

# Employee Medical Care Contributions on the Rise

BY ALLAN P. BLOSTIN AND JORDAN N. PFUNTNER

The proportion of employees required to pay towards the cost of their employer-sponsored medical insurance coverage<sup>1</sup> rose steadily over the 1980-95 period. By 1995, two in three employees with medical care coverage contributed to the cost for single coverage, and nearly four in five were required to help finance family coverage. These data relate to full-time workers and are from the Bureau of Labor Statistics 1995 Employee Benefits Survey of medium and large private establishments.<sup>2</sup>

These findings continue a trend that the survey has followed since its inception in 1979-80. In 1980, the situation was dramatically different from that of 1995—only a fourth of medical plan subscribers were required to contribute for single coverage and just under one half contributed for family coverage. By 1982, a majority of enrollees were required to pay for family coverage, and by 1991 a majority had to help fund single coverage. (See chart 1.)

Whether employees had to contribute towards plan costs varied by type of medical care plan and by occupation in 1995.<sup>3</sup> (See table 1.) Workers enrolled in health maintenance organizations (HMO's) were more likely to pay the cost of their coverage than were their counterparts enrolled in other types of plans, such as fee-for-service and preferred provider organization plans.<sup>4</sup> Seventy-six percent of HMO subscribers were required to pay for single coverage, compared to 64 percent of subscribers in other types of plans. The respective figures for family coverage were 86 percent for HMO's and 75 percent for non-HMO's. These findings are similar to those of earlier surveys.

Blue-collar and service workers were less likely to be required to pay for either single or family coverage than

were their white-collar counterparts, a pattern that has endured since the survey's inception. In 1995, 56 percent of blue-collar and service workers with medical insurance contributed for single coverage and 67 percent for family coverage. Among white-collar workers, in contrast, 78 percent contributed for single coverage and 87 percent for family coverage. There was little difference in contribution patterns between the two groups of white-collar employees studied.

## Amount of employee contributions

In 1995, average employee contributions were \$33.92 per month for single coverage and \$118.33 per month for family coverage.<sup>5</sup> (See tables 2 and 3.) These figures were up 8 percent and 10 percent, respectively, from the averages recorded for the 1993 survey, and are in line with medical care inflation as measured by the medical care component of the Consumer Price Index for All Urban Consumers (CPI-U).

Approximately 80 percent of the employees had their cost for single and family coverage based on a flat monthly dollar amount. For single coverage, the majority of workers (56 percent) with a flat monthly cost had their contributions range between \$20.00 and \$49.99. For family coverage, the range of flat monthly contributions was more widely dispersed among the participants than under single coverage. One-fourth of the workers were required to pay between \$100.00 and \$149.99 for family coverage.

The next most prevalent type of contributory coverage was based on flexible benefits; that is, the amount of contributions varied based on the options selected under a "cafeteria plan," or an employer-sponsored reimbursement plan. For these plans, just over one-tenth of the workers were required to contribute for single and family coverage.

Average required monthly contributions for single coverage were about 10 percent higher for HMO participants (\$36.18) than for non-HMO participants (\$32.91). Required monthly family coverage rates were about 20 percent higher

Allan P. Blostin and Jordan N. Pfuntner are economists in the Division of Compensation Data Analysis and Planning, Bureau of Labor Statistics. Telephone (202) 606-6240.

Albert E. Schwenk, an economist in the Division of Compensation Data Analysis and Planning, prepared the tabulations for this article. John D. Morton, also an economist in the Division, prepared the specifications for the tabulations found in this article.

for HMO subscribers (\$132.66) than for non-HMO subscribers (\$112.18).<sup>6</sup>

Average required contributions varied about 10 percent by occupational group. For single coverage, payments required of blue-collar workers (\$32.22) were about \$3 dollars per month lower than for white-collar workers (\$35.18). Similarly, for family coverage, blue-collar contributions (\$111.56) averaged about \$12 per month lower when compared to white-collar workers (\$123.55). These differences have persisted since 1991.

Average employee contributions have risen gradually since 1983. In that year, single coverage contributions averaged \$10 a month and family coverage \$33 a month. By 1995, required contributions were three and four times higher for single and family coverage, respectively, than in 1983. During this same time, medical prices, as measured by the medical care component of the CPI-U, doubled. Chart 2 depicts these trends, showing that employee contributions increased at about the same rate as the medical care component of the CPI-U up until the mid-1980s. Since then, required employee contributions have outpaced the CPI-U.<sup>7</sup>

Similar data on employer costs for medical insurance are available from 1991 through 1995 from the Bureau's Employer Costs for Employee Compensation program. Among private establishments with 100 or more employees, employer costs per hour worked rose from \$1.14 per

hour to \$1.34, an increase of 18 percent. Over the same period, average monthly required employee contributions for medical care increased 28 percent for single coverage and 22 percent for family coverage. However, these data are only roughly comparable because of differences in the measures; for example, the employer cost data include all types of health care plans (medical, dental, vision), whereas the employee contributions figures include only medical plans.

