

List Sample Design of the 1996
Medical Expenditure Panel Survey
Insurance Component

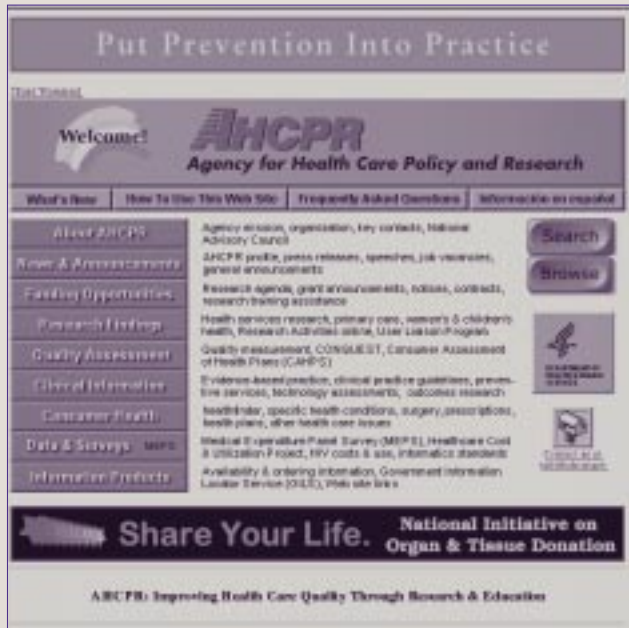
Methodology

Report 6



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Abstract

The Medical Expenditure Panel Survey (MEPS) is the third in a series of nationally representative surveys of medical care use and expenditures sponsored by the Agency for Health Care Policy and Research (AHCPR). MEPS comprises four component surveys. The Insurance Component (IC) collects employment-related health insurance information, such as premiums and types of plans offered. Respondent characteristics—such as size of business, employee characteristics, and type of industry—also are collected. This report outlines the process used to allocate and select the MEPS IC list sample, including goals, development of allocation schemes, and selection methods. The list sample is

collected from samples developed from three lists that, together, cover almost 100 percent of the employers in the United States.

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The Medical Expenditure Panel Survey (MEPS)

Background

The Medical Expenditure Panel Survey (MEPS) is conducted to provide nationally representative estimates of health care use, expenditures, sources of payment, and insurance coverage for the U.S. civilian noninstitutionalized population. MEPS also includes a nationally representative survey of nursing homes and their residents. MEPS is cosponsored by the Agency for Health Care Policy and Research (AHCPR) and the National Center for Health Statistics (NCHS).

MEPS comprises four component surveys: the Household Component (HC), the Medical Provider Component (MPC), the Insurance Component (IC), and the Nursing Home Component (NHC). The HC is the core survey, and it forms the basis for the MPC sample and part of the IC sample. The separate NHC sample supplements the other MEPS components. Together these surveys yield comprehensive data that provide national estimates of the level and distribution of health care use and expenditures, support health services research, and can be used to assess health care policy implications.

MEPS is the third in a series of national probability surveys conducted by AHCPR on the financing and use of medical care in the United States. The National Medical Care Expenditure Survey (NMCES) was conducted in 1977, the National Medical Expenditure Survey (NMES) in 1987. Beginning in 1996, MEPS continues this series with design enhancements and efficiencies that provide a more current data resource to capture the changing dynamics of the health care delivery and insurance system.

The design efficiencies incorporated into MEPS are in accordance with the Department of Health and Human Services (DHHS) Survey Integration Plan of June 1995, which focused on consolidating DHHS surveys, achieving cost efficiencies, reducing respondent burden, and enhancing analytical capacities. To accommodate these goals, new MEPS design features

include linkage with the National Health Interview Survey (NHIS), from which the sample for the MEPS HC is drawn, and enhanced longitudinal data collection for core survey components. The MEPS HC augments NHIS by selecting a sample of NHIS respondents, collecting additional data on their health care expenditures, and linking these data with additional information collected from the respondents' medical providers, employers, and insurance providers.

Household Component

The MEPS HC, a nationally representative survey of the U.S. civilian noninstitutionalized population, collects medical expenditure data at both the person and household levels. The HC collects detailed data on demographic characteristics, health conditions, health status, use of medical care services, charges and payments, access to care, satisfaction with care, health insurance coverage, income, and employment.

The HC uses an overlapping panel design in which data are collected through a preliminary contact followed by a series of five rounds of interviews over a 2½-year period. Using computer-assisted personal interviewing (CAPI) technology, data on medical expenditures and use for 2 calendar years are collected from each household. This series of data collection rounds is launched each subsequent year on a new sample of households to provide overlapping panels of survey data and, when combined with other ongoing panels, will provide continuous and current estimates of health care expenditures.

