HEALTH INSURANCE COSTS FOR EMPLOYERS INCREASE, KAISER REPORT FINDS

The cost of employer-paid health insurance increases to an average of $2.59 per hour per worker in 2005, an increase of more than 61 percent, or about $1 per hour, since 1999, according to a Kaiser Family Foundation study. Health care costs also constitute a growing share of overall payroll costs, from a median of 8.2 percent in 1999 to 11 percent in 2005. In 2005, over half of employers, 56 percent, had health care costs that exceeded 10 percent of total payroll, up from 38 percent in 1999.

“The wide variation in employer costs as a percentage of payroll means there is not a typical or common percentage of payroll for health care that relates to most jobs. This suggests it would be quite difficult to develop a percentage of payroll requirement that would maintain the status quo for employers that do offer coverage or put employers that offer and do not offer on an equal basis with respect to health benefits.” Kaiser researchers also find wide variations in health care costs by occupation and business size. In general, health insurance costs rise with the size of a business. Kaiser attributes the rise to the fact that larger employers generally offer higher average levels of total compensation, and to higher participation in health plans at larger organizations.

The report finds that health insurance costs for employees in lower-paid occupations, such as sales and services, were lower in hourly dollar amounts compared to higher-paid jobs such as professionals, executives, and technicians. In 2005, for example, health insurance costs per hour ranged from $1.64 for workers in sales positions to $2.70 per hour for transportation workers and $3.38 per hour for professionals. Conversely, as costs per hour increase, the proportion of health care costs to total compensation decreases. For example, executive and managerial employees’ average health insurance expenses comprised only 9 percent of total payroll in 2005, whereas health costs made up 15 percent of total compensation for clerical and administrative support workers. The differences could be driven by benefit generosity and differences in plan participation by workers and dependents, but the health costs for lower-paid workers were a larger percentage of that workforce’s payroll because they earn less.

Kaiser says the report can help policymakers better understand the issues facing different types of businesses and workers while “trying to establish a funding mechanism for health insurance coverage based on worker payroll.” The authors also say the data suggests that in a theoretical new health care program, “an employer requirement established at a static percentage of payroll would become less related to the actual cost of health insurance over time.”

The report, Employer Health Insurance Costs and Worker Compensation, is available at http://www.kff.org/insurance/snapshot/chcm030808oth.cfm. It is based on data from the National Compensation Survey.