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## Employer-sponsored Complementary Health Insurance: Variable Situations According to Company

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Preliminary results from IRDES new wave of the Employer-sponsored Complementary Health Insurance survey (PSCE) conducted in 2009 reveals that over two in five establishments<sup>1</sup> (excluding the public services and agricultural sectors) offer their employees a complementary health insurance (CHI) scheme. The PSCE survey is conducted at establishment level as the specificities of the offer can vary between establishments belonging to the same company. Thus, only 32% of very small companies (VSC with less than 10 employees) offer CHI compared to 91% in establishments belonging to companies of over 250 employees. Similarly, the higher the percentage of executives employed within the company, the higher the percentage of establishments offering CHI, and the higher the guarantees offered by the contracts proposed.

Furthermore, the 2003 Fillon Act incited companies to change CHI contract guarantees so as to maintain their tax and social security deductions. In 2009, a third of contracts were subscribed to within the previous two years. Over three out of four establishments offered a compulsory enrolment contract (or contracts) exclusively; 15% of establishments declared having converted from voluntary to compulsory schemes in conformity with the legislation.

On average, 57% of the cost of the contract is financed by the employers and in 85% of establishments where employee participation is obligatory, employees pay a fixed-rate contribution.

The new wave of the Employer-sponsored Complementary Health Insurance survey (PSCE) conducted by IRDES among 1,740 establishments allows us to draw up a rapid overview of complementary health insurance (CHI) schemes provided by companies since the Fillon Act of August 21st 2003 came into force on January 1st 2009. This reform amends the conditions applying to tax and social security contribution exonerations for employers subsidising group CHI schemes (insert 1). As the nature of the CHI offer depends more on the company's characteristics than that of its establishments, we first

analyse disparities in the offer according to company characteristics and then study the impact of the Fillon Law on the market.

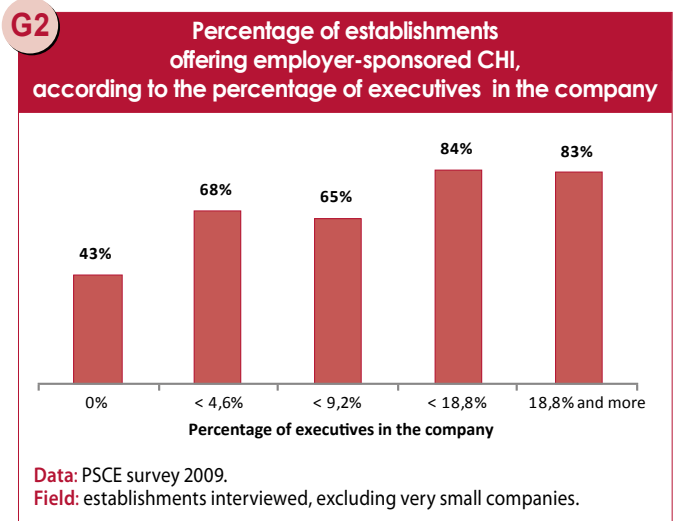
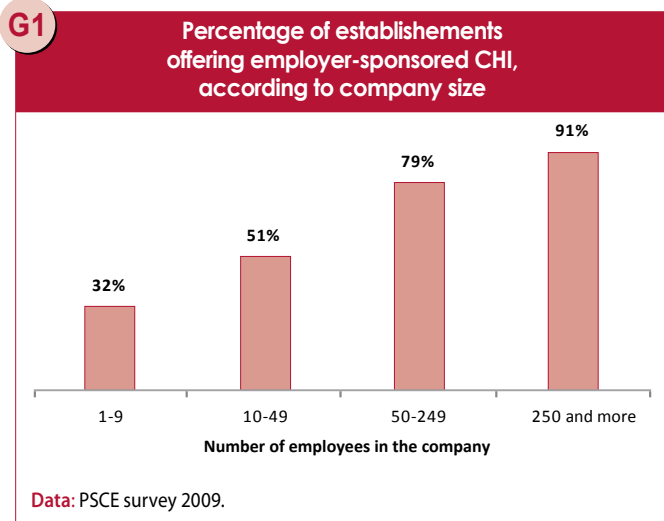
### More widespread access to CHI the greater the size of the company...

43% of the establishments interviewed (slightly over two out of five), offer a CHI scheme to all or a proportion of their employees. The probability that an employee will be offered CHI, however, greatly depends on the characteristics of the company to which the establishment belongs.

The CHI offer is essentially determined by the size of the company in which the employee works (graph 1) rather than the size of the establishment. Globally, if 43% of companies offer their employees CHI, only 32% of very small companies (VSC

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<sup>1</sup> Copy editor's note: The terms "company" and "establishment" were retained in this text to translate "entreprise" and "établissement" respectively. In the study, it is stated that an entreprise comprises one or several établissements.



with less than 10 employees) are concerned. This rate systematically increases with company size: 51% for companies with 10 to 49 employees, 79% for those with 50 to 249 employees, 91% for those with 250 and above employees.

