

THE RISE IN PRIVATE SECTOR EMPLOYER-SPONSORED HEALTH INSURANCE PREMIUMS

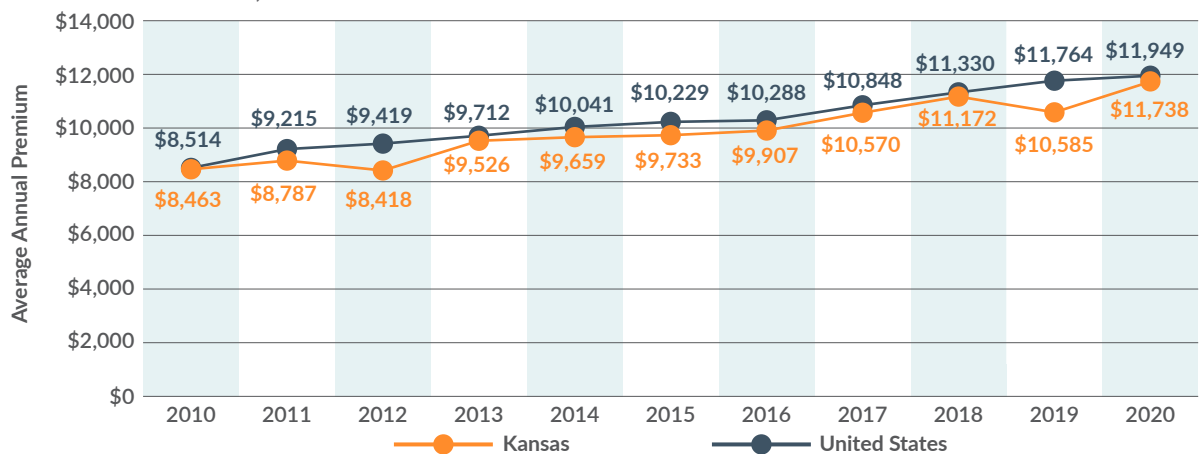
More than half (55.6 percent) of Kansans obtained their health insurance through a private or public sector employer in 2019. Among private sector employers, about half (51.8 percent, or 35,102 out of 67,765) offered health insurance benefits, enrolling an estimated 533,090 employees in an employee-only, employee plus one or a family plan at an annual total premium (employer and employee share) of \$6.3 billion statewide. Because of their contribution to health benefits, the cost of which is driven by the price and use of healthcare, employers have an incentive to lower healthcare cost and support employees' health.

This issue brief provides data on the average amount paid by private sector employers and employees for employer-sponsored health insurance premiums over the last decade, the average employer and employee contributions in 2020 and compares premiums paid in Kansas to premiums across the United States.

Premiums Steadily Increasing Over Time

Figure 1 shows the trend in average annual premiums paid for employer-sponsored insurance in Kansas and across the United States from 2010 through 2020. The average

Figure 1. Average Private Sector Employer-Sponsored Health Insurance Annual Premiums in Kansas and the United States, 2010-2020

