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Mercer's National Survey of Employer-Sponsored Health Plans 2010 Columbus

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Welcome!

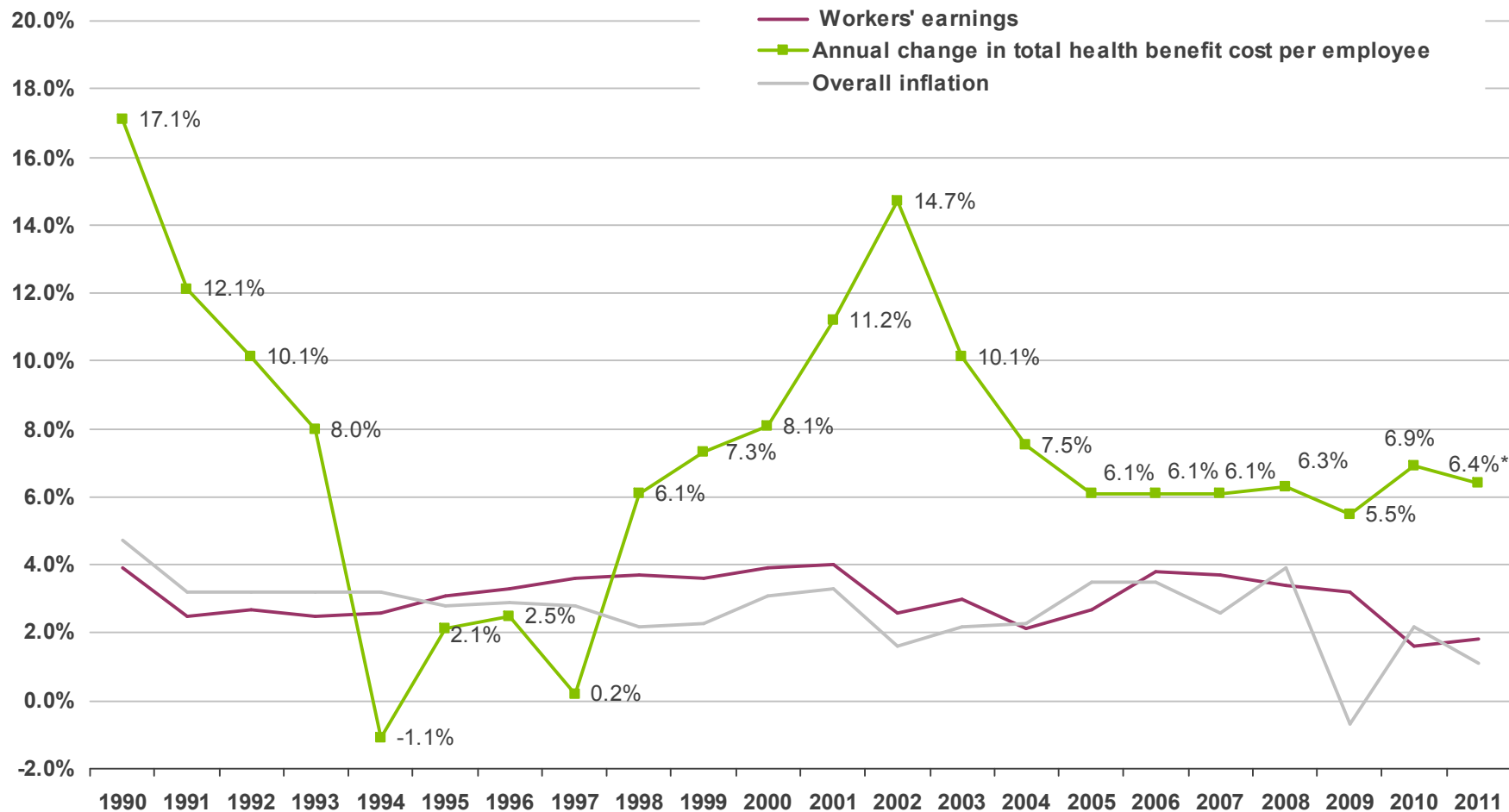
About the survey: 25 years old and still going strong!