The sampling frame for the MEPS HC is drawn from respondents to NHIS, conducted by NCHS. NHIS provides a nationally representative sample of the U.S. civilian noninstitutionalized population, with oversampling of Hispanics and blacks.

Medical Provider Component

The MEPS MPC supplements and validates information on medical care events reported in the MEPS HC by contacting medical providers and pharmacies identified by household respondents. The MPC sample includes all hospitals, hospital physicians, home health agencies, and pharmacies reported in the

HC. Also included in the MPC are all office-based physicians:

- Providing care for HC respondents receiving Medicaid.
- Associated with a 75-percent sample of households receiving care through an HMO (health maintenance organization) or managed care plan.
- Associated with a 25-percent sample of the remaining households.

Data are collected on medical and financial characteristics of medical and pharmacy events reported by HC respondents, including:

- Diagnoses coded according to ICD-9 (9th Revision, International Classification of Diseases) and DSM-IV (Fourth Edition, *Diagnostic and Statistical Manual of Mental Disorders*).
- Physician procedure codes classified by CPT-4 (Current Procedural Terminology, Version 4).
- Inpatient stay codes classified by DRG (diagnosis-related group).
- Prescriptions coded by national drug code (NDC), medication names, strength, and quantity dispensed.
- Charges, payments, and the reasons for any difference between charges and payments.

The MPC is conducted through telephone interviews and mailed survey materials.

Insurance Component

The MEPS IC collects data on health insurance plans obtained through employers, unions, and other sources of private health insurance. Data obtained in the IC include the number and types of private insurance plans offered, benefits associated with these plans, premiums, contributions by employers and employees, and employer characteristics.

Establishments participating in the MEPS IC are selected through four sampling frames:

- A list of employers or other insurance providers identified by MEPS HC respondents who report having private health insurance at the Round 1 interview.
- A Bureau of the Census list frame of private-sector business establishments.
- The Census of Governments from the Bureau of the Census.

- An Internal Revenue Service list of the self-employed.

To provide an integrated picture of health insurance, data collected from the first sampling frame (employers and other insurance providers) are linked back to data provided by the MEPS HC respondents. Data from the other three sampling frames are collected to provide annual national and State estimates of the supply of private health insurance available to American workers and to evaluate policy issues pertaining to health insurance.

The MEPS IC is an annual panel survey. Data are collected from the selected organizations through a prescreening telephone interview, a mailed questionnaire, and a telephone followup for nonrespondents.

Nursing Home Component

The 1996 MEPS NHC was a survey of nursing homes and persons residing in or admitted to nursing homes at any time during calendar year 1996. The NHC gathered information on the demographic characteristics, residence history, health and functional status, use of services, use of prescription medications, and health care expenditures of nursing home residents. Nursing home administrators and designated staff also provided information on facility size, ownership, certification status, services provided, revenues and expenses, and other facility characteristics. Data on the income, assets, family relationships, and caregiving services for sampled nursing home residents were obtained from next-of-kin or other knowledgeable persons in the community.

The 1996 MEPS NHC sample was selected using a two-stage stratified probability design. In the first stage, facilities were selected; in the second stage, facility residents were sampled, selecting both persons in residence on January 1, 1996, and those admitted during the period January 1 through December 31.

The sampling frame for facilities was derived from the National Health Provider Inventory, which is updated periodically by NCHS. The MEPS NHC data were collected in person in three rounds of data collection over a 1½-year period using the CAPI system. Community data were collected by telephone using computer-assisted telephone interviewing (CATI) technology. At the end of three rounds of data collection,

the sample consisted of 815 responding facilities, 3,209 residents in the facility on January 1, and 2,690 eligible residents admitted during 1996.

Survey Management

MEPS data are collected under the authority of the Public Health Service Act. They are edited and published in accordance with the confidentiality provisions of this Act and the Privacy Act. NCHS provides consultation and technical assistance.

As soon as data collection and editing are completed, the MEPS survey data are released to the public in staged releases of summary reports and microdata files. Summary reports are released as printed documents and electronic files. Microdata files are released on CD-ROM and/or as electronic files.

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Additional information on MEPS is available from the MEPS project manager or the MEPS public use data manager at the Center for Cost and Financing Studies, Agency for Health Care Policy and Research, 2101 East Jefferson Street, Suite 500, Rockville, MD 20852 (301-594-3075).