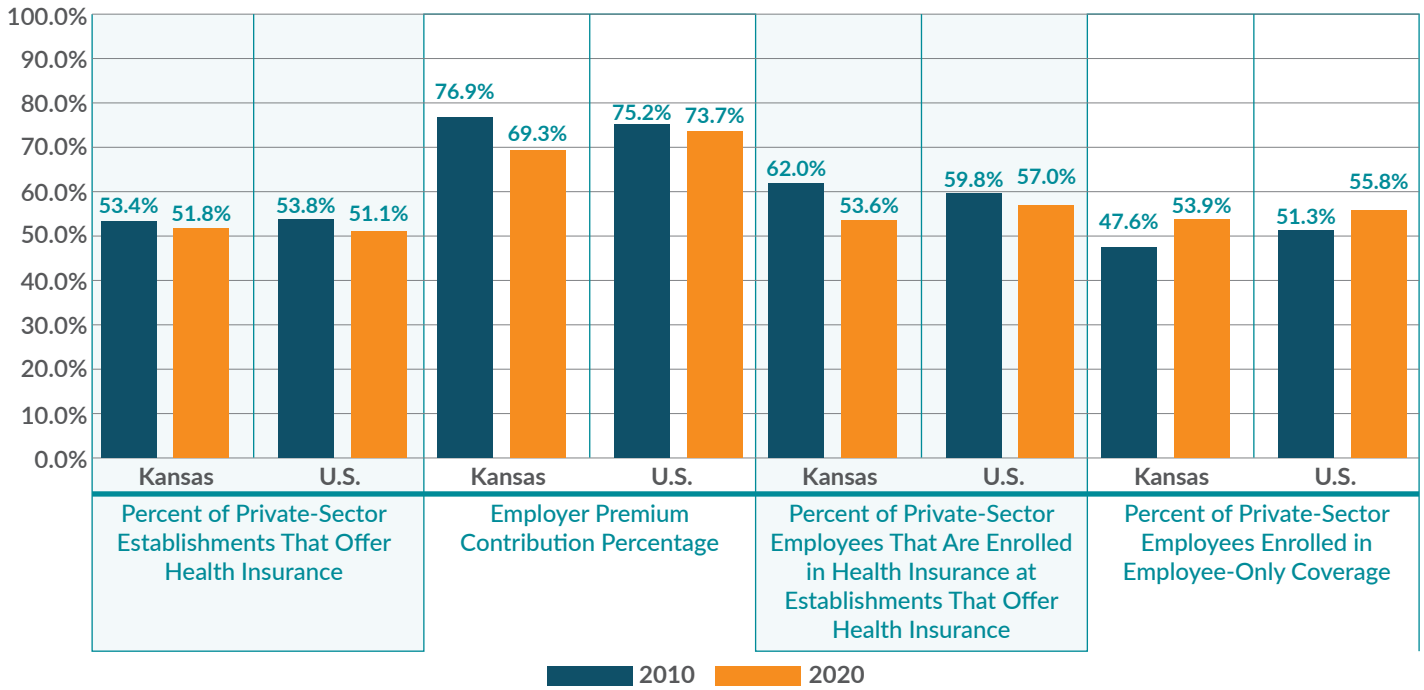


Note: Average is calculated by weighting the average employee-only, employee plus one and family premiums by the percentage of employees enrolled in each. Source: KHI analysis of data from Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Panel Survey - Insurance Component, 2010-2020.

KEY POINTS

- ✓ The average annual premium for enrollees in private sector employer-sponsored insurance plans in Kansas rose from \$8,463 to \$11,738 between 2010 and 2020 – a 38.7 percent increase, which was similar to the increase in the United States during that time (40.3 percent).
- ✓ The percent of employees enrolling in health insurance at private sector businesses that offered coverage declined from 62.0 percent in 2010 to 53.6 percent in 2020 as average premiums increased and the percent of the average premium contributed by employers decreased.
- ✓ Kansas employers contributed 69.3 percent of the annual premium cost on average in 2020, but contributions varied by plan type and size of business. Contributions were highest (77.4 percent) for employee-only plans at large businesses (50 or more employees) and lowest (50.3 percent) for employees enrolled in family plans at small businesses (50 or fewer employees).
- ✓ The average premium for enrollees in employer-sponsored insurance plans across the country varies widely. Arkansas had the lowest average annual premium, \$9,973, and Alaska had the highest, \$13,703.

Figure 2. Changes in Employer-Sponsored Health Insurance in Kansas and the United States, 2010 and 2020



Source: KHI analysis of data from Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Panel Survey – Insurance Component, 2020

annual premium for employer-sponsored health insurance coverage was \$11,738 in Kansas in 2020, a 38.7 percent increase from 2010. The increase in Kansas is similar to the increase across the United States (40.3 percent).

