HEALTH CARE COSTS DIFFER BY OCCUPATION IN PRIVATE AND PUBLIC SECTORS

Annual employer-provided health care costs for management and professional workers are 31 percent higher than those for service workers in the private sector, while costs for the two groups are roughly the same in state and local government, according to the Bureau of Labor Statistics (BLS). In addition, overall health care coverage is more expensive in the government sector than in business.

In 2008, the annual average health care cost per employee was 80 percent higher in state and local government than in business ($6,340 versus $3,527). Part of the explanation is that the participation rate among workers is higher in government than in business (78 percent versus 57 percent) and government employers pay a larger share of premiums than private sector establishments (89 percent versus 78 percent). These factors account for about 56 percent of the difference in costs between the government and private sectors, BLS says, adding that many factors affect the average cost for workers' health insurance. “Although participation is a significant factor in determining the estimates of average employer costs for health care benefits,” other factors, such as annual hours worked and workforce and industry composition also can have “substantial effects.”

The annual employer cost per health care participant for workers in private sector management, professional, and related occupations in 2008 was roughly the same as that for those in service jobs in state and local government ($8,190 versus $8,316). By contrast, private employers’ per-person costs for the management and professional category were about 31 percent higher than for private sector service positions ($6,694 versus $4,997). “Part of this difference can be explained by the fact that private industry employers pay a slightly higher percentage of the health costs for management, professional, and related workers (77 percent) than for service workers (73 percent),” the BLS states.

The differences in cost and participation do not appear to be caused by individual establishments treating the two groups of employees differently since 85 percent of employer establishments either offer all workers the same health care plans or do not offer a health care plan to any employees. “In all likelihood,” the explanation for the differences is that private-sector employers with a high proportion of management, professional, and related workers compared to service workers spend more on health care costs, the BLS says, noting that the ratio of management, professional, and related workers to service workers varies from employer to employer.

The data were derived from the March 2008 national compensation survey (NCS) of 15,000 private industry and state and local government establishments. “The NCS provides a rich source of data on health care benefits that were recently enhanced to provide even more information than previously available,” according to the BLS.

The article appears in the BLS website publication Compensation and Working Conditions Online and the report on newly available health care data is available at http://www.bls.gov/opub/cwc/cm20091022ar01p1.htm.