

Medical Plan Type, Fee Arrangement, and Financial Intermediaries, 2006

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BLS data show that just over half of all workers in private industry participated in some kind of employer-provided healthcare plan as of March 2006; of those, 55 percent were enrolled in "fee-for-service plans" and 29 percent were enrolled in health maintenance organizations.

According to the [National Compensation Survey \(NCS\)](#)¹, in March 2006, 52 percent of private sector workers participated in an employer provided medical plan. The fee arrangements in such plans generally fall into one of two types--indemnity and prepaid. BLS defines an indemnity plan, also known as a "fee-for-service" plan, as a medical plan that reimburses the patient or the provider as expenses are incurred. By contrast, prepaid plans are Health Maintenance Organizations (HMOs) whose enrollees pay a set fee whether or not costs are incurred. Approximately 55 percent of participating workers are covered by indemnity plans, while about 29 percent are covered by prepaid plans.² (See table 1.)

A closer look at the data reveals interesting patterns. For example, 9 in 10 participants in indemnity plans are restricted in their choice of service providers. (See table 2.) One such restriction is made through Preferred Provider Organizations (PPOs). PPOs have contracts with certain medical providers known as "designated" or "preferred" providers. The employee may visit any provider he or she chooses, but the reimbursement is more generous when the employee visits one of the designated or preferred providers. Even more restrictive are Exclusive Provider Organization (EPO) plans, in which enrollees must use the EPO providers exclusively in order to receive coverage.

Even when the data are broken down by occupation, industry, employment size, or other variables, it generally remains the case that about 9 in 10 participants in indemnity plans are restricted in their choice of providers. There was one notable exception: Union workers are more likely to be in a plan with unrestricted choice of providers than are nonunion workers. (See chart 1.)

Among employees who participate in employer-provided medical plans, 29 percent are enrolled in prepaid plans (HMOs). According to the BLS definition, prepaid medical insurance plans come with one of two types of restrictions on choice of service providers: Participants can use network providers only (applicable to 3-in-5 prepaid plan participants), or they can use nonnetwork providers but face financial disincentives.

Doctor visits, hospital stays, operations, and all other healthcare services are provided by members of the HMO. Generally, all health services are managed by a primary care provider who is also under contract with the HMO. The insured may change providers, as long as the new providers are members of the HMO network. If the insured opt to go outside the network for health services, they typically will not be covered under the plan (unless they were previously authorized by the primary care provider).

As can be seen in table 3, among private industry workers enrolled in prepaid healthcare plans, those with no option to go outside the network outnumber those with the option to go outside the network by nearly a 3-to-2 margin. Indeed, among the various worker characteristics shown in the table, only nonmetropolitan workers were more likely than not to have the option of obtaining services from providers who are not part of the network.

NCS data also provide estimates on financial intermediaries for indemnity plans. In this context, a financial intermediary is defined as the entity responsible for paying the costs of medical and administrative services to healthcare providers on behalf of the employer and its plan members. Employer-provided medical insurance plans are classified as either self-insured or not self-insured. Self-insured plans are those for which employers directly assume the cost of health insurance payouts for their employees. Plans that are not self-insured are financed through insurance carriers or other independent carriers. (See table 4.)

Approximately 45 percent of workers employed by organizations with 100 or more employees were covered under self-insured plans, while only 17 percent of workers in establishments with fewer than 100 employees were covered under self-insured plans (See chart 2.) Another way to look at this issue is to note that about 3 out of 4 participants in self-insured plans work in larger establishments--those with 100 or more employees.

NOTE: Standard errors have not been calculated for NCS benefits estimates. Consequently, none of the statistical inferences made in this report could be verified by a statistical test.

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Notes

¹ The National Compensation Survey (NCS) provides comprehensive measures of occupational earnings, compensation cost trends, benefit incidence, and detailed benefits plan provisions. For more technical information on these data, see the technical note in *National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2006*, Summary 06-05 (Bureau of Labor Statistics, August 2006. pp. 33-35.

