

## Salary.com Small Business Survey: **Basic Medical Coverage**



Data tailored for:  
Companies with 1-200 Employees

Private & Confidential  
July 30, 2005

# Market Opinion

Here we present Salary.com's opinion of the prevailing "market standard" for basic medical coverage. Our Market Opinion is based on data submitted by all participating companies (1-200 employees), and provides expert commentary and advice. Detailed survey results are attached. Detailed survey results are also based on data submitted by all participants, except where a ✓ in the upper-right corner expressly indicates a more tailored set of survey respondents.

## Benefit Availability:

Almost all small businesses (97.4%) offer employees a basic medical benefit. Fully 22.8% of employers go further and charge their employees absolutely nothing in premiums.

In our view, basic medical coverage is "table stakes" -- i.e., a benefit that must be offered, and not a differentiator that can be used to attract, retain, and motivate employees. However, providing medical coverage at *no cost* to employees may be an effective way to differentiate your company from other employers.

97.4%  
offer coverage

## Employee Eligibility:

Most companies (72.4%) impose eligibility standards on full- and part-time employees seeking medical coverage. Only 27.6% make all employees eligible from the first day of work. Eligibility standards are appropriate for employees likely to resign in the early months of employment.

The most frequently-used eligibility standard for full-time employees is *minimum employment length* – 69 days. The most common eligibility standard for part-time employees is *minimum hours worked per week* – 28 hrs. Employers frequently use multiple standards.

On average, 92.8% of full-time employees are eligible for basic medical coverage, compared to 38.5% of part-time employees. Eligibility standards for part-timers can be relaxed, given the generally low demand among part-time employees for medical coverage.

72.4%  
have eligibility standards

## Employee Participation:

On average 92.8% of full-time employees are eligible for basic medical coverage, but only 78.4% actually participate. The drop-off for part-time employees is much more dramatic: on average, 38.5% of part-time employees are eligible for coverage, but only 12.8% choose to participate.

Employers should not overestimate the value part-time employees attach to medical coverage. Most part-timers obtain coverage elsewhere, perhaps through a spouse. Employers can consider relaxing eligibility standards for part-time employees, or eliminate those standards altogether.

15.9%  
of part-timers participate

## Non-Participation Carrots:

14.0% of small businesses actually incentivize eligible employees *not* to participate in the company's medical plan. These incentives include cash rebates and contributions to other employee accounts (HSAs, 401k, etc.). This is a trend to watch!

14.0%  
offer incentives

## Medical Plans Offered:

Despite the variety of medical plans available (with their confusing names and acronyms), 3 plan formats emerge as clear favorites among employers: Preferred Provider Organization; Health Maintenance Organization; and Point of Service. Many employers offer more than one format, and in some cases all three. Small business managers can reduce confusion and complexity for themselves and employees by focusing on the three main plan types and ignoring the rest.

3 Plans  
lead the pack

# Market Opinion (cont...)

## Cost of Coverage:

49.7% of all companies say that the total cost of providing medical coverage has increased 10% or more since 2004. 9.3% of all companies report increases of 20% or more. The problem of rising health care costs is real and widespread. Many companies are taking concrete steps to reduce the cost of medical coverage overall (or at least the employer's share of the cost). On average, the total cost of a year's worth of medical coverage for an employee now equals 14.6% of the employee's gross annual salary.

**14.6%**  
(of gross salary)

## Cost Sharing:

On average, employers pick up 63.4% of the cost of annual medical coverage premiums, leaving employees to pay the remaining 36.6%. Many companies (22.8%) pay *all* premiums associated with medical coverage and charge employees nothing for the benefit. At the other end of the scale, 10.7% of all companies pay *nothing* toward medical coverage premiums, leaving employees to cover the entire cost of medical coverage themselves.

**63.4%**  
(avg. employer share)

Employers should note that charging employees nothing for coverage could result in employee participation of the wrong kind. Where the cost of participation is zero, some employees will join the plan whether the benefit is needed or not. Employee cost-sharing is a useful tool for screening out employees adequately covered elsewhere.

## Cost Containment:

63.8% of all companies report trying one or more strategies to control the rising cost of medical coverage. Three cost-containment strategies emerge as clear favorites:

**63.8%**  
control costs

- Increasing employee co-payments
- Switching plan types (HMO, PPO, etc.)
- Increasing employee share of premiums

Five other strategies have been used by a much smaller group of employers (less than 10% of all respondents). These strategies include:

- Reducing extent of coverage
- Encouraging enrollment in spouse's plan
- Encouraging less plan utilization
- Fine-tuning eligibility standards
- Eliminating coverage altogether.