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List Sample Design of the 1996 Medical Expenditure Panel Survey Insurance Component

by John Paul Sommers, Ph.D., Agency for Health Care Policy and Research

Introduction

The 1996 Medical Expenditure Panel Survey (MEPS) Insurance Component (IC) is a survey of employers, the self-employed with no employees (SENEs), unions, and insurance companies. The MEPS IC, which is sponsored by the Agency for Health Care Policy and Research (AHCPR) and conducted by the U.S. Bureau of the Census, is designed to collect employment-related health insurance information, such as premiums and types of plans offered. Respondent characteristics—such as size of business, employee characteristics, and type of industry—also are collected. Although the 1996 MEPS IC was first administered in 1997, data collected were for the entire calendar year 1996; the survey name refers to the data year, not the time of collection.

The MEPS IC sample has two parts:

- The household sample, which consists of the employers of respondents to the 1996 MEPS Household Component (HC), as well as unions and insurance companies that provide insurance to members of the household sample. Data from this sample can be attached to information collected from HC respondents.
- The list sample, which consists of an independent random sample of employers and SENEs.

Similar data on employer health insurance are collected from both samples. The combination of information collected from households and employers permits the study of household health expenditures and their relationship to household insurance status.

The IC household sample is defined by the sample design of the MEPS HC (Cohen, 1997) and has persons as sample units. Data are collected from the employers and other insurance providers of the household respondents from the MEPS HC. The employers and other providers are proxy respondents for supplemental information on health insurance offered to the household

respondent through the employer or provider. Hence, the probabilities of selection and the corresponding weights for these employers are the same as those of the household sample members and come from the MEPS HC design. The data collected are linked to other information for household sample cases.

The IC list sample is a random sample of establishments selected especially for the IC, and its selection is independent of the HC design. The two IC samples (household and list) are combined for collection purposes. The data collected for both samples are almost identical.

The MEPS IC list sample provides a picture of State and national employer health insurance. Enrollments, premiums, employee contributions, types of plans offered, deductibles, coverages, and other characteristics are shown for the Nation and 40 individual States. Estimates for characteristics of employer-related health insurance for small establishments are of particular interest. The MEPS IC sample is a primary government source of information on employer-related health insurance in the United States. It should prove to be a key data provider for this crucial portion of health care.

List Sample Design Process

This report outlines the process used to allocate and select the MEPS IC list sample, including goals, development of allocation schemes, and selection methods. The list sample is so named because it is collected from samples developed from three lists that, together, cover almost 100 percent of the employers in the United States. These are as follows:

- The Standard Statistical Establishment List (SSEL) including agricultural units. The SSEL is a list of private-sector establishments that is developed and maintained by the Census Bureau. Although the Census Bureau obtains information on agricultural units from the same sources used to produce the SSEL, such units are normally not in scope for most

surveys. However, agricultural employers are in scope for the MEPS IC. The SSEL is continually updated; the list used for sample selection was that of establishments in business as of the end of 1995.

- The 1992 Census of Governments (COG), a list containing the Federal, State, and local governments within the United States that is maintained by the Census Governments Division.
- A 1994 Internal Revenue Service list of SENEs.

The overall budgeted size of the list sample was 30,000 responding cases with completed data from among the three frames. The sample design development process necessitated the following steps:

- Allocate the total sample between the SENEs and other employers.
- Allocate the sample from the remaining sample of employers—the private-sector and government lists combined—among the States.
- Allocate the sample share within each State between government and private-sector employers.
- Determine a sample allocation scheme within each State for the SSEL allocation.
- Determine a sample allocation scheme within each State for the COG allocation.
- Determine sample selection methods within each State for the SSEL and COG allocations.
- Determine a national sample selection scheme for the SENEs.

Assumptions and Goals

Data from the 1994 National Employer Health Insurance Survey (NEHIS) were used as a basis for developing the design of the MEPS IC list sample (Marker, Bryant, Wallace, et al., 1996). NEHIS collected similar data from the same universe, and it was assumed that the variance structure for the MEPS IC would follow that of NEHIS. Therefore, the NEHIS variance results, sample size, and standard sample variance formulas were used to assist in the development of the IC list sample design.

The IC also used the same strata structure as NEHIS. This structure seemed reasonable, and time constraints did not allow for the indepth analyses

required to produce another structure. For the private sector, the structure is determined by the strata of establishments defined by the State in which the establishment is located, the size of the establishment, and the size of the firm that owns the establishment. An establishment is an economic unit at a single location where business is conducted or services or industrial operations are performed. A firm is a business entity consisting of one or more business establishments under common ownership or control. Exact categories of firm and establishment size groups used for private-sector stratification within each State are displayed in Tables 1 and 2. For governments, the strata are defined by the State in which the government is located and employment size (number of employees).