- Now in its 25th year, the survey was established in 1986
- A national probability sample has been used since 1993. This means that survey results are representative of all employer health plan sponsors in the US with 10 or more employees
- 2,833 employers participated in 2010
- In this presentation, we refer to:
 - small employers – 10-499 employees
 - large employers – 500+ employees
 - jumbo employers – 20,000+ employees
 - Columbus large employers – 500+ employees (19 participants)
 - Ohio large employers – 500+ employees (110 participants)



Top Stories

Total health benefit cost per employee rises 6.9% in 2010, the sharpest increase since 2004



*Projected

Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1990-2010; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1990-2010.

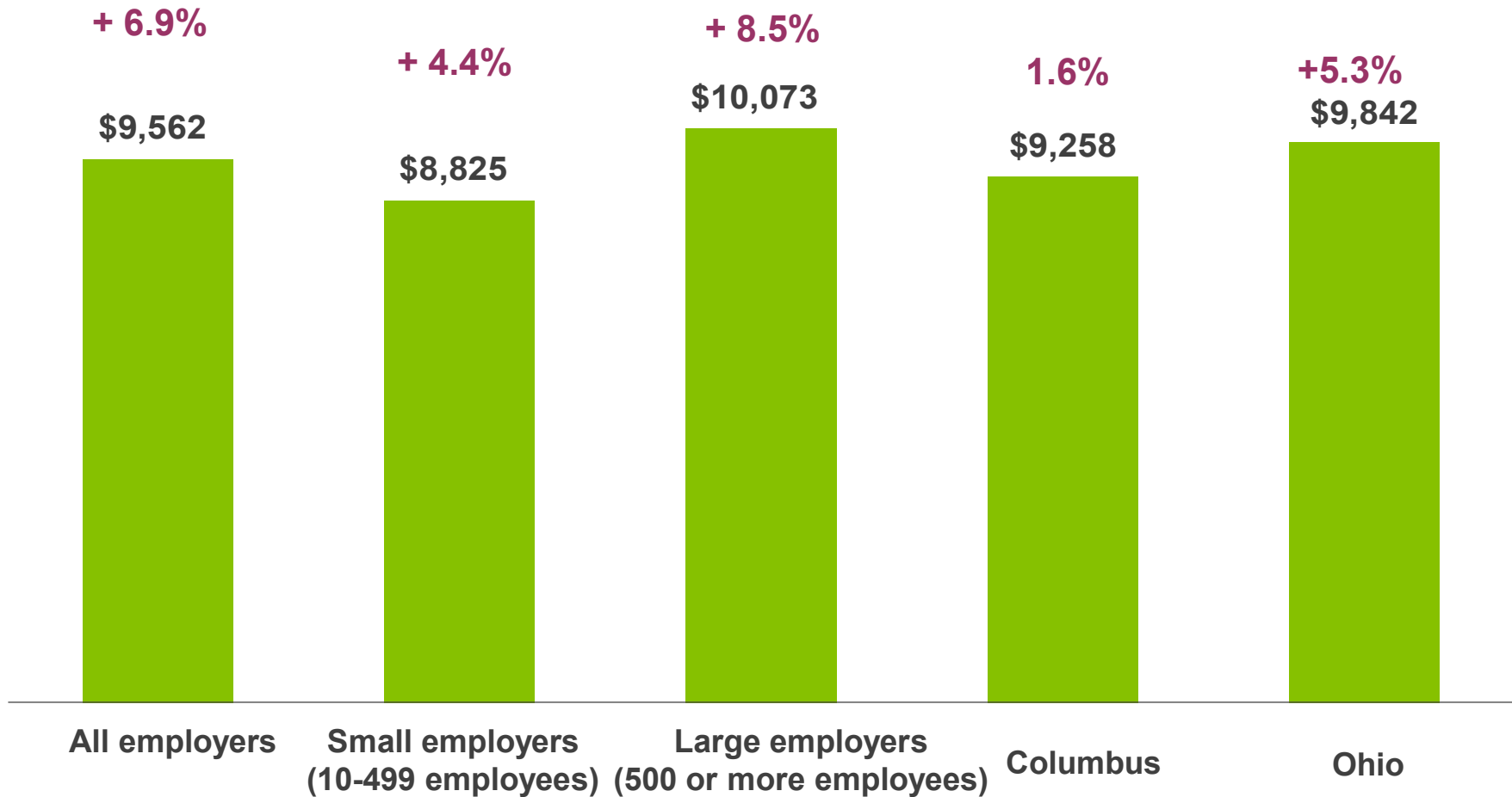
Total health benefit cost per employee, according to Mercer

