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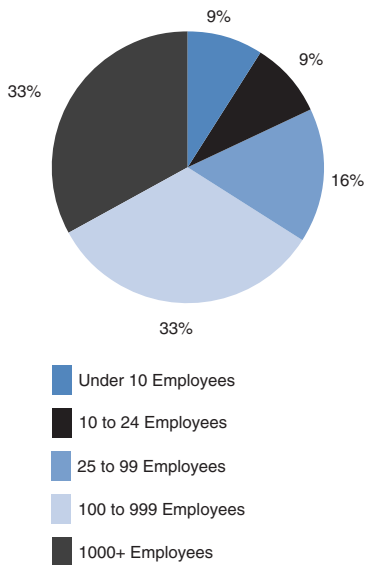
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GEORGIA HEALTHCARE COVERAGE PROJECT

Georgia Employer Health Benefits Survey

Figure 1.
Percent of Georgia Workforce By Firm Size

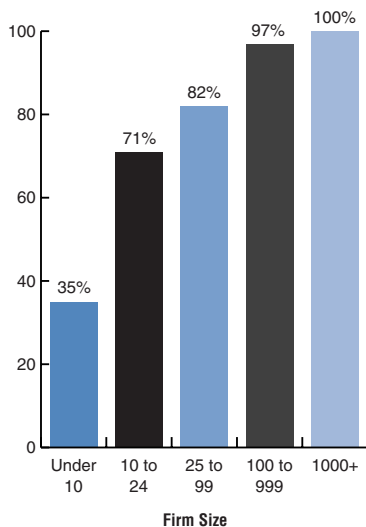


More than 9 out of 10 Georgians with private healthcare coverage obtain it through their employers or are dependents of someone who obtains private coverage through an employer. Roughly half of Georgia’s 8.5 million residents, or approximately 4 million people, are employed. About 400,000 individuals work for the state or federal government, and 3.6 million work for private or local government establishments with more than one person.

Of those establishments, 108,000 are single site establishments and almost 34,000 belong to multi-site firms. While Georgia’s small employers are an important part of the state’s economy and almost half (72,000) of the establishments have fewer than 10 employees, only 9% of the state’s labor force works in these small establishments (Figure 1). One-third of the state’s workforce is employed by firms that have 1000 or more employees and another third by firms consisting of 100 to 999 employees. Over half of all establishments and employees in Georgia are in the metro-Atlanta area, while 20% of the establishments and 18% of employees are in rural communities.

Over 3 million Georgians work in firms where health insurance is offered, about 2.5 million of those Georgians are eligible to enroll in their employers’ coverage plans, and about 80% of those eligible employees actually enroll.

Figure 2.
Percent of Georgia Employers That Offer Health Insurance Coverage By Firm Size



Which Georgia Employers Offer Healthcare Coverage?

The characteristics of firms that offer healthcare coverage to their employees differ significantly from those that do not offer such coverage.

FIRM SIZE AND LOCATION

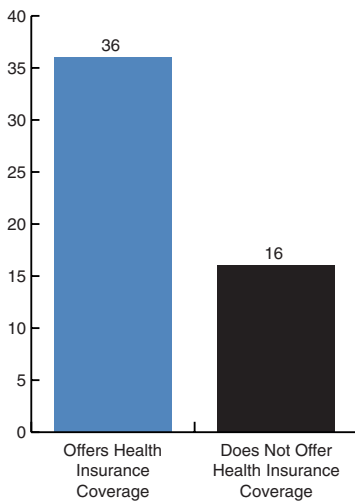
Firm size, location, and age all affect insurance coverage offered by an employer. The likelihood that a firm will offer coverage to at least some of its employees increases directly with the number of employees at the firm. Only 35% of firms with fewer than 10 employees offer coverage, while almost all firms with 100 or more employees offer a health plan to at least some employees (Figure 2).