Changes in Employer-Sponsored Insurance

The rising cost of private sector employer-sponsored insurance premiums has implications for both employers and employees. As premiums rose in Kansas over the last decade, fewer businesses offered coverage, the percent of premium contributed by employers decreased and fewer employees of businesses that offered health insurance enrolled in coverage (Figure 2). Among employees who enrolled in coverage, the proportion of those enrolling in less expensive employee-only coverage increased.

Employer Contributions to Employer-Sponsored Insurance

The average employer contribution to employer-sponsored health insurance in Kansas decreased by 7.6 percentage points from 76.9 percent in 2010 to 69.3 percent in 2020. However, the amount contributed varies by plan type.

Figure 3, page 3, compares the average amount of premium paid by employers and employees by plan type and size of business in 2020.

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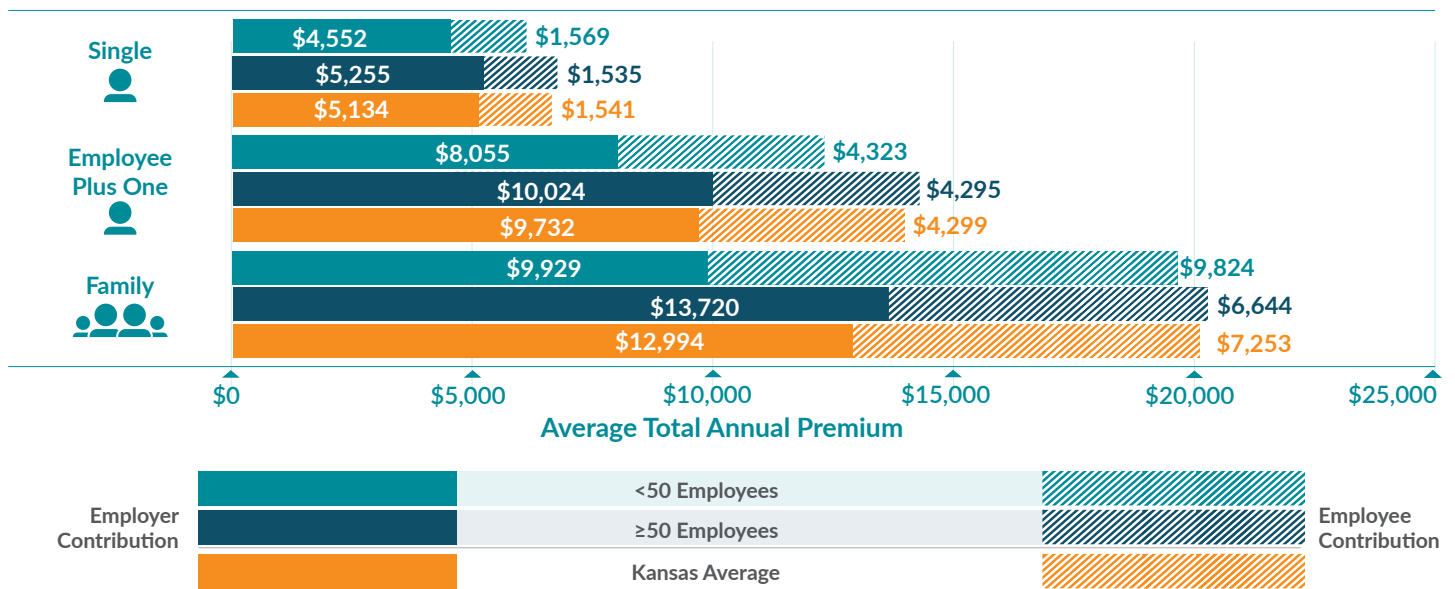
Health Insurance Premiums Vary Across States

Figure 4, page 4, shows the average annual premium paid for employer-sponsored health insurance in each state in 2020. The total annual premium is also shown as a percentage of total private sector employee compensation (wages and benefits) in each state.

The average premium in Kansas is similar to the average premium in the United States. However, because compensation in Kansas is lower than compensation nationally, the percentage of compensation paid towards premiums is higher. In 2020, the total premium in Kansas was 8.4 percent of total compensation for private sector employees compared to 7.7 percent nationally.