### Technical Note

Employee contributions data were produced by a different technique in 1995 than was used in earlier surveys. In 1995, a new microcomputer data capture system was introduced, which changed many of the questions that were asked about employee contributions. These changes, however, are unlikely to have had a significant impact on the data.

More importantly, a new method for imputing missing data was introduced in the 1995 survey. The use of this new imputation method trimmed by half the amount of employee contributions data being imputed. Employee contributions data were imputed for about 15 percent of workers with medical plans in 1995, about half the portion requiring such imputation in 1993. The impact of this new procedure on differences observed between the 1993 and 1995 published estimates is unknown.

### —ENDNOTES—

<sup>1</sup> Medical plans provide coverage for a variety of services such as hospital room and board, surgery, physician visits, and diagnostic xrays and laboratory tests. Plans limited to dental or vision care are not included.

<sup>2</sup> The 1995 survey included establishments with 100 or more employees in all private industries except agriculture and households, covering 40 million employees, 33 million full-time and 7 million part-time. The 1994 surveys included private establishments with fewer than 100 employees, and State and local governments of all sizes. For a summary of 1994 data, see Ann C. Foster, "Employee Contributions for Medical Care Coverage," *Compensation and Working Conditions*, September 1996, pp. 51-53. A 1996 survey will provide updated data for small private establishments, a 1997 survey will update the 1995 results presented here, and a 1998 survey of State and local governments is planned.

<sup>3</sup> It should be noted that these comparisons of employee contributions by type of plan and by occupation do not take into account possible differences in medical plan benefits. For example, a plan with a high level of benefits may call for higher employee contributions than a plan with a low level of benefits.

<sup>4</sup> HMO's provide a prescribed set of benefits to enrollees for a fixed payment, and enrollees are normally limited to obtaining services from designated HMO providers. Fee-for-service plans allow patients to choose any provider and pay for specific medical procedures as expenses are incurred.

Preferred provider organizations offer a higher level of reimbursement for services rendered by designated health care providers, although enrollees are free to choose any provider.

<sup>5</sup> Averages are for workers required to contribute a flat amount. Workers in plans where contributions varied (for example, where rates differed by choices made under a flexible benefits plan) are excluded from the average calculations.

<sup>6</sup> Average family coverage contributions for HMO's were higher than for non-HMO's in 1991, 1993, and 1995, ranging from 18 to 29 percent higher. The difference in average single contributions, however, has varied from 13 percent higher for HMO's in 1991, to 1 percent higher in 1993, to 10 percent in 1995.

<sup>7</sup> These observations and chart 2 have been updated from the original observations made by Ann Foster in "Employee Contributions for Medical Care Coverage," *Compensation and Working Conditions*, September 1996, pp. 51-53. For data comparability purposes, chart 2 starts with 1983.

NOTE: Unless otherwise indicated, all comparisons made in this article have been examined and found to be statistically significant at a 1.6 standard error level or better. Standard errors, however, are not available for average employee contributions; thus, comparisons of contribution amounts were not evaluated for statistical significance.

**Table 1. Medical care benefits: Percent distribution of requirements for employee contributions by type of fee arrangement and occupational category of full-time employees, medium and large private establishments, 1995**

Contributory status	All employees			Professional, technical, and related employees			Clerical and sales employees			Blue-collar and service employees		
	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans
Number with medical care coverage (in thousands) .....	25,546	18,501	7,045	7,467	4,941	2,525	6,158	4,145	2,013	11,921	9,415	2,507
<b>Single coverage</b>												
Total with single coverage for medical care .....	100	100	100	100	100	100	100	100	100	100	100	100
Employee contributions not required .....	33	36	24	21	22	18	24	26	21	44	47	32
Employee contributions required .....	67	64	76	79	78	82	76	74	79	56	53	68
<b>Family coverage</b>												
Total with family coverage for medical care .....	100	100	100	100	100	100	100	100	100	100	100	100
Employee contributions not required .....	22	25	14	11	12	8	15	16	12	33	36	22
Employee contributions required .....	78	75	86	89	88	92	85	84	88	67	64	78

NOTE: Because of rounding, sums of individual items may not equal totals.