## Purchasing Process:

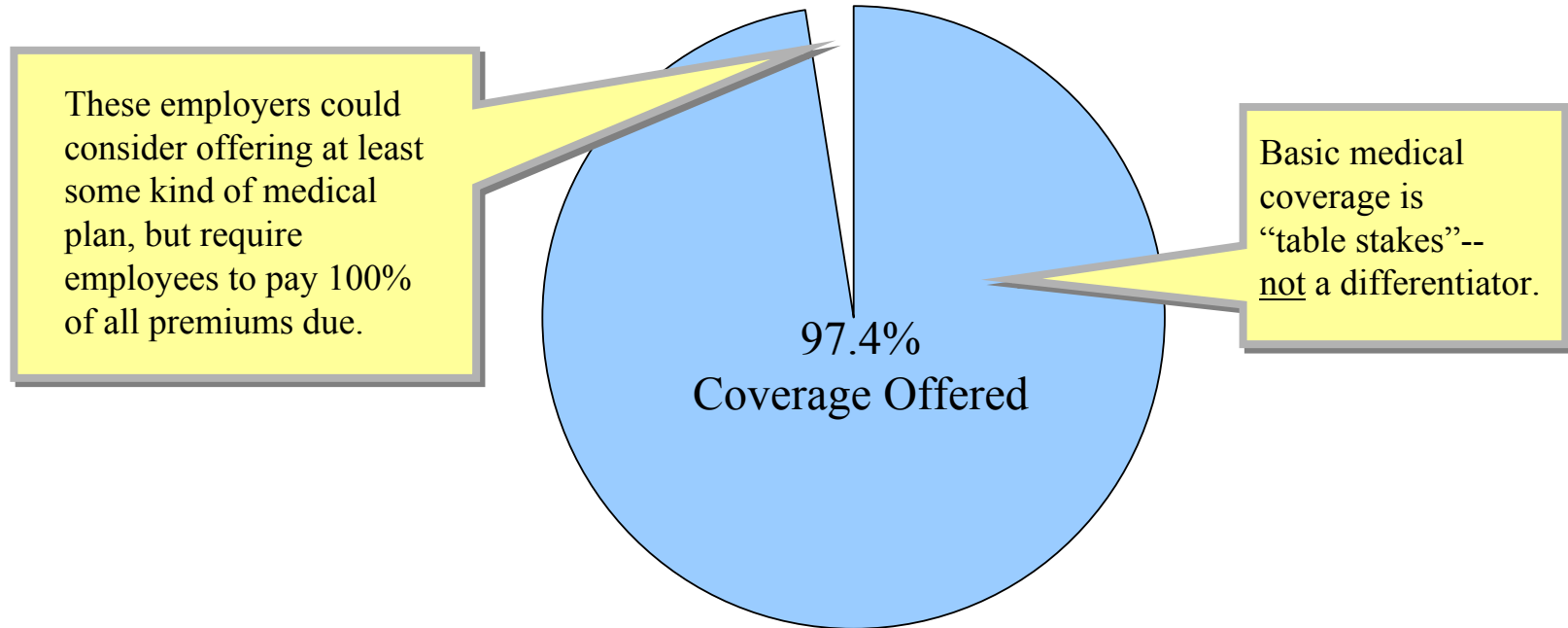
86.3% of small businesses purchase basic medical coverage through an independent insurance broker. Only 1.7% report joining forces with other companies (for example, through a buyer's cooperative) to purchase basic medical coverage. Salary.com recommends exploring group-purchasing options as a way of controlling the rising cost of medical coverage.

**86.3%**  
use independent brokers

# Benefit Availability

**Almost all small businesses offer basic medical coverage:**

% of All Companies Responding



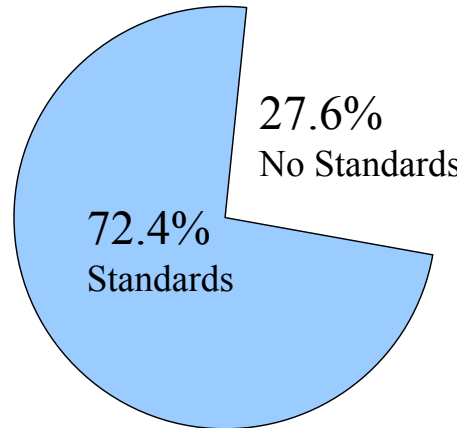
These employers could consider offering at least some kind of medical plan, but require employees to pay 100% of all premiums due.

Basic medical coverage is “table stakes”-- not a differentiator.

# Employee Eligibility

**Most companies impose *some* kind of eligibility standard on employees:**

% of All Companies Responding



Most frequent hurdle for full time employees (used by 60.3% of companies)

Most frequent hurdle for part-time employees (used by 22.1% of companies)

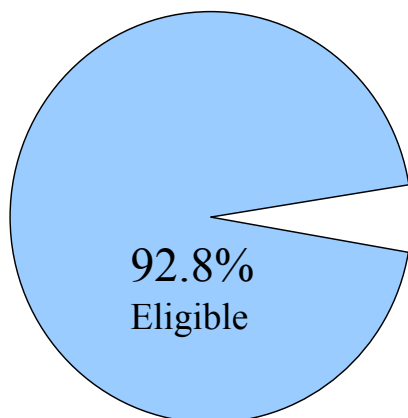
<u>Average Eligibility Standard</u>	<u>Full-Time Employees</u>	<u>Part-Time Employees</u>
Minimum employment length	69 days	72 days
Minimum hours/week	32 hours/week	28 hours/week
Minimum age	18 years	18 years

# Employee Eligibility

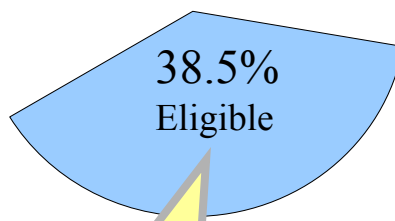
## Eligibility standards are tougher on part-time employees than full-time:

Average eligibility among...

