and employer contributions toward coverage for their workers are examined. The information in this briefing paper is based on the 1998 Medical Expenditure Panel Survey, conducted by the Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services. The 1998 survey is the most current information available. More details regarding this survey are provided in the "About the Data" section of this briefing paper.

### Employers Who Offer Coverage

Table 1 provides information about the estimated number of private establishments and employees in Wisconsin. The data is provided for both small employers (businesses that employ 50 or fewer workers) and large employers (businesses with more than 50 employees).

**Table 1. Number of Establishments and Employees in Wisconsin, 1998**

	Total	Employer Size	
		Small	Large
<b>Establishments</b>	130,100	79%	21%
<b>Employees</b>	2,393,000	34%	66%

Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey-Insurance Component, 1998.

As shown in the table, there were approximately 130,100 private business establishments in Wisconsin employing nearly 2.4 million people in 1998. Small employers accounted for 79% (nearly 103,000) of all establishments, and approximately 814,000 employees in Wisconsin worked for these small businesses. It is

interesting to note that although there were considerably fewer large employers as compared to small employers in Wisconsin, 66% of the state's workforce was employed by large employers.

Approximately 90% of Wisconsin's workforce were employed by an establishment that offered health insurance to some or all of its employees in 1998 (Table 2). Of the remaining 10% of employees that did not work for establishments that offered insurance, 95% worked for small employers. Indeed, the vast majority of the establishments that offered health insurance were large employers. Nearly all large establishments (98%) offered health insurance, while less than half (46%) of small employers offered insurance.

### Employee Eligibility and Enrollment

#### *Employees Eligible for Employer-Offered Insurance*

As shown in Table 2, about 1.65 million employees were eligible for the insurance offered by their employer. Employees who work for small employers are less likely to be offered coverage. Nearly 79% of employees who work for large employers are eligible for the insurance

**Table 2. Establishments That Offer Health Insurance and Their Employees.**

	<b>Total</b>	<b>Small Employers</b>	<b>Large Employers</b>
<b>Establishments in Wisconsin</b>	130,100	102,800	27,300
<b>Number That Offer Health Insurance</b>	73,700 (57%)	46,800 (46%)	26,900 (98%)
<b>Employees in Wisconsin</b>	2,393,400	805,200	1,588,200
<b>In Establishments That Offer Health Insurance</b>	2,161,200 (90%)	585,400 (73%)	1,575,600 (99%)
<b>Eligible for Employer- Offered Insurance</b>	1,659,800 (69%)	409,800 (51%)	1,249,400 (79%)
<b>Declined Employer Offer</b>	267,200 (11%)	122,100 (15%)	144,900 (9%)
<b>Accepted Employer Insurance</b>	1,392,600 (58%)	287,700 (36%)	1,104,500 (70%)

Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey-Insurance Component, 1998.

offered by their employer, but only 51% of employees who work for small employers are eligible.

When examining specific industry categories, manufacturing and construction establishments appear to have a larger share of employees who are eligible for insurance coverage. Although 33% of all employees worked in manufacturing and construction, 40% of all employees eligible for the insurance offered by their employer worked for a business in this category. Further, although 28% of all employees worked in a retail or trade establishment, only 21% of employees working in establishments in this category were eligible for employer-offered insurance. The business service establishments appear to have a proportionate number of employees eligible for employer-based insurance coverage as compared to their share of all employees. This data is shown in Table 3.

**Table 3. Employees Eligible for Employer- Offered Insurance by Industry.**

	<b>Percent of all employees</b>	<b>Percent of Employees Eligible for Employer Offered Insurance</b>
<b>Manufacturing &amp; Construction</b>	33%	40%
<b>Retail or Trade</b>	28%	21%
<b>Business Service</b>	39%	39%
<b>Total</b>	100%	100%

Source Medical Expenditure Panel Survey (MEPS), 1998

#### *Employees Not Eligible*

Although 90% (about 2.2 million) of all employees worked for businesses that offer health insurance,

over 23% (about 500,000) of these employees were not eligible for the coverage offered by their employer. Of these, approximately 35% (175,600) work for small employers.

#### *Declined or Accepted Coverage*

In addition to those who were not eligible, a significant number of employees within establishments that offered insurance declined the coverage offered. Approximately 267,200 workers declined coverage when offered.

In total, nearly 1.4 million of the 2.4 million employees in the state were covered by health insurance through their own employer in 1998, and approximately 1.0 million were not covered by health insurance through their own job. As compared to employees of small employers, employees of large employers are more likely to have insurance through their own employer.

Employees who decline or are not offered coverage by their own employer are not necessarily uninsured. They may be covered by health insurance through a spouse or other family member. Alternatively, they may be covered by a public program, such as Medicaid or BadgerCare.

#### **Health Insurance Premium Costs**

Looking closer at total health insurance premium costs (including both the employer and employee share) for employees who were eligible for health insurance through their employer, overall the premiums faced by small employers were slightly higher than those for

**Table 3. Average Premiums and Employer Contributions for the Lowest Cost Policy in Establishments that Offer Health Insurance**

	Wisconsin	Small Employers	Large Employers
<b>Average Annual Premium for Single Coverage</b>	\$2,185	\$2,375	\$2,121
<b>Employer Contribution for Single Coverage</b>	81%	80%	81%
<b>Average Annual Premium for Family Coverage</b>	\$5,537	\$5,726	\$5,474
<b>Employer Contribution for Family Coverage</b>	74%	69%	75%

Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey-Insurance Component, 1998.

large employers (Table 3). Further, the manufacturing and construction industry category faced the lowest average cost for health insurance. It is important to note that the unit of analysis is the establishment's most comprehensive plan with the lowest out-of-pocket premium cost to the employee.