² In the March 2006 NCS survey, 16 percent of workers covered by employer-provided medical plans were in plans coded as "not determinable." The data used in this article, which come from the NCS March 2006 summary database, may differ from those published in the detailed provisions bulletin due to sample, collection method, timing, and other factors.

Table 1. Percent of workers with employer-provided medical insurance by fee arrangement, private industry, March 2006

Characteristics	Fee Arrangement		
	Indemnity	Prepaid	Not Determinable
All workers	55	29	16
White-collar occupations	55	30	15
Blue-collar occupations	57	26	17
Service occupations	48	32	20
Full time	55	29	16
Part time	46	31	24
Union	47	27	26
Nonunion	56	29	14
Average wage less than \$15 per hour	59	26	15
Average wage \$15 or greater per hour	52	31	17
Goods producing	58	26	16
Service producing	53	30	16
1 to 99 workers	57	29	14
100 or more workers	54	29	18
Metropolitan areas	52	31	17
Nonmetropolitan areas	72	16	12

Table 2. Indemnity medical plans: percent of workers by choice of plan provider, private industry, March 2006

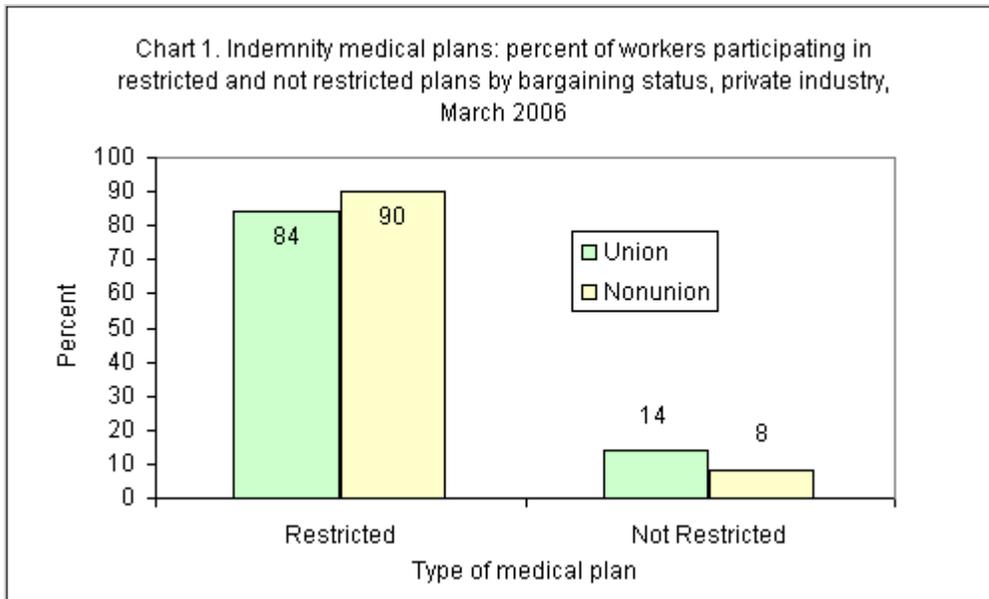
	Choice of plan providers		
	Restricted	Not restricted	Not determinable
All workers	90	9	1
White-collar occupations	90	8	1
Blue-collar occupations	89	10	1
Service occupations	88	11	1
Full time	90	9	1
Part time	90	8	2
Union	84	14	1
Nonunion	90	8	1
Average wage less than \$15 per hour	91	8	1
Average wage \$15 or greater per hour	89	10	1
Goods producing	90	10	1
Service producing	90	9	2
1 to 99 workers	91	8	2
100 or more workers	89	10	1
Metropolitan areas	90	9	2
Nonmetropolitan areas	89	11	1

Table 3. Prepaid medical plans: percent of workers by choice of plan providers, private industry, March 2006

