

RURAL HEALTH FACTS

Employer-Sponsored Health Insurance in North Dakota

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Employer-sponsored health insurance for employees is one of the primary sources of health insurance coverage in the United States. In 2004, approximately 159 million Americans, 62 percent of the nonelderly population, were insured through employers.¹ This is a decline from 2000 when 67 percent of nonelders were covered by employer-sponsored health insurance.

In 2005, the University of North Dakota Center for Rural Health partnered with Job Service North Dakota to survey a sample of North Dakota employers on health insurance coverage for their employees and their family members. The aim was to determine the rates and patterns of employer-sponsored health insurance coverage and explore barriers that prevent some employers from providing this benefit to their employees.

About half (52%) of those surveyed responded. Most of the responding employers are in the private sector (94%), followed by local government (3%), state government (3%), and federal government (0.1%). The most common firm size is two to 10 employees (59%), followed by 11 to 50 (29%), 51 to 100 (5%), one person (4%), and more than 100 employees (3%).

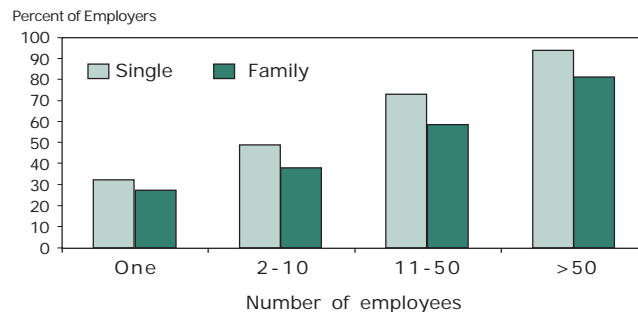
Health Insurance – Single and Family

Overall, about two-thirds (64%) of employers offer health insurance coverage (single and/or family) to their employees. Single coverage health insurance is offered to full-time employees by 60 percent of the employers. About twelve percent of the employers offer single coverage to part-time employees. For family health insurance coverage, 48 percent indicate full-time employees are offered this option. About ten percent indicate family health insurance coverage is offered to their part-time employees, too.

Health Insurance by Employer Size

The larger the employer, the more likely single and family health insurance is offered to their employees (Figure 1).

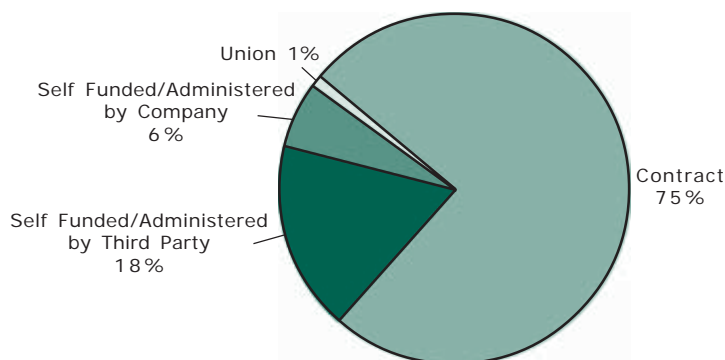
Figure 1. Offered Coverage by Employer Size



Health Insurance Sources

A majority of employers contract (Figure 2) with a commercial insurance company (e.g., Blue Cross Blue Shield) to provide employee coverage. Less frequently mentioned is 'self-funded and administered by third party payer.' That is, the employer hires an outside agency to manage the various aspects of purchasing and maintaining health insurance policies. 'Self-funded and administered by the company,' i.e., where employers have staff members who manage the purchase and maintenance of health insurance policies, was infrequently mentioned.

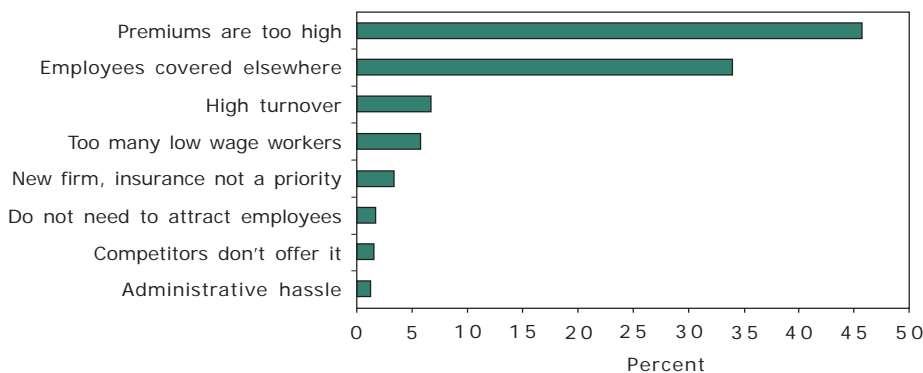
Figure 2. Health Insurance Sources



Reasons for Not Providing Health Insurance

Employers cite the high cost of premiums, employees covered by another source, high employee turnover, and too many low-wage workers as the primary reasons for not providing health insurance to employees (Figure 3).

Figure 3. Reasons for Not Offering Health Insurance



Note: Among firms that do not provide health insurance.

Premium Payment

For single health insurance coverage, 49 percent of employers who provide coverage pay the full annual premium, 48 percent of employers pay between 50-99 percent of the annual premium, and 3 percent pay less than half of the annual premium. For family coverage, 31 percent of employers who provide coverage pay the full annual premium, 56 percent of employers pay between 50-99 percent of the annual premium, and 13 percent of employers pay less than half of the annual premium.

Costs for Health Insurance

To examine average health insurance costs for North Dakota, we used federal Medical Expenditure Panel Survey (MEPS) data. For employer-based single health insurance, North Dakota had an average cost of about \$3,000 per employee, lower than the national average (\$3,481) and among the lowest across all States in 2003.² North Dakota employers covered four-fifths (81%) of this cost, with the employees covering the remainder. These percentage contributions were roughly equivalent to national figures.

For employer-based family health insurance coverage, insurance costs in North Dakota averaged \$7,866 per employee per year; this compared to \$9,249 per year for the nation, or 18 percent higher than North Dakota costs.³ Again, North Dakota's average cost for insurance was among the lowest in the U.S. North Dakota employers tend to cover about three-quarters (73%) of the premium and employees paid the remaining one-quarter. This percentage breakdown is comparable to figures for the nation.

Conclusion

Although North Dakota's average employer-based health insurance cost is among the lowest in the nation, 36 percent of surveyed employers do not provide health insurance coverage to their employees, primarily due to perceived high premium costs. Small employers (10 or fewer employees) in

North Dakota are least likely (55%) to provide any type of health insurance coverage to their workers. Conversely, 94 percent of large employers (>50 employees) provide insurance coverage to their employees. Employer-based health insurance is a cornerstone of the state's health care infrastructure. Access to affordable health insurance is and will likely continue to be a serious concern for North Dakota employers, especially small firms, that expend substantial efforts to recruit and retain good workers. In the past several years, premiums have increased beyond the rate of inflation and worker

earnings.⁴ At the same time, nationally, there is a downward trend in the number of workers covered by employers. In the face of rising health care and insurance costs, it will become increasingly important for policymakers and employers to seek new ways for securing and maintaining employer-based health insurance coverage in North Dakota.

References

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