We define total health benefit cost per employee as:

- Total gross annual cost (claims cost and administrative cost) for all medical, dental, prescription drug, mental health, vision and hearing benefits for active employees and their covered dependents, divided by the number of covered active employees.
- Included:
 - Employee and employer premium contributions
 - Stop-loss premiums
 - Employer contributions to an HSA or HRA
- Not included:
 - Employee out-of-pocket costs
 - Workers' compensation
 - Cash incentives to waive coverage

Cost rose fastest among large employers

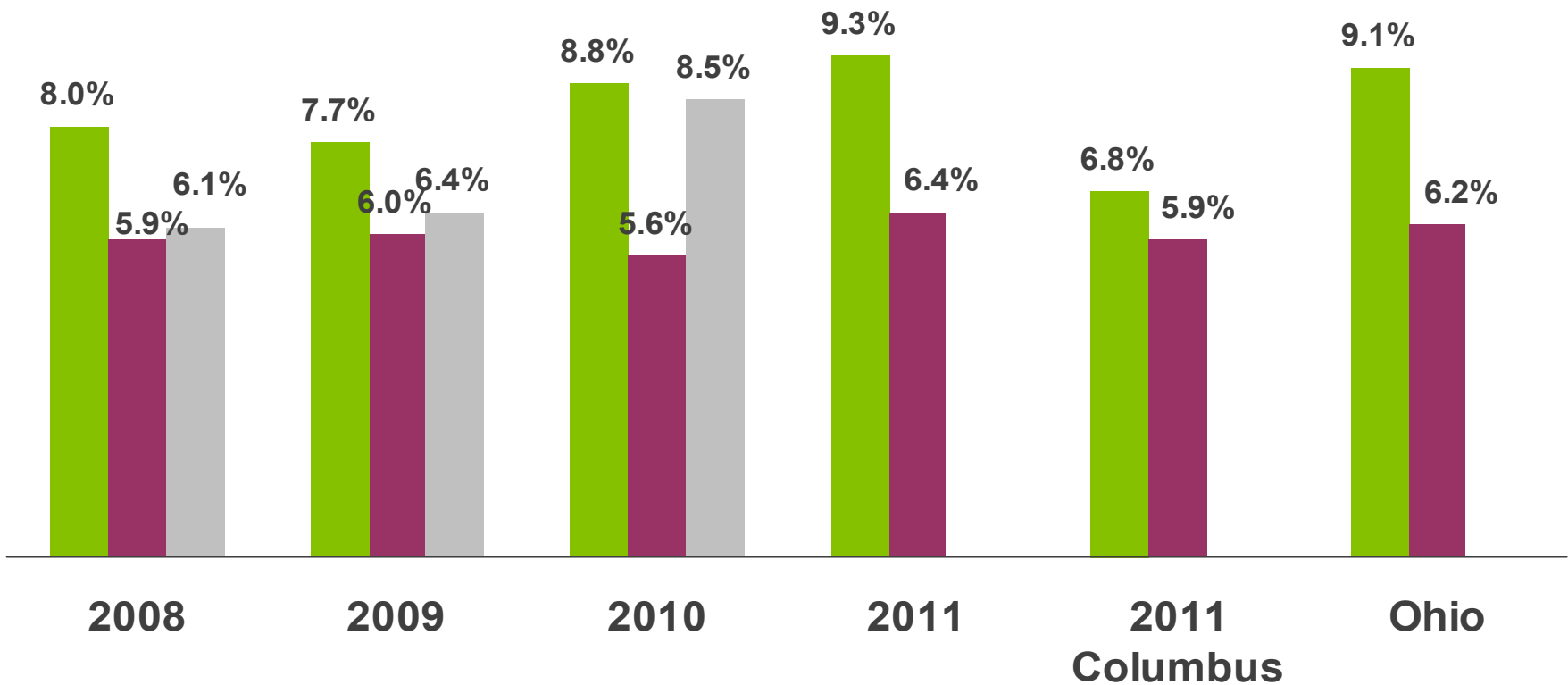
Total health benefit cost per employee in 2010, by employer size