Characteristics	Choice of plan providers		
	Restricted, no option to go outside network	Restricted, option to go outside network	Not determinable
All workers	58	39	3
White-collar occupations	58	39	3
Blue-collar occupations	59	40	2
Service occupations	57	38	5
Full time	58	39	3
Part time	58	41	1
Union	67	32	2
Nonunion	57	41	3
Average wage less than \$15 per hour	58	39	3
Average wage \$15 or greater per hour	58	39	2
Goods producing	60	39	1
Service producing	57	39	3
1 to 99 workers	58	39	2
100 or more workers	58	39	3
Metropolitan areas	59	38	3
Nonmetropolitan areas	44	53	3

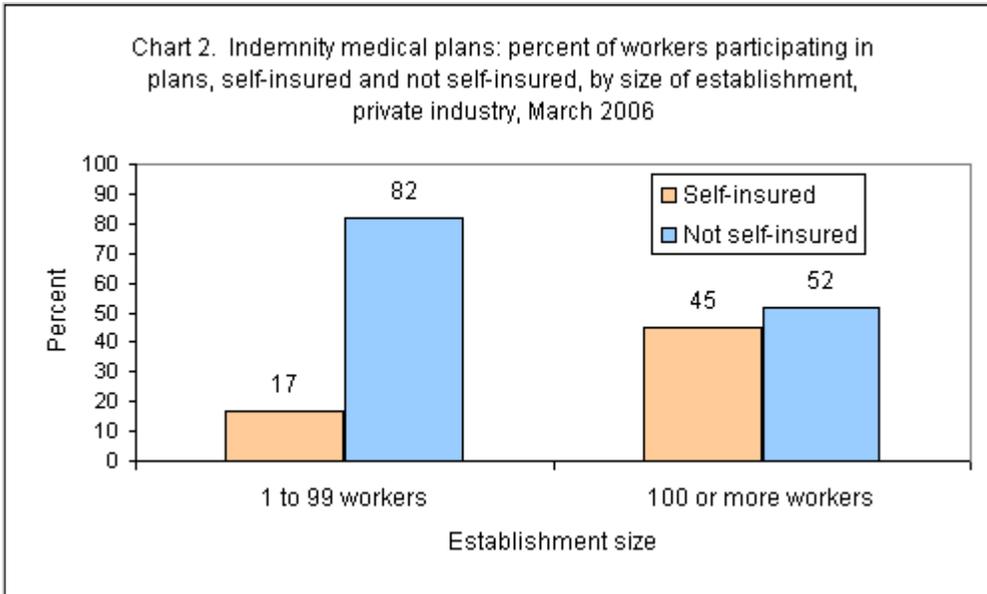
Table 4. Indemnity medical plans: percent of workers by financial intermediary, private industry, March 2006

Characteristics	Financial Intermediary		
	Self-insured	Not self-insured	Not determinable
All workers	32	66	2
White-collar occupations	32	65	2
Blue-collar occupations	31	67	2
Service occupations	37	61	1
Full time	32	66	2
Part time	35	61	4
Union	34	64	2
Nonunion	32	66	2
Average wage less than \$15 per hour	31	67	2
Average wage \$15 or greater per hour	34	64	2
Goods producing	34	64	1
Service producing	32	66	2
1 to 99 workers	17	82	1
100 or more workers	45	52	3
Metropolitan areas	31	67	2
Nonmetropolitan areas	37	61	1



Data for Chart 1. Indemnity medical plans: percent of workers participating in restricted and not restricted plans by bargaining status, private industry, March 2006

	Restricted	Not Restricted
Union	84	14
Nonunion	90	8



Data for Chart 2. Indemnity medical plans: percent of workers participating in plans, self-insured and not self-insured, by size of establishment, private industry, March 2006

	1 to 99 workers	100 or more workers
Self-insured	17	45
Not self-insured	82	52