The goals for the establishment sample are as follows:

- Support estimates for a variety of variables of two distinct types. The first type are establishment variables. These are variables that relate to establishments and tend to have unit variances—that is, variances of a mean estimate per individual sample (Kish, 1965)—that do not increase in size across strata with the size of establishment. An example is the average number of plans offered per establishment. The second type are employee variables. These relate to the number of employees, and their unit variances increase across strata as the size of establishment increases. An example is the average enrollment per establishment.
- Make quality national estimates for the variables selected. Quality was defined as having a relative standard error (RSE) of 1 percent or less.
- Make quality estimates in at least 40 States for the same variables. Quality for a State estimate was defined as an RSE of 5 percent or less.
- Make a quality national estimate for the SENE population. Quality was defined as an RSE of 5 percent or less.

For practical purposes, because of the number of variables involved, two of each type of variable were chosen for analysis.

Table 1. National percent of private-sector establishments per stratum, by firm employment size and establishment employment size: Medical Expenditure Panel Survey Insurance Component, 1996

Establishment employment size	Firm employment size		
	50 or less	51-999	1,000 or more
1-5	45.13	1.61	2.31
6-25	28.27	3.35	4.81
26-50	5.50	1.54	1.96
51-249	0	2.96	1.81
250-999	0	.23	.37
1,000 or more	0	0	.10

Note: An establishment is an economic unit at a single location where business is conducted or services or industrial operations are performed. A firm is a business entity consisting of one or more business establishments under common ownership or control.

Source: Center for Cost and Financing Studies, Agency for Health Care Policy and Research: Medical Expenditure Panel Survey Insurance Component, 1996.

Table 2. Projected distribution of private-sector establishments responding for typical State, by firm employment size and establishment employment size: Medical Expenditure Panel Survey Insurance Component, 1996

Establishment employment size	Firm employment size		
	50 or less	51-999	1,000 or more
1-5	215	8	11
6-25	171	20	29
26-50	42	13	15
51-249	0	38	23
250-999	0	4	7
1,000 or more	0	0	4

Note: Private-sector list sample = 600. An establishment is an economic unit at a single location where business is conducted or services or industrial operations are performed. A firm is a business entity consisting of one or more business establishments under common ownership or control.

Source: Center for Cost and Financing Studies, Agency for Health Care Policy and Research: Medical Expenditure Panel Survey Insurance Component, 1996.

Statistical Tools

The formulas below were applied relative to the variance of a population estimate for a variable of interest based on a stratified sample (Cochran, 1977). Assuming:

- N_i is the number of establishments in the i th stratum,
- n_{ik} is the sample for allocation k in the i th stratum,
- σ_i is the standard deviation for the variable of interest for the i th stratum,
- V_k is the variance estimate of the population total for the variable of interest for allocation k , and
- RSE_k is the relative standard error of the estimate of the population total for the variable of interest for allocation k , then

$$(1) \quad V_k = \sum_i \frac{N_i^2 \sigma_i^2}{n_{ik}}$$

Because the main concern is with the relative quality of two types of allocations, a useful ratio is that of the variances of two different allocations:

$$(2) \quad R_{kj} = \frac{V_k}{V_j} = \frac{\sum_i \frac{N_i^2 \sigma_i^2}{n_{ik}}}{\sum_i \frac{N_i^2 \sigma_i^2}{n_{ij}}}$$

If M_j and M_k are the sample sizes for two different allocations, such that for all cells,

$$(3) \quad \frac{n_{ik}}{n_{ij}} = \frac{M_k}{M_j}$$

then

$$(4) \quad R_{kj} = \frac{M_j}{M_k}$$

and

$$(5) \quad R_{kj} = R_{kj} V_j$$

and

$$(6) \quad RSE_k = R_{kj}^{.5} RSE_j$$

Using these formulas, sample sizes for the 1994 NEHIS, RSEs from the 1994 NEHIS, and proposed sample sizes for the 1997 MEPS IC, comparisons of various new allocation schemes can be produced and estimates made of their RSEs.

Sample Allocation

Allocation to SENE

The first decision was to allocate a national sample of 1,000 to the population of SENE and the remaining sample of 29,000 to the private-sector and government employers. This was done by determining the total sample needs for the SENE sample. A brief assessment showed that this sample size appeared to give an average RSE of approximately 5 percent for survey estimates for a set of important variables.

Allocation Among States

The next step required the allocation of the sample among the States. The equations above were used, and it was assumed that the variance structure is the same within each State. In equation (1), the strata are assumed to be States and the values of unit variances for each State are assumed to be equal. These assumptions require the within-stratum variances and the relative sizes of the strata within States to be equal. The assumptions seemed reasonable after examining a set of within-stratum variances for several variables and the relative sizes of the strata for several States of various sizes. Thus, to compare allocations, only values of equation (1) where the values of σ are all equal to 1 must be compared.