While the underlying health benefit cost trend is rising, employers will work to keep 2011 increases to about the same level as past years

Large employers

- Predicted increase, before changes*
- Predicted increase, after changes*
- Actual increase

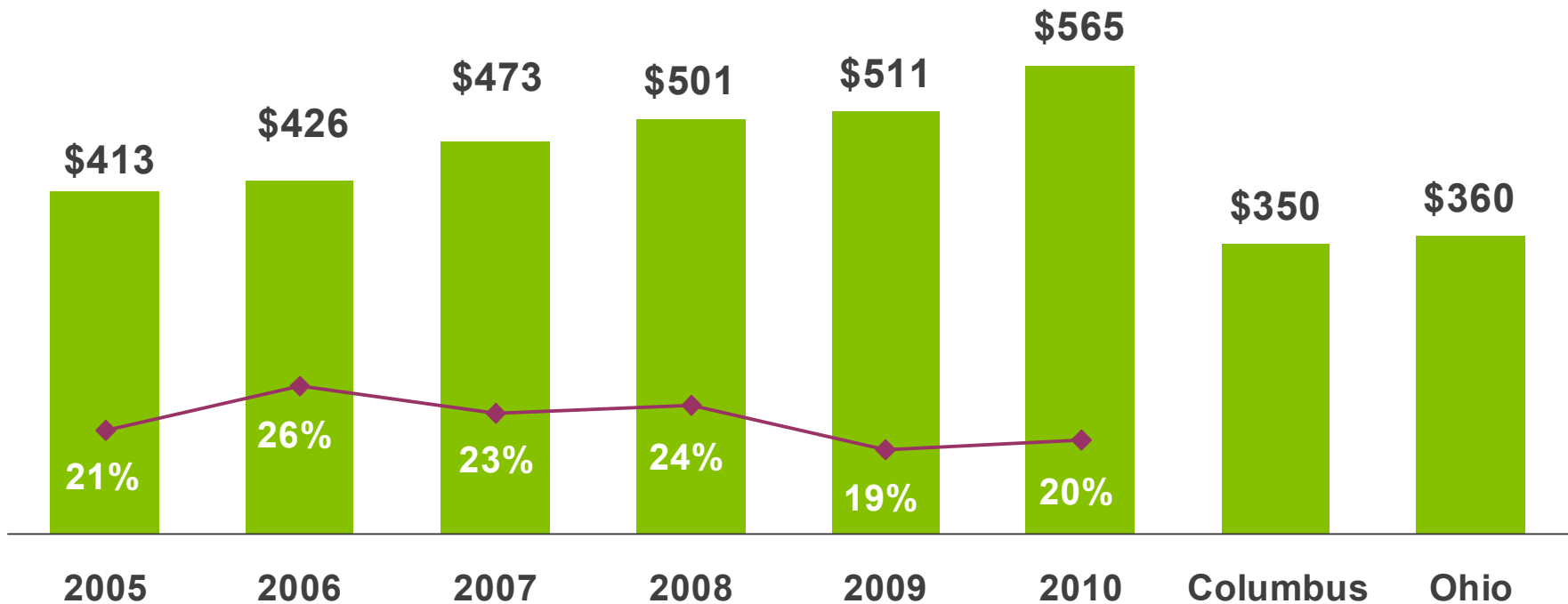


*to plan design or health plan vendor

Deductibles have risen at about the same rate as health benefit cost over the past five years

Average PPO deductible for individual, in-network coverage, among large employers

■ Average deductible among PPO sponsors requiring a deductible
◆ Percent of PPO sponsors requiring no deductible