Given that two thirds of VSC do not offer their employees CHI, company size is thus the main determinant explaining disparities in employee access to employer-sponsored CHI, despite the increase in branch agreements over the last few years.

Employer-sponsored CHI equally depends on the company's activity: 55% of industrial sector establishments offer a CHI scheme against 45% in the construction sector and 42% in the service sector. Furthermore, within large companies, establishments not offering CHI (9%) are almost all part of the service sector.

**Insert 1**

**The Fillon Act on occupational insurance and employer-sponsored insurance**

Prior to the Fillon Law, both employers and employees benefitted from tax and social security exemptions whatever the type of group CHI contract subscribed to.

The Fillon Law of August 21st 2003 modified the conditions applicable to tax and social security exonerations. However, the Law does not institute specific penalties for companies failing to offer their employees CHI coverage. So as to enable companies to bring all their regimes in conformity with legislation, the Law granted companies a transition period that ended on December 31st 2008. Beyond this date, all insurance contracts must respect the new regulations in order to continue to benefit from the related exonerations. The main constraint imposed by the Fillon Act is the compulsory and 'responsible'<sup>1</sup> nature of the contract for all categories of employees concerned.

In detail, the constraints involved are the following:

1. The occupational insurance (OI) scheme must complement that of the statutory social security schemes covering sickness, maternity, invalidity, death, occupational accidents and occupational disease. The risk of dependency is also covered by the OI scheme.
2. The OI scheme must be implemented by means of a collective agreement; by referendum ratified by the majority of the personnel; by a unilateral decision made by the employer informing employees in writing.
3. The employer's contribution should not serve as a substitute for any other form of remuneration that

has been totally or partially suppressed throughout the company within the previous twelve months.

4. Benefits should be paid by a certified organism: provident institutions, mutual insurance companies, private insurance companies.
5. The scheme must be 'collective' in nature and should benefit all of a company's personnel or objectively defined categories of employees in a general and impersonal manner. Employer contributions should be fixed at a uniform rate for all employees belonging to the same category.
6. The scheme must be compulsory.
7. The CHI contract must be 'responsible'<sup>1</sup>: reimbursement of the different copayments and of medical charges exceeding the statutory fee is prohibited in cases of non-conformity with the care pathway; penalties are to be applied should the care pathway not be respected; limited reimbursement of out-of-pocket expenses (30% of the statutory reimbursement rate for consultations and visits and white label pharmaceutical goods, 35% of the statutory reimbursement rate for medical analyses...).

<sup>1</sup> Copy editor's note: 'Responsible' complementary insurance contracts were instituted within the framework of the National Health Insurance reforms. Aimed at increasing patients' personal responsibility regarding health expenditures, these contracts that complement the statutory health insurance benefits are subject to obligations and exclusions regarding out-of-pocket payment that, if rejected, give right to tax exemptions.

**... essentially to the benefit of executives**

With the exception of VSC<sup>1</sup>, CHI provision is also related to a company's socio-professional composition. In effect, establishments belonging to companies employing a higher number of executives more frequently offer CHI schemes<sup>2</sup> (graph 2). Thus, in companies with 10 or more employees, 43% of establishments with no executive personnel offer CHI whereas this increases to almost 85% in companies employing 9% or more executives. Furthermore, among the 16% of establishments where access to CHI is limited to certain categories of personnel, three quarters exclude non-executives and the remaining quarter, employees on short-term contracts or those newly employed within the last twelve months. This result had already been highlighted in the 2003 survey (Couffinhall *et al.*, 2004).

<sup>1</sup> The low number of employees in VSCs makes it impossible to draw up a pertinent socio-professional structure.  
<sup>2</sup> Although it remains to be confirmed, an initial multi-variable analysis shows that, all other things being equal, this result persists particularly by controlling for company size. It thus concerns a specific effect resulting from the percentage of executives

## Insert 2

## Levels of cover provided by CHI contracts

In the questionnaire submitted to the establishments, the respondent individual must specify the levels of coverage for optical and dental care for the different CHI contracts proposed within the establishment. The summaries and wordings of coverage levels for the different contracts were collected when possible.

After having standardised the different contract levels and assessed them using a method described in Couffignal A., Perronnin M., (2004) *Accès à la couverture complémentaire maladie en France : une comparaison des niveaux de remboursement. ESPS 2000-2002 survey. IRDES report n° 1521, p. 28 onwards*, an ascending order classification was elaborated grouping the contracts into four classes according to the levels of coverage offered.

Class 1: contracts offering minimal cover on optical and dental care (25% of establishments).