**Table 2. Medical care benefits: Percent distribution of amount and type of employee contribution for individual coverage,<sup>1</sup> by occupational category of full-time employees, medium and large private establishments, 1995**

Type and amount of contribution	All employees			Professional, technical, and related employees			Clerical and sales employees			Blue-collar and service employees		
	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans
Number with contributory coverage (in thousands) .....	17,230	11,865	5,365	5,907	3,838	2,069	4,654	3,066	1,589	6,669	4,962	1,708
Total with contributory coverage	100	100	100	100	100	100	100	100	100	100	100	100
Flat monthly amount .....	78	78	77	72	72	72	74	72	78	85	87	81
Less than \$5.00 .....	2	3	2	3	4	2	2	1	3	3	3	2
\$5.00 - 9.99 .....	3	3	3	2	2	3	2	2	3	5	5	4
\$10.00 - 14.99 .....	9	8	10	9	8	11	9	10	7	9	8	12
\$15.00 - 19.99 .....	5	6	5	5	5	5	4	5	3	7	7	6
\$20.00 - 29.99 .....	19	20	17	18	20	13	17	19	13	22	21	25
\$30.00 - 39.99 .....	13	13	11	12	13	10	13	13	13	13	14	10
\$40.00 - 49.99 .....	12	12	11	7	6	8	13	9	19	15	17	8
\$50.00 - 59.99 .....	5	6	4	4	5	3	5	5	6	6	7	3
\$60.00 - 69.99 .....	4	3	5	5	5	5	4	4	5	2	1	4
\$70.00 - 79.99 .....	2	2	3	2	1	5	2	3	2	1	2	( <sup>2</sup> )
\$80.00 - 89.99 .....	1	1	2	2	1	4	1	1	2	1	( <sup>2</sup> )	1
\$90.00 - 99.99 .....	1	1	1	1	1	1	1	( <sup>2</sup> )	1	1	1	1
\$100.00 - 124.99 .....	1	( <sup>2</sup> )	2	1	1	2	1	( <sup>2</sup> )	2	1	( <sup>2</sup> )	2
\$125.00 or greater .....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	1	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	-	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Composite rate <sup>3</sup> .....	1	1	( <sup>2</sup> )	1	1	( <sup>2</sup> )	1	1	( <sup>2</sup> )	1	1	( <sup>2</sup> )
Varies <sup>4</sup> .....	2	2	4	3	3	4	2	1	3	2	1	4
Other .....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	-
Flexible benefits <sup>5</sup> .....	15	15	15	20	20	20	17	19	12	10	9	13
Percent of earnings .....	1	1	1	1	1	1	1	( <sup>2</sup> )	1	1	1	( <sup>2</sup> )
Exists, but unknown .....	3	3	3	3	3	3	6	7	5	2	2	2
Average <sup>6</sup> flat monthly contribution in dollars .....	33.92	32.91	36.18	34.84	33.19	37.89	35.59	33.71	38.90	32.22	32.32	31.88

<sup>1</sup> Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision or prescription drug coverage.

<sup>2</sup> Less than 0.5 percent.

<sup>3</sup> A composite rate is a set contribution covering more than one benefit area, for example, health care and sickness and accident insurance. Cost data for individual plans cannot be determined.

<sup>4</sup> Based on worker attributes. For example, employee contributions

may vary based on earnings, length of service, or age.

<sup>5</sup> Amount varies by options selected under a "cafeteria plan" or employer-sponsored reimbursement account.

<sup>6</sup> The average is presented for all covered workers and excludes workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Dashes indicate no employees in this category.

**Table 3. Medical care benefits: Percent distribution of amount and type of employee contribution for family coverage,<sup>1</sup> by occupational category of full-time employees, medium and large private establishments, 1995**