Full-Time Employees (FTEs)

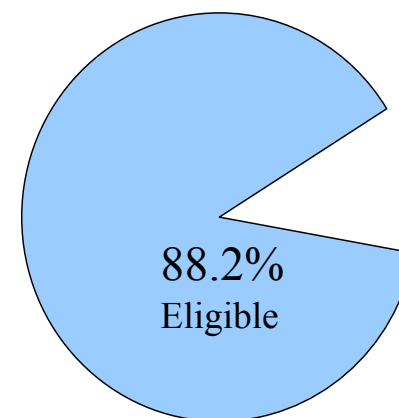


Part-Time Employees (PTEs)



Part-time employees face the highest eligibility standards.

All Employees (EEs)

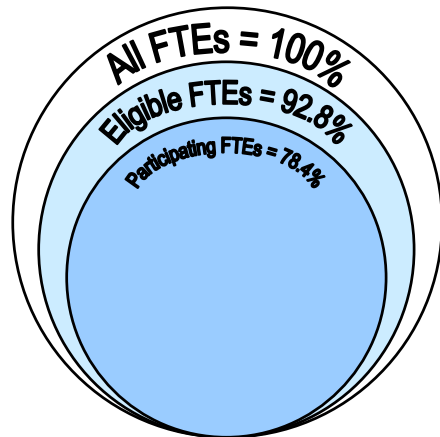


# Employee Participation

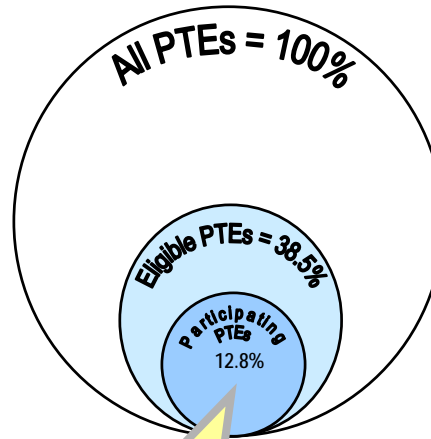
## Participation is much lower among part-time employees than full-time:

Average participation among...

Full-Time Employees (FTEs)

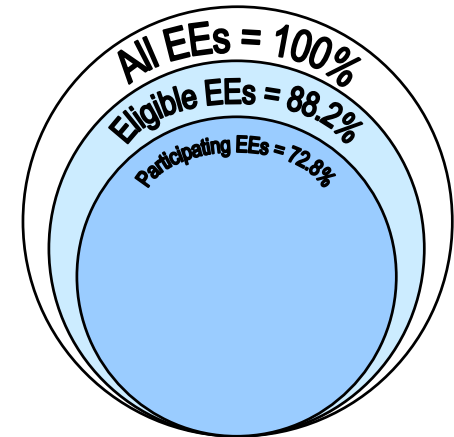


Part-Time Employees (PTEs)



Only about one-third of eligible part-time employees actually participate in the medical coverage plan.

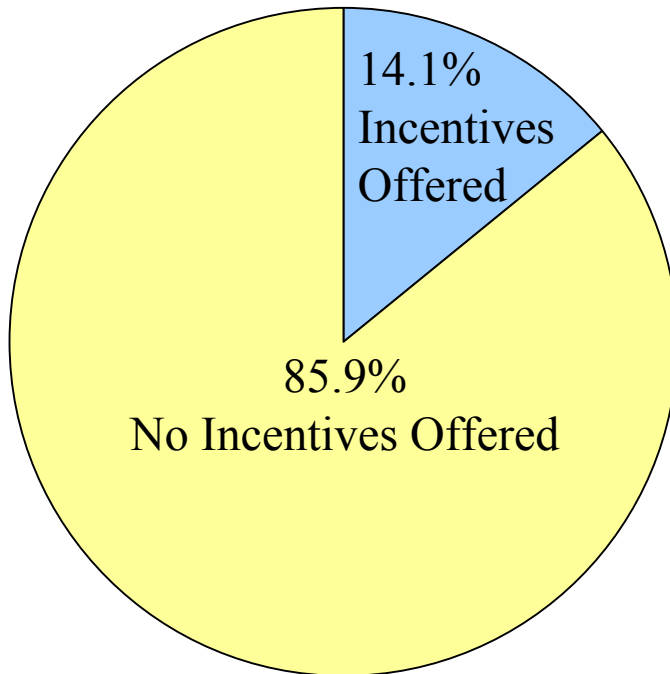
All Employees (EEs)