There are also significant differences in the average annual premium for employer-sponsored health insurance across the country. The average annual premium varied from a low of \$9,973 in Arkansas to

Figure 3. Average Amount Contributed to Private Sector Employer-Sponsored Health Insurance Annual Premiums in Kansas, 2020



Percent Contributed to Employer-Sponsored Health Insurance Annual Premiums by Employers in Kansas and United States, 2020		Kansas			United States			
		Employee Only	Employee Plus One	Family	Employee Only	Employee Plus One	Family	
		Small Business <50 Employees	74.4%	65.1%	50.3%	79.1%	67.5%	65.4%
		Large Business ≥50 Employees	77.4%	70.0%	67.4%	78.5%	72.0%	71.9%
All Businesses	76.9%	69.4%	64.2%	78.6%	71.6%	71.2%		

Note: For small businesses in Kansas (less than 50 employees) an estimated 49,601 (53.8 percent) employees are enrolled in employee-only coverage, 15,212 (16.5 percent) are enrolled in employee plus one coverage and 27,382 (29.7 percent) are enrolled in family coverage. For large businesses (50 or more employees) an estimated 238,297 (54.0 percent) employees are enrolled in single coverage, 87,375 (19.8 percent) are enrolled in employee plus one coverage and 116,059 (26.3 percent) are enrolled in family coverage. Source: KHI analysis of data from Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Panel Survey – Insurance Component, 2020

a high of \$13,703 in Alaska. Some of the variation in average premium is explained by differences in plan selections between states (e.g., 60.2 percent of employees in Arkansas were enrolled in employee-only coverage in 2020 compared to 53.9 percent in Kansas) and some is due to differences in premiums for employee-only, employee-plus-one and family plans. For example, in Arkansas the premium for a family plan is 15.6 percent lower than in Kansas, an employee-plus-one plan is 8.3 percent lower than in Kansas and an employee-only plan is 3.9 percent lower than in Kansas on average.

Discussion

The growth in health insurance premiums is mostly accounted for by the increase in healthcare spending. Actuaries from the Centers for Medicare and Medicaid Services (CMS) find that expenditures for private health insurance enrollees increased 40.4 percent nationally from \$819.86 billion in 2010 to \$1.15 trillion