Type and amount of contribution	All employees			Professional, technical, and related employees			Clerical and sales employees			Blue-collar and service employees		
	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans
Number with contributory coverage (in thousands) .....	19,893	13,843	6,050	6,671	4,349	2,322	5,243	3,464	1,779	7,979	6,030	1,949
Total with contributory coverage	100	100	100	100	100	100	100	100	100	100	100	100
Flat monthly amount .....	80	81	79	75	75	75	77	75	81	87	88	83
Less than \$20.00 .....	4	4	4	4	5	3	2	2	3	5	5	5
\$20.00 - 29.99 .....	4	3	5	3	2	4	3	2	4	5	5	5
\$30.00 - 39.99 .....	4	5	2	4	4	3	3	4	1	5	5	3
\$40.00 - 49.99 .....	4	4	3	4	3	5	2	2	1	5	6	4
\$50.00 - 59.99 .....	4	4	4	3	3	3	3	3	2	5	5	6
\$60.00 - 69.99 .....	6	7	4	7	9	4	5	6	5	6	7	4
\$70.00 - 79.99 .....	4	4	4	3	3	3	4	6	2	4	3	5
\$80.00 - 89.99 .....	4	5	3	5	6	3	4	5	4	3	3	1
\$90.00 - 99.99 .....	4	3	6	4	3	6	4	3	7	4	4	4
\$100.00 - 124.99 .....	13	14	11	8	8	7	12	12	11	19	20	14
\$125.00 - 149.99 .....	8	7	9	7	7	7	9	8	13	7	7	6
\$150.00 - 174.99 .....	5	4	6	5	5	6	5	5	6	4	3	6
\$175.00 - 199.99 .....	6	7	4	7	7	5	7	7	6	5	6	2
\$200.00 - 224.99 .....	3	3	3	4	5	4	2	2	2	4	3	4
\$225.00 - 249.99 .....	2	2	4	2	1	4	4	4	4	2	1	4
\$250.00 - 274.99 .....	2	1	2	2	1	2	2	1	3	1	1	2
\$275.00 - 299.99 .....	1	( <sup>2</sup> )	2	1	( <sup>2</sup> )	2	1	( <sup>2</sup> )	3	1	1	2
\$300.00 or greater .....	3	2	4	3	3	3	2	2	3	3	2	5
Composite rate <sup>3</sup> .....	1	1	( <sup>2</sup> )	1	1	( <sup>2</sup> )	( <sup>2</sup> )	1	( <sup>2</sup> )	1	1	( <sup>2</sup> )
Varies <sup>4</sup> .....	2	2	3	3	3	4	1	1	3	2	2	3
Other .....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	-
Flexible benefits <sup>5</sup> .....	13	13	14	18	17	18	15	17	11	8	7	12
Percent of earnings .....	1	1	1	1	1	1	( <sup>2</sup> )	( <sup>2</sup> )	1	( <sup>2</sup> )	1	( <sup>2</sup> )
Exists, but unknown .....	3	3	3	3	3	3	5	6	5	2	1	2
Average <sup>6</sup> flat monthly contribution in dollars .....	118.33	112.18	132.66	120.42	116.21	128.28	127.42	119.84	141.12	111.56	105.96	129.85

<sup>1</sup> Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision or prescription drug coverage. If the amount of contribution varied by either size or composition of family, the rate for an employee with a spouse and one child was used. For a small percentage of employees, the employee contributes the same amount for single and family coverage.

<sup>2</sup> Less than 0.5 percent.

<sup>3</sup> A composite rate is a set contribution covering more than one benefit area, for example, health care and sickness and accident insurance. Cost

data for individual plans cannot be determined.

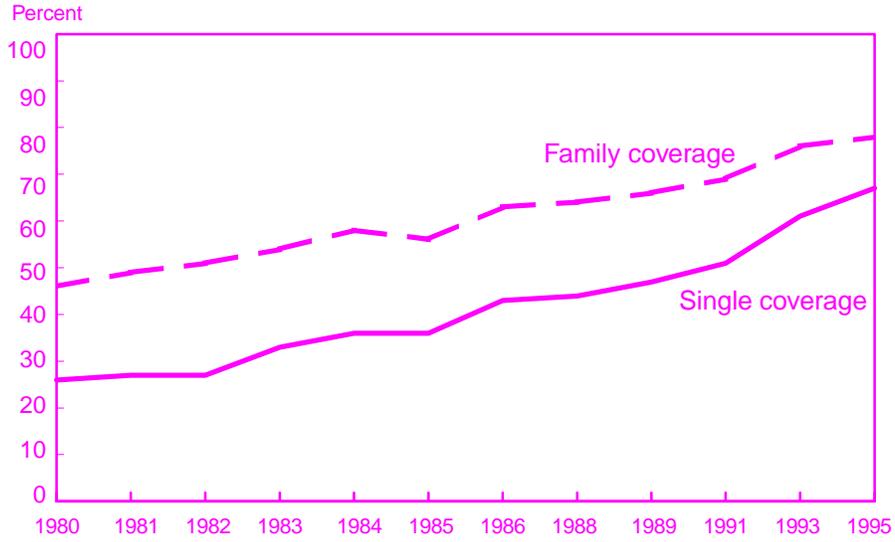
<sup>4</sup> Based on worker attributes. For example, employee contributions may vary based on earnings, length of service, or age.

<sup>5</sup> Amount varies by options selected under a "cafeteria plan" or employer-sponsored reimbursement account.

<sup>6</sup> The average is presented for all covered workers and excludes workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Dash indicates no employees in this category.

**Chart 1. Percent of medical care plan participants required to contribute to plan costs, medium and large private establishments, selected years, 1980-95**



**Chart 2. Changes in employee average contributions for medical care, medium and large private establishments, and the CPI-U for medical care, selected years, 1983-95**