# Employee Participation

## Some companies actively encourage *non*-participation:

### % of All Companies Responding



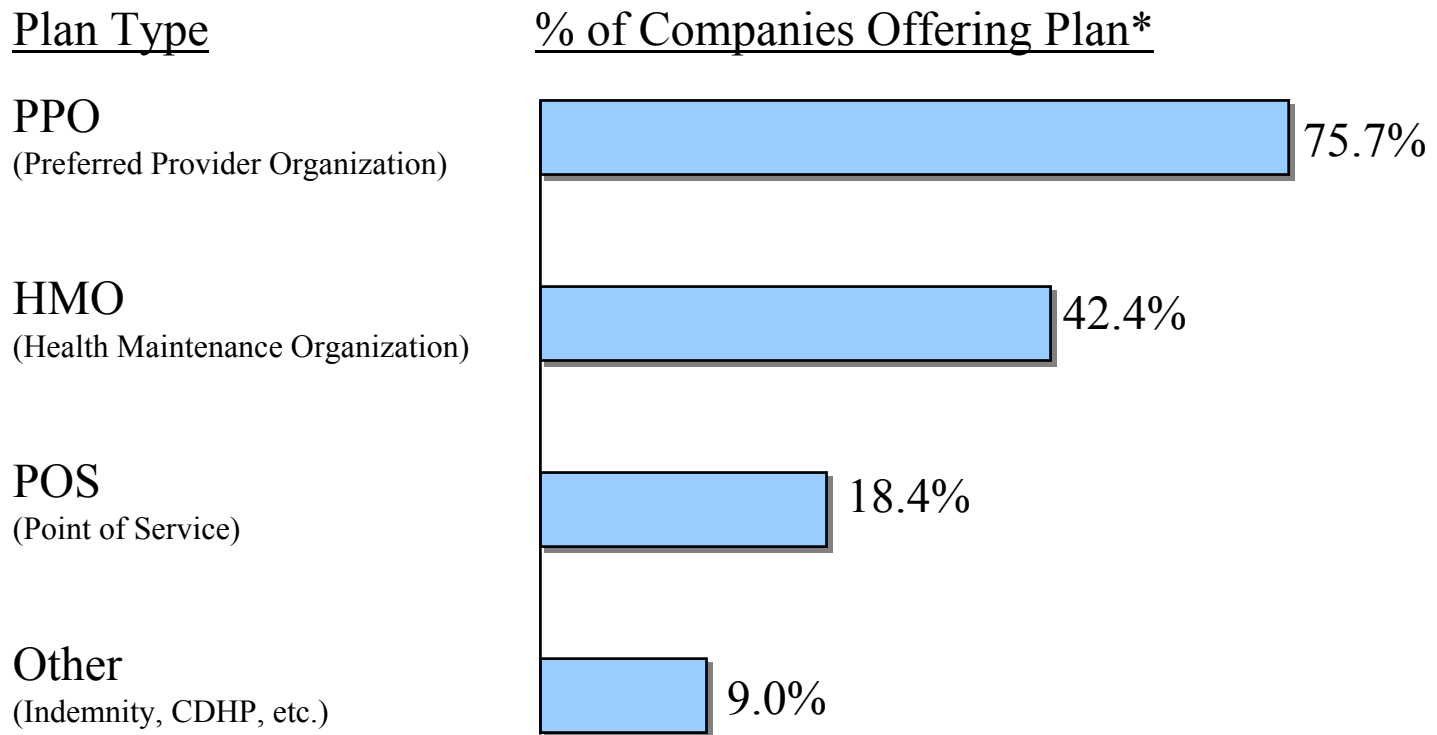
### Most Popular Incentives for Non-Participation

- Cash rebates (% of cost of coverage not used)
- Contribution to Health Savings Account
- Increase in annual salary
- Contribution to other accounts (401k, etc)