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Figure 3.
Average Age of Firms that Do and Do Not Offer Coverage



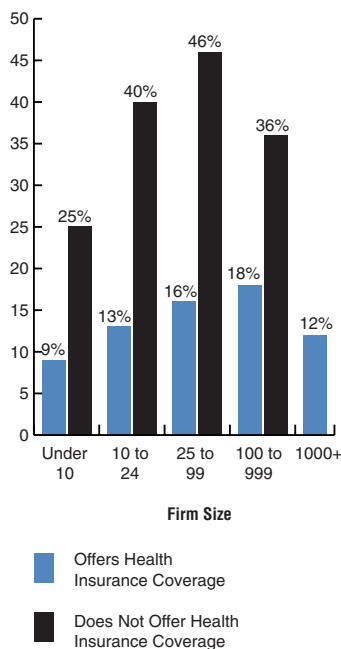
In addition, firms in Atlanta are significantly more likely to offer healthcare coverage to employees than are firms in rural areas. Only 49% of establishments in rural Georgia offer any healthcare coverage while 65% of Atlanta establishments report at least one health plan for their employees. This difference may be due to the wider availability of health insurance products in the Atlanta area.

The likelihood that a firm will offer coverage also increases with the age of the firm. The average age of a firm that offers coverage is 36 years, while the average age for a firm that does not offer coverage is only 16 (Figure 3). Older firms also tend to be larger firms. Establishments that have existed for 10 or fewer years employ 19 employees on average, while those in existence for more than 10 years employ an average of almost 200 employees.

FIRM WORKFORCE

There are significant workforce differences, such as percent of minority employees, wages, percent of part-time employees, turnover, and worker age, which are related to whether a firm offers healthcare coverage.

Figure 4.
Percent of Low Wage Employees in Firms that Do and Do Not Offer Coverage, By Firm Size

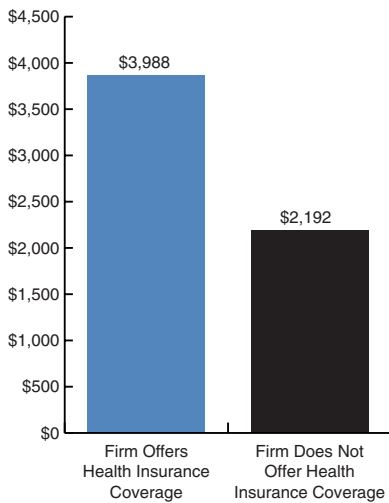


Firms that do not offer healthcare coverage report a significantly smaller share of employees who are minorities. Among firms that offer coverage, 26% of employees are Hispanic, African American, Asian or American Indian. However, among firms that do not offer coverage, only 19% are minorities. Large employers report a greater share of minority employees than do small employers and, as previously noted, are more likely than these small employers to offer health insurance coverage.

The most important distinction is the average wage paid to employees and the distribution of those wages (as measured by the percent of those employees who earn less than \$9 dollars per hour or about \$18,000 per year). Among firms with 100 employees or less, those that do not offer health benefits employ about three times as many “low wage” workers as those with some type of employment-based health plan offering (Figure 4).

Note: All firms with 1000+ employees reported offering at least one health insurance plan.

Figure 5.
Average Monthly Wage for Employees of Firms that Do and Do Not Offer Coverage



At all firm sizes and in both rural and urban areas, firms that do not offer coverage have a greater percent of low wage employees than firms that offer coverage (27.5% vs. 13.1%). Not surprisingly then, firms that offer coverage also have a much higher average employee monthly wage (Figure 5) than firms that do not offer coverage (\$3,988 vs. \$2,192). In firms with less than 10 employees, the difference in average wage is even more striking; the average employee monthly wage is \$5,311 in firms that do offer coverage, while at those that do not, the average employee monthly wage is \$2,284.

Georgia employers consider any employee working fewer than 35 hours per week to be part-time. On average, only 20% of part-time employees work for a firm in which they are eligible for private coverage. Just 13% of part-time employees in firms of less than 100 employees are eligible for private coverage, while 25% of those in firms of more than 100 employees are eligible. Overall, 22% of Georgia establishments report that part-time employees may be eligible for coverage.