Class 2: contracts offering average cover on optical and dental care (20% of establishments).

Class 3: contracts offering maximal cover on dental care (26% of establishments).

Class 4: contracts offering maximal cover on optical and dental care (26% of establishments).

Class 0: Unclassified contracts (8% of establishments).

### Access and levels of guarantees in favour of executives in large companies

If employees in large companies and executives more frequently have access to employer-sponsored CHI than other employees, they equally benefit from higher level guarantees than other employees (insert 2). Establishments belonging to large companies (250 employees and over) thus offer high level contracts to 66% of employees (46% class 3 and 20% class 4 contracts) and only 18% class 1 contracts against 39% and 33% respectively in VSC (less than 10 employees).

On average, companies employing a high percentage of executives offer CHI contracts with higher levels of cover (graph 3). Establishments belonging to companies without executives are thus 17% to offer class 4 contracts with maximal cover (insert 2); 25% in the upper quintile com-

panies (less than 4.6% executives), 27% in the third and fourth quintiles and 33% in the fifth.

### The world of employer-sponsored CHI modified by the Fillon Law

In 2009, 85% of establishments offered their employees only a single contract option, 14% two and 1% three. A third of insurance contracts are two years old maximum, 11% less than a year old. 15% of establishments declare having modified a voluntary contract into a compulsory contract in order to continue benefitting from related tax exonerations. Thus in 2009, three quarters of establishments offered their employees compulsory contracts exclusively, thereby remaining eligible for tax and social security exemptions. 15% of establishments still only offer a compulsory CHI scheme and 6% a mixed offer. They were 36% and 5% respectively in 2003. One could have expected a greater reduction in the percentage

of voluntary CHI schemes but it is possible that numerous establishments have not yet had time to adapt and that they will do so after 2009 when they have measured their losses in terms of tax benefits.

In 73% of establishments, the decision to offer a CHI scheme is taken at establishment or company level. In 14% of establishments,

## BACKGROUND

In 2003, IRDES conducted its initial national survey on Employer-sponsored Complementary Health Insurance (PSCE) in order to investigate a little known market at the time. The offer of a complementary health insurance (CHI) scheme was highly related to certain characteristics of the establishment concerned, notably size and socio-professional composition of the company. Establishments belonging to very large companies thus almost all offered their personnel a CHI scheme whereas only 20% of very small companies (VSC) did so. Executives had a higher probability of being offered a CHI scheme than non-executives: respectively, 80% for executives, 70% for skilled workers and 60% for employees. In 2009, IRDES repeated the PSCE survey with an additional section addressing employees. The aim was to update information on employer-sponsored CHI following the Fillon Act of August 21st 2003, brought into force on January 1st 2009. The PSCE survey thus completes the data obtained from the bi-annual Health, Health Care and Insurance survey (ESPS) carried out amongst the general population in France.

the offer is imposed by a collective agreement and in 6% by a branch agreement. In 4% of establishments offering several levels of cover, the offer differs according to contract type. Finally, 4% of establishments were unable to answer this question.

### On average, 57% of the cost of the contract is financed by the employer and, in general, employees pay a fixed-rate contribution

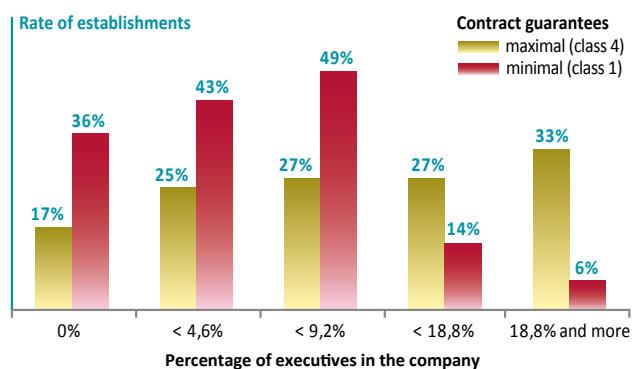
On average, establishments cover 57% of the cost of supplying their employees with CHI but this participation is extremely variable between establishments: 16% of establishments subsidise the scheme at 100%, 32% at over 50%, 14% at under 50% and 8% of employers do not contribute at all.

In 85% of establishments in which employee participation is obligatory, they pay a fixed-rate contribution. This participation is furthermore indexed to salary in over 10% of establishments, and mixed or different according to socio-professional category in 5% of establishments.

### Varied reactions from establishments confronted with the high increase in the cost of employer-sponsored CHI

To the question: "What happened the last time an insurance company announced

### G3 Percentage of establishments offering maximal or minimal guarantee contracts, according to the number of executives in the company



Data: PSCE survey 2009.

Field: establishments interviewed, excluding very small companies.

Certain establishments proposing several contracts may be counted in both Class 4 and Class 1.