# Coverage Offered

## Three basic plan types lead the pack:



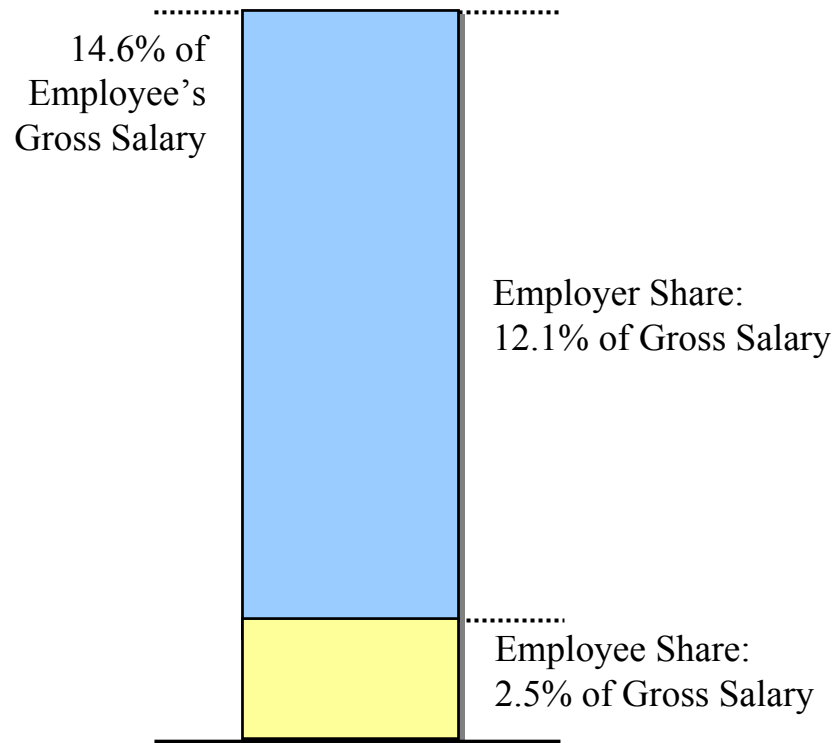
\* Many companies offer more than one plan type. Percentages add up to more than 100%.

# Cost of Coverage

**The average employee's medical coverage costs 14.6% of gross salary:**

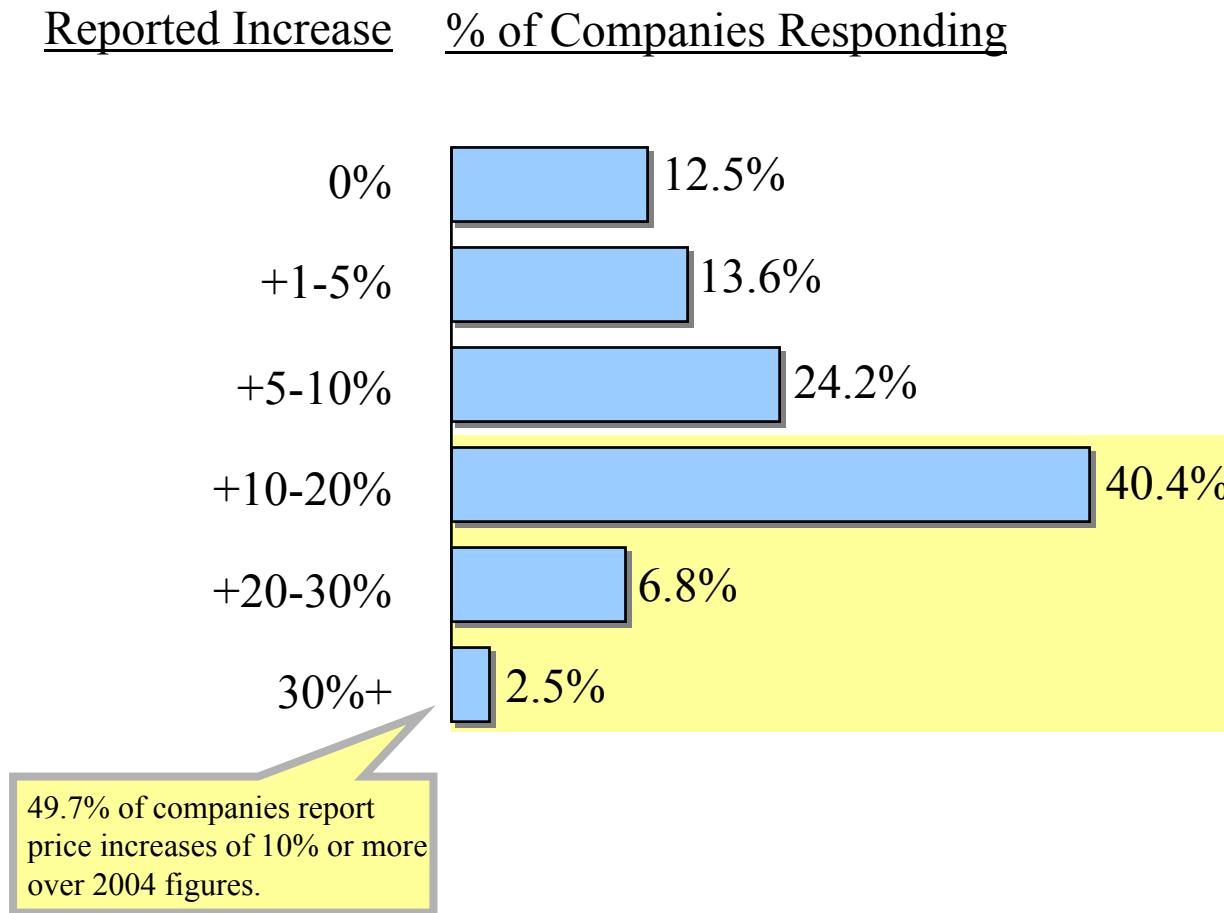
Total Annual Cost of Medical Coverage  
*(per employee, as % of gross annual salary)*