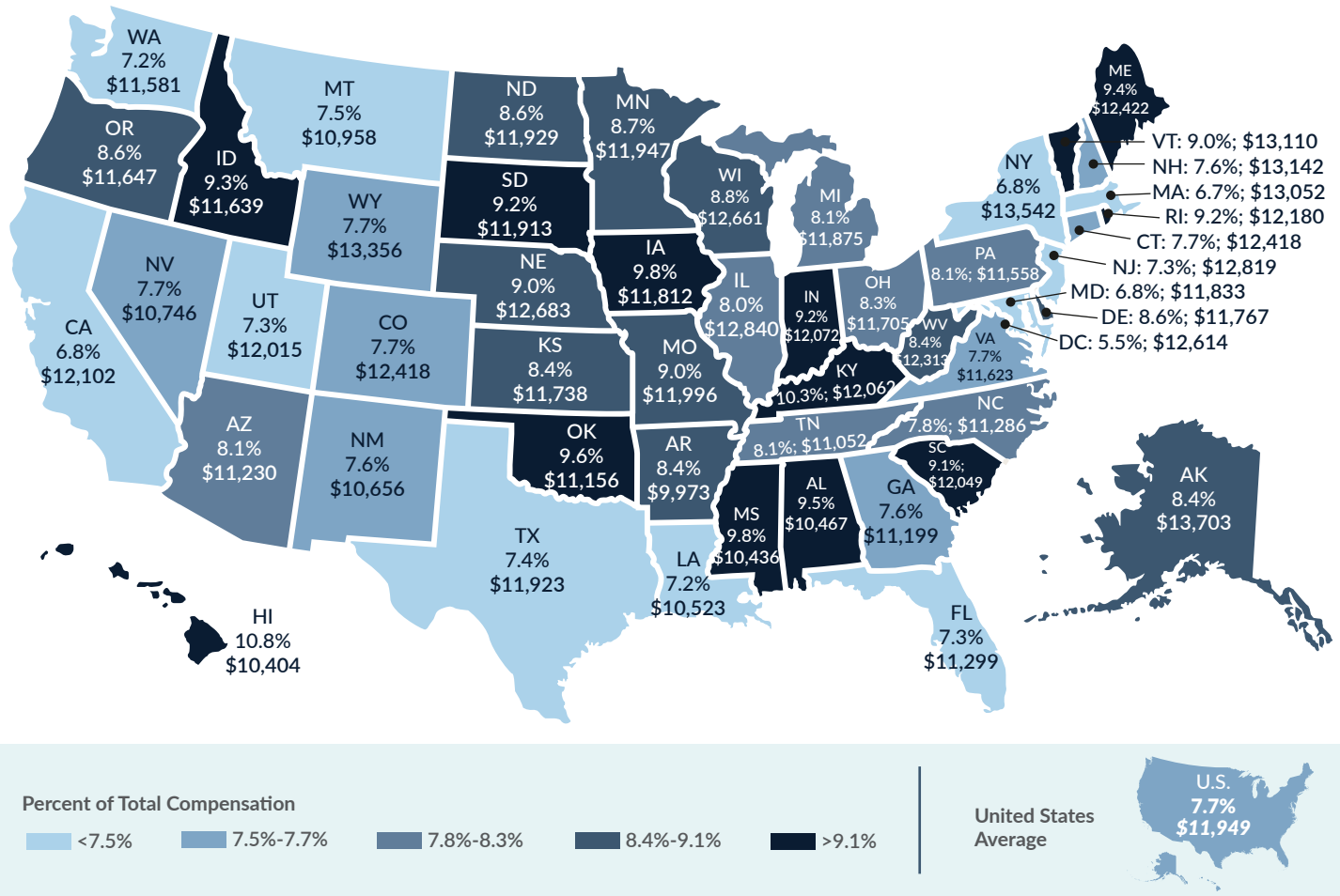
in 2020. Spending on healthcare services and goods accounted for 86.9 percent of private health insurance expenditures in 2020 and had increased 37.9 percent since 2010 from to \$725.10 billion to \$1.00 trillion.

As premiums rise, the financial burden on employees and employers increases. To mitigate this rising burden, employers may choose to reduce benefits in the plans they offer (e.g., increase cost sharing or deductibles, or implement narrower provider networks), increase their employees' share of premiums, which ultimately could affect employee health, productivity and retention, or alter their business plans to accommodate higher compensation for their employees. To the extent that healthcare costs rise faster than their revenue, employers offering health insurance may have to decide between hiring and growing their business and increasing total compensation for their current employees.

Researchers have identified several factors that may explain differences in premiums for employer-sponsored insurance plans among states including employees' health status, insurer competition, benefit design, prices for healthcare services, utilization, plan selection (e.g., family vs employee-only coverage), and other coverage options available in the state.

The data in this analysis do not identify the specific factors contributing to the differences in annual premiums between Kansas and other states, but there may be an opportunity for Kansas employers and policymakers to work together to determine if there are policy or legislative options that could impact the cost of employer-sponsored health insurance in the state.

Figure 4. Differences in Average Annual Premium and Total Premium as a Percent of Total Private Sector Employee Compensation, 2020



Note: Average annual premium is calculated by weighting the average employee-only, employee plus one and family premiums by the percentage of employees enrolled in each. Total compensation includes the total wages and benefits paid to private sector non farm employees.
 Source: KHI analysis of data from Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Panel Survey – Insurance Component and the Bureau of Economic Analysis on Personal Income, 2020.

ABOUT THE ISSUE BRIEF

This issue brief is based on work done by Phillip Steiner, M.A., Wendy Dang, M.P.H., C.P.H., and Wen-Chieh Lin, Ph.D. It is available online at khi.org/policy/article/22-24.

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