For the 1994 NEHIS, the sample allocation to each State was done relative to the values of the .3 power of the number of establishments (Marker, Bryant, Wallace, et al., 1996.) This allocation method was used to give adequate sample size to smaller States by increasing

their relative size compared with the larger States. Using this method, 29,000 remaining units were allocated to the States, and an RSE for this survey was projected using equations (3), (4), (5), and (6) along with the RSE for the 1994 NEHIS. However, the allocation failed to meet the stated goals for two reasons:

- The national goal of an RSE of 1 percent or less could not be met. This happened because the sample was much smaller than the sample of 38,000 for the 1994 survey. The smaller IC sample, combined with the loss of efficiency for national estimates caused by the oversampling of all small States, contributed to failure to meet the goal.
- In spite of the oversampling of the smaller States, samples for many of them were too small to produce quality State estimates.

As a result, neither quality estimates for 40 States nor a quality national estimate could be made with the 1994 NEHIS sample design and the current smaller sample size. To remedy this problem, it was necessary to produce a minimum sample in 40 States and to generate a more efficient allocation for national estimates.

Examination of equation (1) in the case of equal values of σ shows that the best allocation for national estimates allocates sample proportional to the size of N_i for each State. Thus, an allocation was needed that was closer to proportional than the 1994 NEHIS was. At the same time, the allocation required a minimum sample within at least 40 States. After a brief analysis, this number was set at 600. This number would not produce State estimates that would meet the quality goal of 5 percent or less RSE for estimates of total enrollment. However, the number was set at 600 for two reasons:

- The goal was close to being achieved, and a further increase in State allocations might degrade the national estimates.
- It was possible to gain some improvements in allocations within States that would produce more efficient within-State estimates. These improvements, which are discussed in later sections, include use of a more accurate frame, a better allocation of units between government and the private sector, and a better allocation to strata within the private sector. These improvements also may

allow a closer approach to the State quality goals with a sample of 600.

Approximately 19,000 units were allocated proportional to the number of establishments in each State. The sample of any of the 40 largest States that did not receive an allocation of 600 was supplemented. The value of V for this sample was 1.21 times the value of V for the optimal proportional sample. The value of V for the allocation using the 1994 method gave a value approximately 1.45 times the value for the optimal sample. Thus, the RSE could be improved by approximately 10 percent compared with the 1994 design with the current sample size, allowing national estimation goals to be met. The sample allocation to States is shown in Table 3.

Allocation Within States

Government and Private Sectors

The next step was to divide each State's allocation between the public and private sector. In the 1994 NEHIS, this was done in two steps:

- The State government was selected with certainty.
- The ratio of the employment of local governments in the State to the sum of private-sector employment and local government employment was calculated. Two-thirds of this percentage was allocated to the local government sample within the State. Thus, if local government workers constituted 15 percent of local government and private-sector employment, 2/3 of 15 percent, or 10 percent, of the State's allocation was local government.

Because of this allocation, the RSEs for many government statistics were less than those for the private sector, although the government sample was smaller than that of the private sector. This fact and an examination of equation (1) indicate that the unit variances and design effects for governments are smaller than those for the private sector. This was the reason the 1994 government sample was allocated as only 2/3 the proportion of government employment. However, this allocation to governments appears to be still too large, and it would be better to further lessen the government

allocation. To do this, assume that in equation (1) there are two strata—governments and the private sector. Let the number of governments and private-sector establishments be N_g and N_p . Likewise, let μ_g and μ_p be the means for a variable of interest for governments and private-sector establishments, and RSE_g and RSE_p be the relative standard errors for the estimates of the means of the variables for the two groups. Then the variance V of the estimate of the total over the entire population can be written as

$$(7) \quad V = (N_g \mu_g)^2 RSE_g^2 + (N_p \mu_p)^2 RSE_p^2$$

For allocation between the government and private sector within a State, a fixed sample size is divided between the two strata of the population. Under these conditions, one can show that

$$(8) \quad \frac{N_g \mu_g}{N_p \mu_p} = \frac{RSE_p n_g^{.5}}{RSE_g n_p^{.5}}$$

This relationship can be developed using the Neyman optimal allocation of the sample when there are two strata (Cochran, 1977). For the NEHIS government allocation, all values within this equation are known. The size of RSEs for governments for many variables, the relationship of the 1994 NEHIS allocations to government and the private sector within States, and the population values all are available.