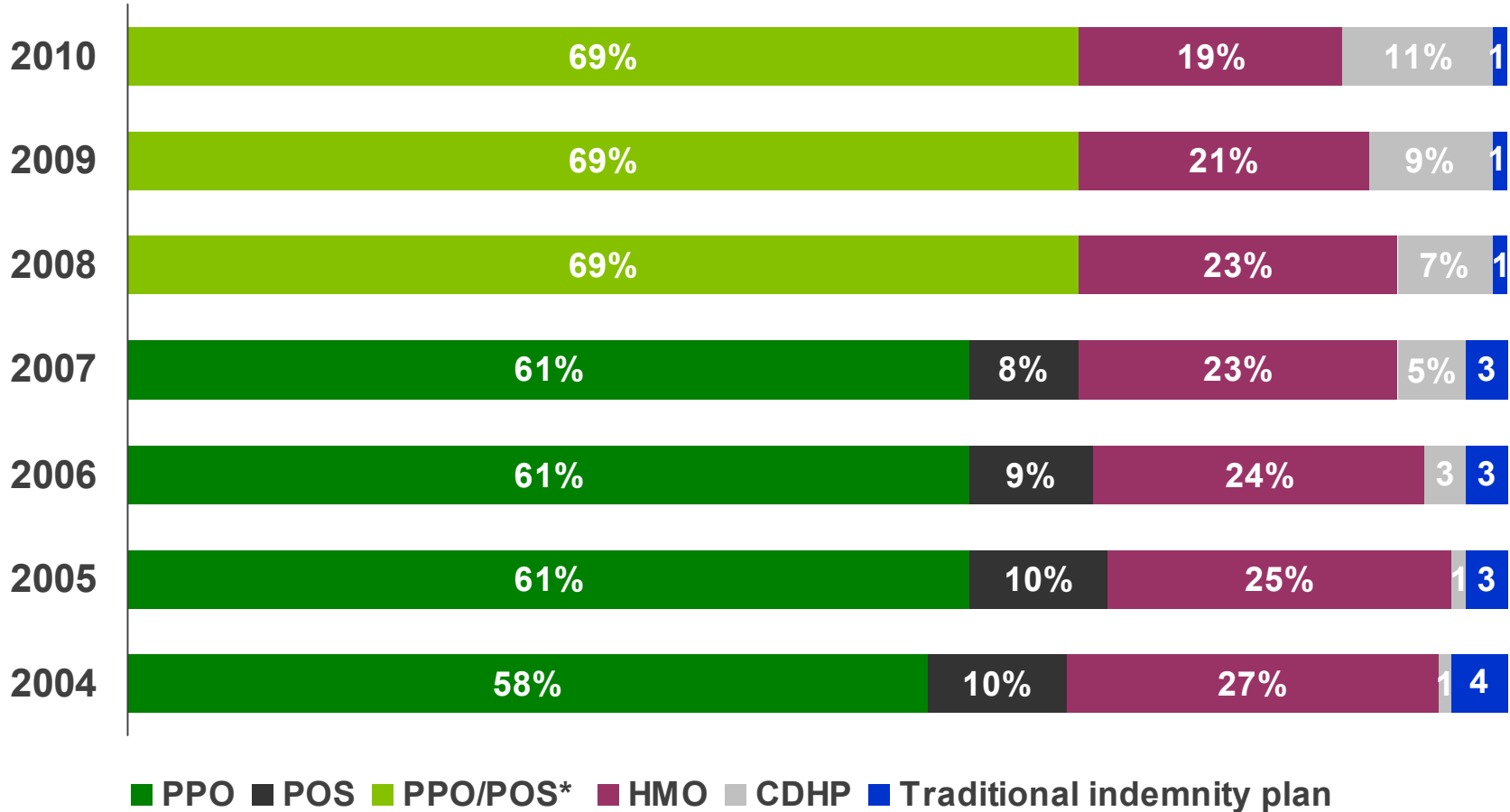
With more than half of the nation's largest employers now offering a CDHP, enrollment is climbing

	CDHP* offered in:			Percent of employees enrolled:		
	2008	2009	2010	2008	2009	2010
Small employers (10-499 employees)	9%	15%	16%	6%	10%	12%
All large employers (500 or more employees)	20%	20%	23%	7%	8%	10%
Jumbo employers (20,000 or more employees)	45%	43%	51%	8%	9%	15%
Columbus			42%			17%
Ohio			36%			14%

*Based on either a health savings account or health reimbursement arrangement.