Turnover and worker tenure are additional factors strongly related to a firm's offer of coverage. For purposes of this study, full-time employees who have worked in a firm for less than one year are classified as short-term workers. Firms that do not offer health insurance coverage employ a greater percent of short-term workers than firms that offer coverage (20% vs. 16%). This suggests that firms not offering coverage have substantially higher worker turnover than do firms with an employment-based health plan.

Younger workers are more likely to work in firms that do not offer coverage. Among firms that have between 10 and 99 employees that do not offer health insurance, an average of 16% of employees are under age 25. Among similarly sized firms that offer health insurance benefits, significantly fewer employees are young workers (about 9%).

RELATIONSHIP OF HEALTHCARE COVERAGE TO OTHER EMPLOYEE BENEFITS

Firms that offer health insurance coverage are also very likely to offer life insurance, retirement benefits, and short or long term disability benefits to their employees. Firms that do not offer health coverage are likely to only offer paid holidays or vacation as benefits but are significantly more likely than firms that offer coverage to allow a flexible work schedule (31% vs. 25%).

Figure 6.
Percent of Firms
that Offer a Choice of Health Plans

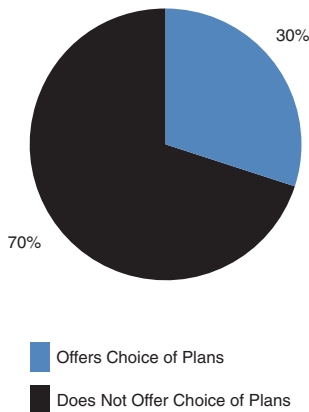
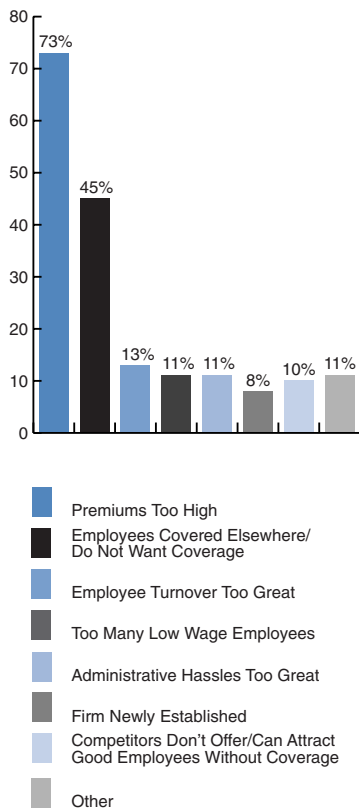


Figure 7.
Georgia Employer Reasons for Not Offering
Employment-based Coverage



NATURE OF COVERAGE

Firms that offer health insurance typically include hospitalizations, emergency care, and prescription drugs in their packages. Ninety-seven percent of the plans cover preventive care and mental health-care, while a smaller percentage include dental and eye care coverage (68% and 45%, respectively). These findings are consistent with the fact that state and federal laws require most health plans to cover major medical care but not necessarily mental health, dental, or eye care.

Many employers (about 30%) who offer health plans are giving their employees a choice of plans (Figure 6). This is particularly true of large employers. Eighty percent of the establishments in Georgia offer a Preferred Provider Organization product, 36% offer a Health Maintenance Organization product, 5% offer a Point of Service product, 14% offer a traditional indemnity plan, 15% offer a special or dread disease policy, 11% offer a non-insurance discount plan, 4% offer a high deductible plan, and 1% offer a voucher for individual coverage. Eleven percent report offering a medical savings account or a flexible spending account to their employees.

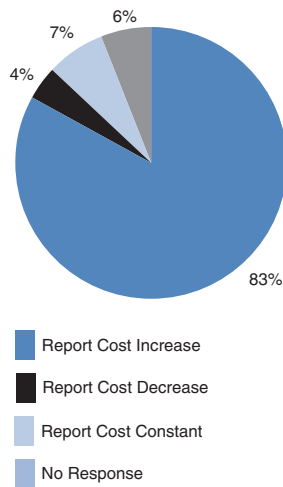
Why Do Georgia Employers Not Offer Coverage?