When these known values were entered into equation (8), the right side of the equation for the 1994 allocation appeared to be too large. Therefore, the value of the RSE for governments must be raised, while the value for the private sector must be lowered. To do this, the allocation to governments within each State is decreased. Different reductions are needed to achieve an optimal design for each of the different variables. Thus, a conservative method was developed that would reduce the government allocation but would not be extreme. The method is as follows:

- If p is the proportion of employment that is government and n the total sample, then $(2/3)np$ is the original government allocation.
- Let E be the total employment for all governments. Then any government with a total employment that is

a greater proportion of total government employment than $1/((2/3)np)$ is a certainty.

- Remove the certainty governments from the government list and their number from allocation. Combine the remaining government and private sector. This value is the new total employment. Calculate a value p^* , where p^* is the ratio of the remaining government employment to the value of new total employment. With n^* being the remaining government allocation, check for more certainties using n^* and p^* in the formula in the step above using the remaining government employment.
- Continue to iterate the process until no more certainty governments are found. At this point, calculate the employment remaining in each State that is government and combine it with the private sector in that State. Let $p\#$ be the proportion that the remaining government constitutes of that total and $n\#$ be the State allocation less any government certainties.
- Calculate $(2/3)p\#n\# = nc$. The State's government allocation is nc plus any certainties found in the State. The remaining State allocation is for the private sector.

As an example, suppose there are two States, each with 50,000 total employees, half of whom are government employees. Assume the sample allocation is 120, or 60 per State. The government allocation is $.5(2/3)120$, or 40. Any government with more than 1,250 employees is selected with certainty. Assume each State has 6 governments with more than 1,250 employees and the total employment of the 6 governments in each State is 20,000.

Remove the 12 governments and their employees. This leaves 60,000 total employees, of whom 10,000 are government employees. The remaining sample is 108, or 54 per State. Government gets $(10,000)/(60,000)(2/3)108 = 12$. Check this and find nothing large enough to be a certainty—that is, no government in the remainder larger than $10,000/12 = 867$.

Now allocate the remaining 54 sample units in each State. Because the remaining government in each State is 1/6th of the employment, government gets 2/3 of that proportion of the remaining sample, or 6.

The final allocation in each State under this assumed scenario is 48 private sector, 6 certainty governments, and 6 noncertainty governments. If the 1994 NEHIS

method had been used, the government allocation would have been 20 per State.

This method considers the disproportionate amount represented by large local governments. It essentially applies optimal allocation of the sample to the remainder of the universe after these very large governments are removed. It produced a sample for governments within States that was approximately 80 percent of the size produced using the 1994 NEHIS methods. Table 3 shows the breakdown of the samples within States.

Private-Sector Sample

In allocation of private-sector establishments within States, two types of variables are considered:

- Those with approximately equal unit variances within strata.
- Those with unit variances that increase as the size of the establishment increases.

The two variables tend to call for two opposite types of allocation methods. With the first, allocation is proportional to the number of establishments in a stratum. With the second, allocation involves increasing the sample according to the number of employees in establishments within a stratum. The first allocates large percentages of the sample to strata with small establishments. The second allocates larger percentages of the sample to large establishments. (Strata definitions are given in Table 1.)

The probability of allocation for the 1994 NEHIS sample was proportional to size, with the size measure for an establishment being the square root of the establishment's employment size (Marker, Bryant, Wallace, et al., 1996). This was a compromise between the two extremes above. The method worked reasonably well and gave good error results.

To determine the allocation for the MEPS IC, a compromise allocation was developed using unit variances estimated from 1994 NEHIS data. This analysis was performed to further improve State estimates to meet the State quality goals that could not be met using the 1994 NEHIS methodology.

To perform the analyses, two different sets of unit variances were used, one to represent each type of variable. There are 18 possible strata, 6 establishment sizes crossed with 3 firm sizes. These are listed in Table

1. Note that only 14 strata have establishments in them because of restrictions placed on establishment sizes by the size of the total firm. Unit variances for a given establishment size were assumed to be equal for all firm sizes. Thus, there are 6 unit variances for each variable type. For a variable of the first type, which creates an allocation relative to total numbers of establishments, these values will be equal; for variables of the second type, these variances will increase as establishment sizes increase. The relative values of these variances are as follows:

Establishment size (in increasing size)	Variable type 1	Variable type 2
Size 1	1	1
Size 2	1	3
Size 3	1	7
Size 4	1	32
Size 5	1	83
Size 6	1	410

After a preliminary analysis, six methods of allocation were attempted:

1. Optimal for variable type 1, or allocation proportional to the number of establishments in a stratum.
2. Optimal for variable type 2, or Neyman allocation (Cochran, 1977).
3. Allocation proportional to the total employment size in each stratum.
4. Neyman allocation using variances for each stratum, which are an average of the stratum variances for the two types of variables to be estimated.
5. Allocation equal to the average of the allocations determined by the two optimal allocation schemes presented above.
6. Allocation proportional to the sum of the square roots of the employment sizes of all establishments in the stratum. (This is the method from the 1994 NEHIS.)