In 1998, the average total premium cost for single coverage was \$182.11 per month or \$2,185 annually. Premiums for family coverage averaged \$461.39 per month or \$5,537 annually. These amounts were slightly higher than the national averages of \$2,080 annually for single coverage and \$5,273 annually for family coverage.

### Employer and Employee Contributions

On average, employers paid 81% of the cost for the most comprehensive, lowest-cost single coverage policy they offered their employees. Employer contributions were 74% on average for the cost of family coverage. The percent of the costs contributed by the employer did not vary significantly by employer size for single coverage, but smaller employers contributed less toward family coverage (Table 3). There appears to be a correlation between wages and health benefit levels. The 1998 MEPS data indicate that the employer contribution toward coverage varied by the wages of the establishment's employees. High-wage employers (those with over 50% of their workers earning more than \$15.00 per hour) contributed more on average toward the cost of coverage than did modest-wage or low-wage employers for both single and family coverage. Consequently, employees of high-wage establishments pay less for their coverage. In fact, according to the MEPS data, employees working in low-wage establishments were asked

to contribute more than twice as much for coverage on average as employees working in high-wage establishments.

For all establishments, the average monthly contribution by the employee for family coverage was \$117.08 per month or \$1,405 annually. However, there was wide variation among employers, with 5% of eligible employees facing a required contribution of more than \$304.66 per month (\$3,656 annually) for the most comprehensive, lowest-cost family plan offered by their employer. The average monthly employee contribution for single coverage was \$32.66, or \$392 per year. As with family coverage, there was wide variation among employee contributions for single coverage, with 5% of eligible employees in small establishments facing a required contribution of more than \$150 per month (\$1,800 annually).

Some employers paid the entire cost of health insurance premiums for their employees. As compared to family coverage, businesses were nearly twice as likely to cover the full costs of single coverage. For all establishments, 27% of eligible workers were not required to pay anything toward their single coverage, but only 14% were not required to pay anything toward family coverage. Surprisingly, smaller establishments had a higher percentage of eligible workers who did not have to pay anything toward their health insurance coverage. Just over 40% of eligible small business employees did not have to contribute toward their single coverage and 30% did not have to contribute toward their family coverage.

High-wage employers also had a large percentage of employees who had access to

no-cost coverage, as did employees in the manufacturing and construction industry category (see “About the Data” section for explanation). Of all employees who did not have to contribute

toward their health insurance, more than 40% were in the manufacturing and construction industry category.

## Summary

Although the overall level of employer-based health insurance in Wisconsin is among the highest nationwide, there is significant variation in offer rates and contributions toward insurance premiums among employers in the state. Employees are more likely to be offered coverage and more likely to have health insurance through their job if they are employed by a large employer. Less than half of all small employers in the state offer health insurance to some or all of their employees.

Compared to large employers, small employers contribute less on average toward family coverage, although the percent of the premium costs paid by the employer does not vary significantly by employer size for single coverage. Employees of small employers who are eligible for health insurance offered through their employer are more likely to not have to pay anything toward their coverage. However, when they are required to pay toward their coverage, they contribute more. Consequently, employees of small employers are paying more,

on average, for their coverage than employees of large employers. (It should be noted that due to small sample sizes, these differences are not statistically significant at the 90% confidence level.) Both small and large employers tend to contribute a larger share of the cost of single coverage as compared to family coverage. Employers tend to pay a larger percentage of the cost of health insurance premiums as their overall wage levels increase. As a result, we find that employees working in low-wage establishments contribute on average twice as much for coverage as employees working in high-wage establishments.

Overall, low-wage employees and employees of small employers have a more difficult time accessing affordable health insurance coverage. Thus, the research conducted under the Wisconsin State Planning Grant that focuses on the particular circumstances of small employers and their employees will help inform any efforts to expand health insurance access through employers.

## About the Data

### *Background:*

The Medical Expenditure Panel Survey (MEPS) is conducted annually by the U.S. Agency for Healthcare Research and Quality (AHRQ). All data in this report is derived from the MEPS Insurance Component, which is a survey of employers. The sample size for Wisconsin is 800 employers. The data in this paper are based on the survey that was conducted in 1999 with questions for the 1998 calendar year. The special tabulations described in this paper were released in 2001.

The survey collects data at the establishment level, rather than the firm level. The firm generally refers to the entire company, including the headquarters and all the establishment sites, while the establishment refers to one location or site.

### *Definitions:*

For the purposes of this analysis, businesses were grouped into three industry categories:

- ✍ **Retail and Trade**—includes retail trade, personal services (beauty shops, etc.), wholesale trade, and agriculture/forestry.
- ✍ **Manufacturing and Construction**—includes manufacturing, transportation (also communication, electric, gas or sanitary services), construction and mining.
- ✍ **Business Services**—includes legal, health and finance services, real estate and insurance.

Establishments were also grouped into three wage categories:

- ✍ **Low-wage**—includes establishments where over 50% of the employees at the business

location responding to the survey earned less than \$6.50 per hour.

✍ **Modest-wage**—includes establishments where more than 50% of the employees at the business location responding to the survey earned between \$6.50 and \$15.00 per hours.

✍ **High-wage**—includes establishments where over 50% of the employees at the

business location responding to the survey earned more than \$15.00 per hour.

The unit of analysis for each establishment was their most comprehensive plan with the lowest out-of-pocket premium costs to the employees. As such, the plans included in this analysis do not necessarily cover the same benefit package.

For more information about this briefing paper or other activities under the Wisconsin State Planning Grant, contact:

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