About 400,000 Georgians work in firms that do not offer health insurance coverage. The most commonly cited reason, stated by 73% of Georgia employers, is the high cost of premiums (Figure 7). Forty-five percent feel that their employees are covered elsewhere or do not want coverage, and 13% say employee turnover is too great. Additional reasons cited include: too many low wage employees (11%), administrative hassles (11%), firm too newly established to offer coverage (8%), and ability to attract good employees without offering coverage or competitors do not offer coverage (10%). Also mentioned are small group size, low employee participation, and coverage previously cancelled by carriers.



GEORGIA HEALTHCARE COVERAGE PROJECT

Figure 8.
Changes in Plan Costs, 2000 to 2001, by
Percentage of Georgia Establishments



How Does Cost Affect Coverage?

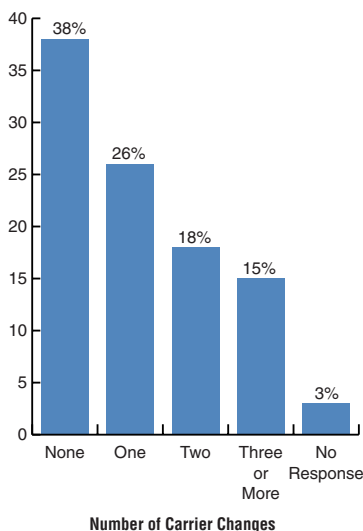
The cost of health insurance, the primary reason employers in Georgia do not offer healthcare coverage, is rising and affecting rates of coverage. The average annual premium for single person employer sponsored coverage is \$3,228, and the average annual premium for family coverage is \$7,368. More than 83% of establishments and 79% of employees in Georgia faced an increase in total health plan costs over the past year, while just 4% of establishments and 3% of employees saw a decrease in cost during that same period (Figure 8).

It appears that employers are passing some, but not all, of these price increases on to employees. As compared with last year, 15% of establishments report that their employees faced an increase in premiums for individual coverage, 31% report an increase in dependent premiums, 51% report an increase in copayments, and 43% report an increase in deductibles. On the other hand, plan design appears to be relatively stable, with 86% reporting no change in covered services and 77% reporting no change in choice of providers.

About 300,000 Georgia employees work in 47,000 establishments that have never provided health insurance coverage. Notably, though, of the establishments that do not offer coverage now, 16% previously offered coverage. Those 16% of establishments that no longer offer coverage employ more than 83,000 employees. Sixty-one percent of those establishments previously offering coverage have dropped coverage since the year 2000, corresponding with changes in the economy.

Employers are also changing carriers frequently. In the past five years, more than 1 out of 3 employees and 1 out of 4 establishments changed health insurance carriers once; 1 out of 3 employees and establishments reported changing carriers two or more times (Figure 9).

Figure 9.
Percent of Firms that Have
Changed Carriers in Previous Five Years



Employer-sponsored healthcare coverage is the predominant source of health insurance for Georgians. Understanding trends in the private and self-funded health insurance marketplace is critical to influencing economic health and employee benefits and to improving access to healthcare.

It is anticipated that this and other information from the Georgia Healthcare Coverage Project will be used to evaluate legislation and existing laws, assess current and new programs for the uninsured, and monitor progress over time in providing Georgians access to healthcare through health insurance or other financing mechanisms.

Data Collection Method

A health benefits survey of business establishments in Georgia, selected at random based on firm size and location, was performed by Georgia State University between October 2002 and January 2003. The purpose of the survey was to gather information about the characteristics of these establishments' work forces and the benefits available to employees.

The sample for the survey was drawn from the ES202 Firm-level Employment and Address Data, collected by the Georgia Department of Labor, and compiled from the Tax and Wage Report, which is filed quarterly by each Georgia employer covered by unemployment insurance legislation.

The survey was mailed to selected establishments with a request that it be forwarded to the individual responsible for employee benefits. The employer or representative was asked to complete one of two forms depending upon whether or not employees were offered any health benefits and could elect to submit replies electronically, by fax, or by mail in a pre-paid envelope. A follow up postcard was mailed to establishments that had not responded three weeks after the initial mailing, and a second survey was sent to those establishments that had not yet responded after six weeks. A total of 1421 employers responded to the survey—a response rate of almost 22%.