The sizes of the variances obtained from each method relative to method 1 are shown below. The values were calculated using equations (1) and (2).

	Variable type 1	Variable type 2
Method 1	1.00	1.00
Method 2	1.65	.79
Method 3	4.48	1.74
Method 4	1.10	.79
Method 5	1.08	.86
Method 6	1.39	.81

Method 4 was selected for the MEPS IC because variable type 2 was considered to be slightly more important than type 1 in this survey. However, both methods 4 and 5 were good, and both were robust when tested under changes in unit variance. Table 2 gives the percent allocation to each stratum in the private sector for a typical State using this method.

Final Allocations

At this point in the process, all samples were of the desired sample size. Samples must be inflated to account for potential losses due to nonresponse and out-of-scope units. To develop these numbers for the private sector, losses were calculated by strata from previous Census Bureau SSELs for time periods from the time the frame was developed to the time of the survey. The loss rates are shown in Table 5. The general tendency is for rates to decrease as both the firm size and the establishment size increase. Losses also vary from year to year based on economic conditions. The assumption made was that conditions would be stable with no recession.

No losses were assumed for governments because governments that close are small boards and commissions with few, if any, employees. The Census Bureau estimates that total losses in employment during a year would amount to much less than .5 percent of government employment. To avoid these types of governments that are of little interest analytically, two steps were taken:

- All governments with less than one full-time equivalent employee were removed. This removed a large number of small boards and the like, but less than .01 percent of the total employment.
- The sample was selected using employment as a measure of size.

These two steps resulted in a sample in which there was little chance of selecting any governments that would be lost because of closure. Thus, no inflation was made for losses because of closure in the government sample. A 90-percent response rate was assumed for governments. A similar rate had been achieved in the 1994 NEHIS, and this was believed to be reasonable.

There was no experience as a guide to estimating losses in the SENE group except a supposition that it would be a large number. A one-third loss rate because of closure was chosen for this group.

Sample increases were also made to account for losses because of nonresponse. Tables 4 and 5 contain these values for private-sector strata, governments, and SENEs. The results for the private sector and government were based on results from the 1994 NEHIS, which were slightly lower than the rates assumed. The rates from NEHIS were increased slightly because of the smaller questionnaire being used for MEPS and because the Census Bureau was the collection agent. The rate chosen for SENEs was similar to that assumed for small businesses.

Sample Selection

The sample selection for the three frames was done independently. All selections employed stratified sequential sampling. No clustering of units was done because the data collection was primarily by mail and telephone.

To allocate the SENEs, only counts by income class were available. Because only those in higher income classes were likely to have insurance through their work, the SENEs were divided into five strata by total annual income and allocations were made. The allocations relative to the number of persons in each stratum increased with income to allow for the fact that it was very unlikely that any of the SENEs with lower incomes had insurance through their jobs. Assuming a binomial distribution of persons with insurance within each stratum means that the unit variances increase as the incomes within the strata increase. Under these assumptions, the resulting optimal allocation (Cochran, 1977) to the strata places a high percentage of the sample in the strata with higher income persons. Allocations are:

Income class	Allocation
\$1-\$4,999	75
\$5,000-\$9,999	100
\$10,000-\$14,999	100
\$15,000-\$19,999	125
\$20,000 or more	1,600

Within each stratum, the units were sorted by State, industry, and income. Each unit within a stratum was assigned an equal probability, and selection was done using a systematic selection process.

Governments not selected with certainty were stratified by State. Each government was given a measure of size based on the square root of its employment size. The governments were sorted by type (city, county, school district, and other) and employment and were selected systematically within each State.

Each private-sector establishment within a State was first assigned a probability of selection. This probability was equal to the sample number allocated to the establishment's stratum within its State divided by the number of establishments in the stratum within the State.

For each large firm, the probabilities of selection of all the firm's establishments were summed to obtain an expected number of establishments. To reduce the burden on central office respondents for firms with multiple sampled establishments, the probability of selection of each establishment within a firm was reduced by a constant. After these reductions, the expected sample within each stratum was recalculated to determine the shortfall caused by these reductions in probabilities of selection. To account for the shortfall, the probability of selection of each establishment in a stratum that had not been reduced was increased slightly so the total probabilities of selection within the stratum again equaled the allocation for the stratum within the State.

Using the new probabilities of selection, establishments were sorted by State, stratum, industry, and size, and sequential selection was accomplished.