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# Cost of Coverage

**The total cost of coverage is increasing substantially (2004/2005):**

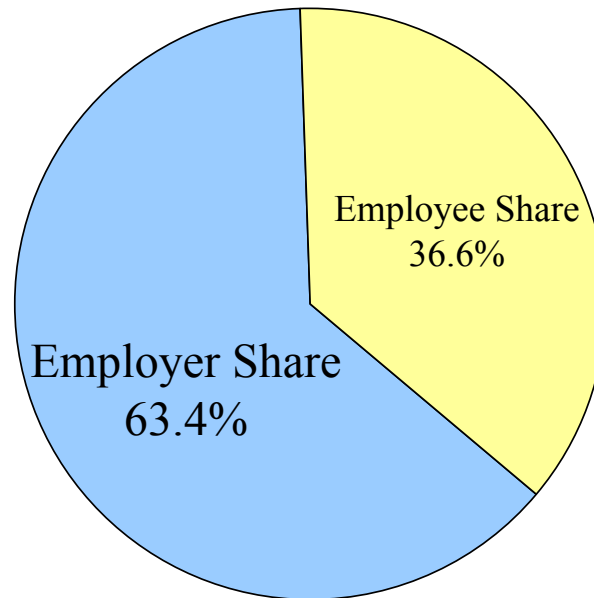


# Cost of Coverage

## **Employers pay the lion's share of total medical premiums:**

Relative shares of medical premiums  
*(per employee, per pay period)*

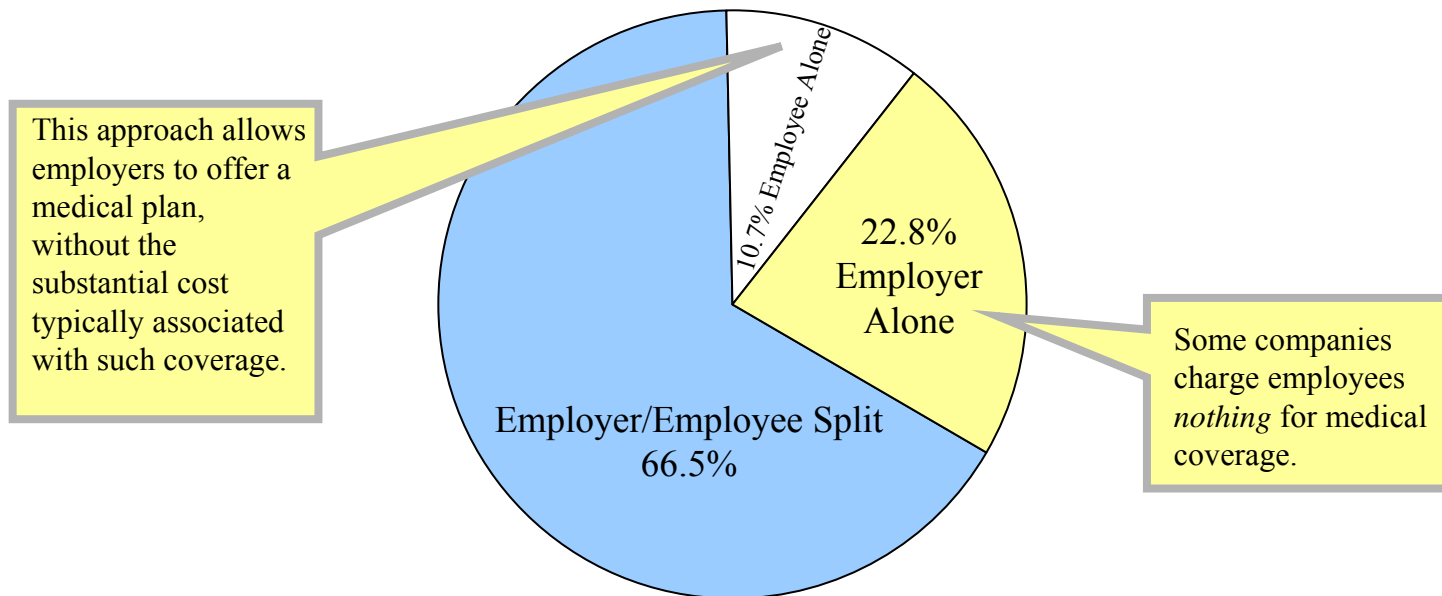
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# Cost of Coverage