## METHOD

### SURVEY METHOD

**Survey field:** Establishments employing at least one employee, excluding the public and agricultural sectors

**Unit investigated:** The establishment rather than the company as it is the smallest decision-making unit concerning CHI (see footnote 1).

**Survey base:** The directory provided by the Register of Companies and their Establishments Identification System (Sirene) for the establishments and the Annual Declaration of Tax and Social Security Data (DADS) for the employees.

**Selection method:** Establishments were randomly selected after stratification by business sector, company size and size of the establishment. For the 'employees' section, that has not yet been exploited, a random selection of over 20 employees in establishments of over 20 employees and all the employees in establishments with 20 or less employees.

**Survey method:** The survey is conducted by the market research institute IPSOS by telephone (Cati questionnaire). Prior to this, a letter is sent to potential respondents soliciting their participation. The Cati questionnaire is subsequently completed by a fax summarising the levels of coverage for each contract type sent by the establishments accepting to do so.

**Calendar:** The field work was carried out throughout 2009.

**Establishment sample numbers:** Almost 4,000 addresses covering all business sectors outside the public and agricultural sectors were contacted. We have 1,748 completed interviews at our disposal and around 544 faxes summarising contract coverage levels.

### STATISTICAL TOOLS

**Correction:** Results were corrected for non-response using logits carried out on DADS information available for the whole sample (age, gender, socio-professional category, salary, type of employment contract, company size, activity, turnover and geographic location of the establishment or company).

**Extrapolation:** The data obtained was extrapolated at national level by post-stratification by company size, establishment size and business sector.

**Comparison with the PSCE 2003 survey:** The PSCE 2003 and 2009 surveys were conducted using very different methodologies (cf. Couffinal, Grandfils, Grignon, Rochereau, 2004). In particular, and contrary to 2003, an additional questionnaire included in the 2009 survey enabled us to treat the revealed relationship between the willingness to participate in the survey and the probability that an establishment offers its personnel a CHI scheme. A comparison of the figures obtained in both surveys is thus possible, but should be used with extreme caution. The majority of the results presented here are coherent with results published in 2003 excepting those concerning sector of activity but we have as yet no conclusive explanations for this.

a 10% or more increase in the cost of employer-sponsored health insurance?" 81% of establishments replied that it had never happened, or at least not recently. Out of the 19% of establishments concerned, 4% replied that it resulted in a change of contract. Furthermore, 5% of establishments declared that the increased cost had been distributed between employer and employees, 5% that it was essentially or totally devolved on the employees and 2% on the employer. For the others, it often resulted in lower guarantees.

### Why do 57% of establishments not offer their employees a CHI scheme?

Among the establishments that do not offer their employees a CHI scheme, 28% say that the question has never been raised in the company. The main reason advanced by the others is cost or for 27%,

the company's small size; 18% mention opposition from the employees and 13% opposition from the employer.

\* \* \*

Two out of five establishments offer their employees CHI, but employees do not all have the same opportunity of accessing this employer-sponsored social protection. Access is largely determined by company size and tends to favour employees working in large rather than small companies and inequalities are accentuated by discrepancies in the guarantees proposed; on average, establishments belonging to major companies and those employing a higher percentage of executives offer maximum cover.

These preliminary results obtained from the 'establishments' section of the 2009 PSCE survey will give rise to a more

detailed report. It will be completed by the 'employees' section that will enable research into issues not yet investigated in France such as the substitution effect of employer-sponsored CHI on salary. ♦

## GLOSSARY

- [PSCE survey] survey on Employer-sponsored Complementary Health Insurance: enquête Protection sociale complémentaire d'entreprise (PSCE)
- [VSC] Very small companies: [TPE] Très petites entreprises  
\*\*\*
- Branch agreement: Accord de branche
- Employer-sponsored Complementary Health Insurance: Protection sociale complémentaire d'entreprise
- Level of cover: Niveau de couverture
- Tax and social security (contribution) exonerations: Exonérations sociales et fiscales

## FURTHER INFORMATION

- Couffinal A., Grandfils N., Grignon M., Rochereau T. (2004). « Enquête sur la protection sociale complémentaire d'entreprise en France ». Rapport Irdes n° 1540, septembre.
- Couffinal A., Perronnin M. (2004). « Accès à la couverture complémentaire maladie en France : une comparaison des niveaux de remboursement. Enquête ESPS 2000-2002 ». Rapport Irdes n° 1521, avril.
- Loones A. (2009). « Garanties et services : les attentes des salariés et des employeurs. Synthèse des résultats de la 8<sup>e</sup> vague d'enquête. ». Crédoc/CTIP, mai. Rapport en ligne sur le site du CTIP ([www.ctip.asso.fr](http://www.ctip.asso.fr)).

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