Summary

The MEPS IC sample consists of two parts—the household and list sample components. Similar data on employer health insurance are collected for both samples. The purpose of the household sample is to provide data that can be attached to information

collected from respondents in the MEPS HC. The combination of information collected from households and employers for this household sample allows analysts to study household health expenditures and how these expenditures are related to the choices of health insurance offered to the households.

The MEPS IC list sample is designed to provide quality estimates for a variety of employer-related health insurance characteristics. The sample is designed to provide a picture of State and national employer health insurance. Among the characteristics shown are enrollments, premiums, employee contributions, types of plans offered, deductibles, and coverages. Estimates made for the Nation should have excellent precision, with RSEs of about 1 percent for characteristics for the entire country and for the entire private sector. In addition, estimates for characteristics of employer-related health insurance within the 40 largest States can be made with good precision.

Estimates for characteristics of employer-related health insurance for small establishments will be of particular interest. Oversampling of these establishments, along with annual surveys, should permit analysts to track changes and effects of government policy for this sensitive portion of the population—for the Nation as well as for the 40 largest States.

The MEPS IC sample is a primary government source of information on employer-related health insurance in the United States. It should prove to be a key data provider for this crucial portion of health care.

References

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Table 3. Sample allocation of employers for the Medical Expenditure Panel Survey Insurance Component, 1996

State	State allocation	Government	Private
Total	29,000	1,757	27,243
AK	100	8	92
AL	600	43	557
AR	600	42	558
AZ	600	34	566
CA	2,014	115	1,899
CO	600	34	566
CT	600	29	571
DC	105	1	104
DE	100	5	95
FL	938	54	884
GA	600	45	555
HI	600	7	593
ID	100	8	92
IL	881	45	836
IN	600	37	563
IA	600	43	557
KS	600	47	553
KY	600	37	563
LA	600	40	560
MA	600	31	569
MD	600	18	582
ME	600	42	558
MI	654	41	613
MN	600	36	564
MO	600	35	565
MS	600	52	548
MT	100	10	90
NC	600	38	562
ND	100	8	92
NE	600	42	558
NH	100	7	93
NJ	600	42	558
NM	600	41	559
NV	600	19	581
NY	1,310	64	1,246

Continued

Table 3. Sample allocation of employers for the Medical Expenditure Panel Survey Insurance Component, 1996 (continued)

State	State allocation	Government	Private
OH	808	51	757
OK	600	49	551
OR	600	38	562
PA	848	43	805
RI	100	6	94
SC	600	38	562
SD	100	8	92
TN	600	31	569
TX	1,242	95	1,147
UT	600	30	570
VA	600	34	566
VT	100	8	92
WA	600	36	564
WI	600	35	565
WV	600	47	553
WY	100	11	89

Source: Center for Cost and Financing Studies, Agency for Health Care Policy and Research: Medical Expenditure Panel Survey Insurance Component, 1996.

Table 4. Projected response rates of private-sector establishments for typical State, by firm employment size and establishment employment size: Medical Expenditure Panel Survey Insurance Component, 1996

Establishment employment size	Firm employment size		
	50 or less	51-999	1,000 or more
1-5	.78	.70	.70
6-25	.75	.70	.70
26-50	.73	.70	.70
51-249	N/A	.70	.70
250-999	N/A	.70	.70
1,000 or more	N/A	N/A	.70

Note: An establishment is an economic unit at a single location where business is conducted or services or industrial operations are performed. A firm is a business entity consisting of one or more business establishments under common ownership or control. N/A is not applicable.

Source: Center for Cost and Financing Studies, Agency for Health Care Policy and Research: Medical Expenditure Panel Survey Insurance Component, 1996.

Table 5. Projected losses because of going out of business for the private-sector list sample, by firm employment size and establishment employment size: Medical Expenditure Panel Survey Insurance Component, 1996

Establishment employment size	Firm employment size		
	50 or less	51-999	1,000 or more
1-5	.04	.02	.02
6-25	.015	.0075	.0075
26-50	.0125	.0045	.0045
51-249	N/A	.01	.005
250-999	N/A	.0015	.0075
1,000 or more	N/A	.0075	.00875

Note: Projected response rates, government: .90. Projected losses from governments going out of business: 0.

Projected response rates, self-employed with no employees (SENEs): .75. Projected losses from SENEs going out of business: .33.

An establishment is an economic unit at a single location where business is conducted or services or industrial operations are performed. A firm is a business entity consisting of one or more business establishments under common ownership or control. N/A is not applicable.

Source: Center for Cost and Financing Studies, Agency for Health Care Policy and Research: Medical Expenditure Panel Survey Insurance Component, 1996.

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