**Some companies require employees to pay 100% of premiums:**

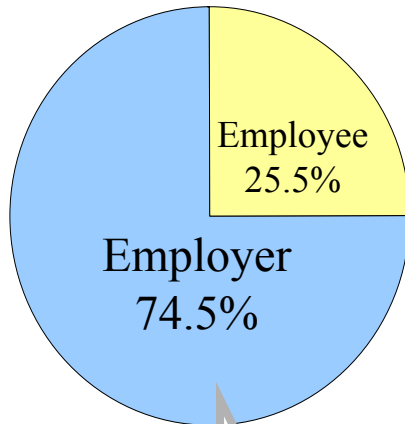
Cost-Sharing Arrangement



# Cost of Coverage

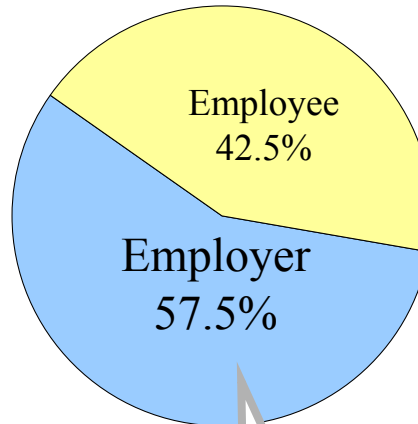
**Employer contributions decline as number of insureds increases:**

Employee Only



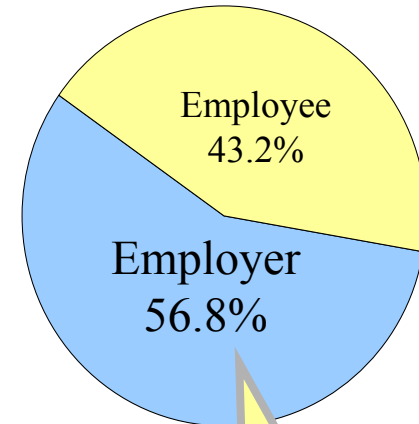
No change  
over 2004

Employee + 1



No change  
over 2004

Employee + Family

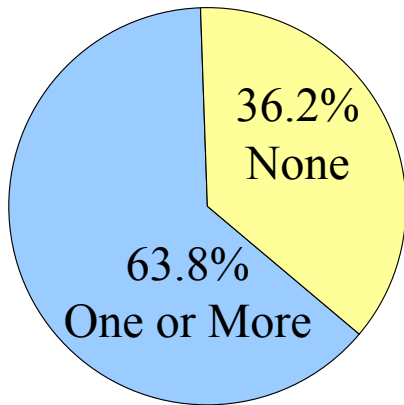


Slight increase in  
Employer share  
over 2004

# Cost Containment

**Many companies use at least one strategy to control costs:**

% of Companies Using Cost Control Strategies

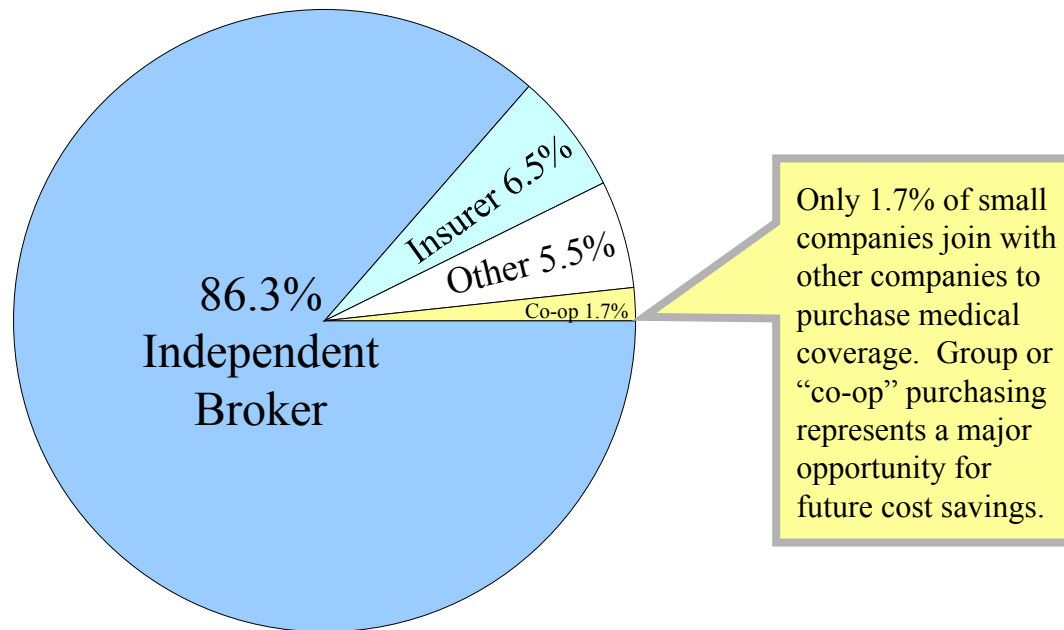


<u>Cost Control Strategies</u>	<u>Current Plan</u>		<u>Future Plan</u>
Increasing employee co-payments	35.2%	↓	26.3%
Switching plan types (HMO, PPO, etc)	34.9%	↓	26.3%
Increasing employee share of premiums	21.1%	↑	27.6%
Reducing extent of coverage	11.5%	↓	8.2%
Encouraging enrollment in spouse's plan	8.9%	↓	7.6%
Encouraging less plan utilization	4.9%	↑	5.6%
Fine-tuning eligibility standards	4.3%	↓	3.6%
Eliminating coverage altogether	1.0%	↑	2.0%

# Cost Containment

## Group-purchasing remains largely untried:

### Primary Channel for Obtaining Medical Coverage





## Coming Attractions

### **Here are some topics we'll address in our next medical coverage survey:**

- Establishing levels and limits for co-payments, deductibles, etc.
- Imposing higher costs on high-risk employees (smokers, etc.)
- Offering health savings accounts (HSAs)
- Offering prescription drug coverage
- Providing access to insurance upgrades (at employee expense)
- Creating different medical plans for executives and non-executives
- Soliciting employee input on medical plan features and options
- Evaluating the employer self-insurance option

# Survey Methodology

Salary.com invited a cross-section of small businesses from across America to participate in its *2005 Basic Medical Coverage Survey*. Prospective participants received an email containing the survey questionnaire. Participants completed as many sections of the survey as they desired, and then submitted their results to Salary.com electronically.

Salary.com compensation professionals reviewed the data for consistency and accuracy, and excluded data that appeared to be invalid. We calculated the total number of employees as the sum of full time salaried and hourly employees. Companies were grouped into the following buckets: less than 20 employees; 20 to 50 employees; 50 to 100 employees; 100 to 200 employees; and 200+ employees. Participants who failed to quantify the size of their workforce were not included in any bucket for reporting purposes. Those claiming "0" full-time salaried or hourly employees were classed in the "< 20" category.

**304** companies responded to our survey, reporting anywhere from 0 to over 500 full-time employees. A summary of the respondent demographics appears below:

	<20 EEs	20-50 EEs	50-100 EEs	100-150 EEs	150-200 EEs	200+ EEs	Total Sample
Number of Respondents	66	91	81	33	19	14	304

Recipients of this report will find it impossible to discern the data contribution of any individual company. Company submissions were aggregated with data submitted by companies of similar size before results were calculated. Each numerical result reported in this document is based on data submitted by at least five (and often many more) separate organizations. This conservative approach is designed to protect participant confidentiality, and is consistent with the "Safe Harbor" guidelines adopted by the U.S. Department of Justice and the U.S. Federal Trade Commission.

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**Salary Wizard® Pro** Compensation Sample

Email report | Print-ready report | Export report

### Summary Report: Multiple Job

**Selected scope**

Industry: MFG Durable  
 Size: < 100 (FTEs)  
 Geography: Massachusetts - Boston (Metro)

Source: Salary.com Market Analysis | Data effective October 01, 2009  
 Currency: US Dollars (000s) †

	#orgs	#incs	25th%	50th%	75th%	Avg
<b>Human Resources Assistant I (OF13000038)</b>						
Base	400++	1,100++	\$25.3	\$28.5	\$32.2	\$28.7
TCC	400++	1,100++	\$25.6	\$28.8	\$32.6	\$29.2
<b>Human Resources Assistant II (OF13000006)</b>						
Base	999++	4,900++	\$30.6	\$34.5	\$38.6	\$34.7
TCC	999++	4,900++	\$31.1	\$34.9	\$39.2	\$35.2
<b>Human Resources Generalist I (HR09200010)</b>						
Base	275++	1,000++	\$37.5	\$41.8	\$46.6	\$42.3
TCC	275++	1,000++	\$38.0	\$42.5	\$47.7	\$43.1
<b>Human Resources Generalist II (HR09200011)</b>						
Base	999++	5,700++	\$43.9	\$49.3	\$55.9	\$50.0
TCC	999++	5,700++	\$44.8	\$50.5	\$57.5	\$51.3
<b>Human Resources Generalist III (HR09200012)</b>						
Base	650++	1,800++	\$54.1	\$61.4	\$68.6	\$61.5
TCC	650++	1,800++	\$55.9	\$62.9	\$71.5	\$63.6
<b>Human Resources Manager (HR09200032)</b>						
Base	800++	1,400++	\$70.0	\$79.9	\$92.5	\$80.7
TCC	800++	1,400++	\$76.1	\$87.3	\$102.0	\$88.1

Show chart

## Pay data for Small Businesses



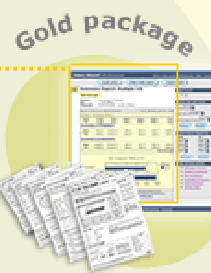
- Don't guess. Don't overpay
- Smaller firms do pay less

### Unlimited access

- Over 4,000 job titles
- Create hybrid jobs

### Negotiate and plan confidently

- Everything you need



Five great products for one low price

Satisfaction guaranteed

Get answers that match your...

Location (ZIP Code):

Size (# employees):  FTEs

Industry and Sub-industry:

- AEROSPACE & DEFENSE -----
- Aircraft Engine and Engine Parts
- Aircraft Manufacturing
- Aircraft Parts and Auxiliary Equipment
- Military Vehicles and Components
- Space and Missiles
- Other Aerospace and Defense
- BIOTECHNOLOGY -----
- Animal and Organism Biotechnology
- Food and Agriculture Biotechnology

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