Enrollment in CDHPs continues to rise as HMOs lose ground

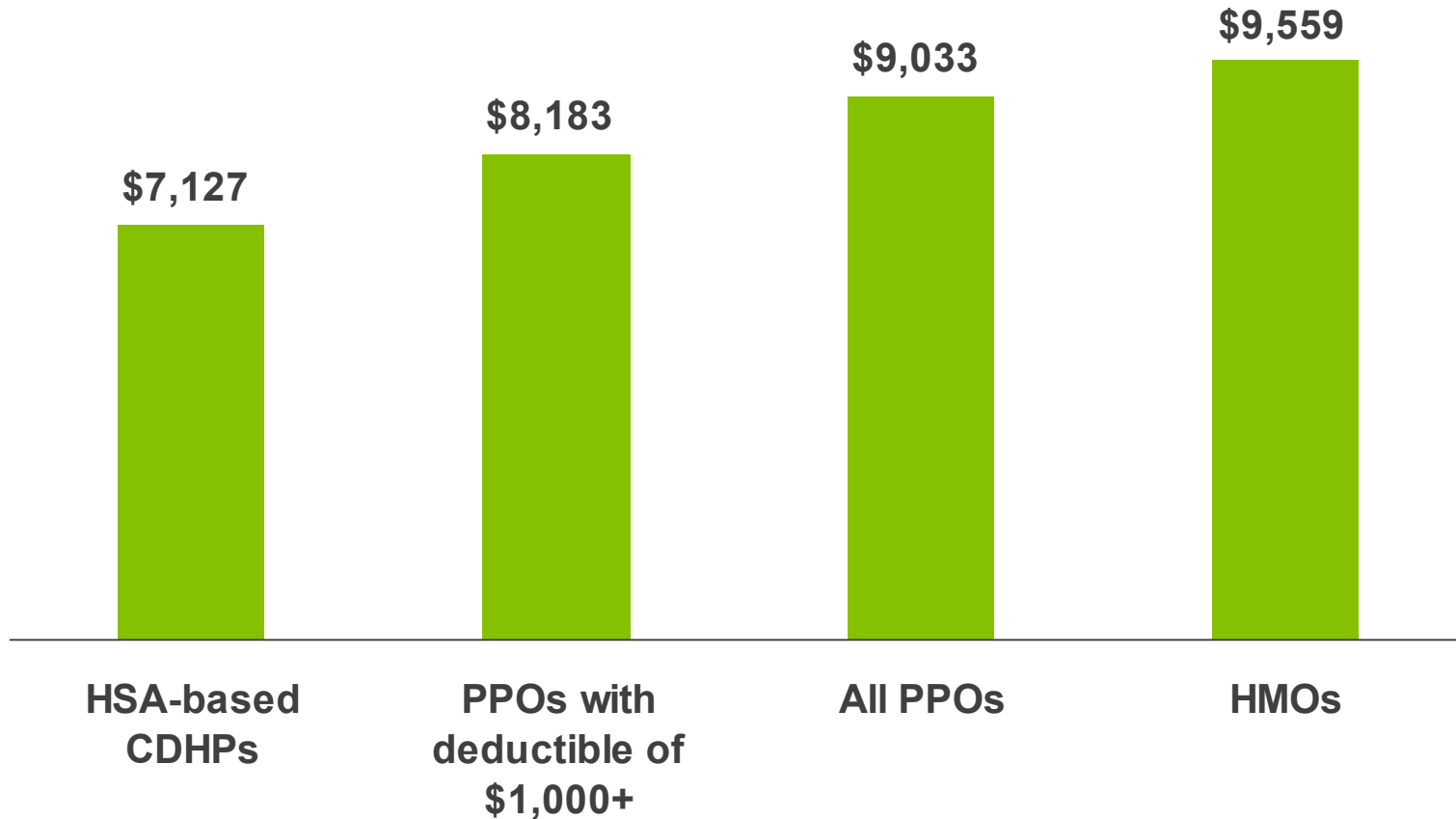
Percentage of all covered employees enrolled in each plan type



*Combined in 2008 due to declining offerings of/enrollment in POS plans.

Coverage in an HSA costs significantly less than coverage in HMOs or PPOs – even high-deductible PPOs

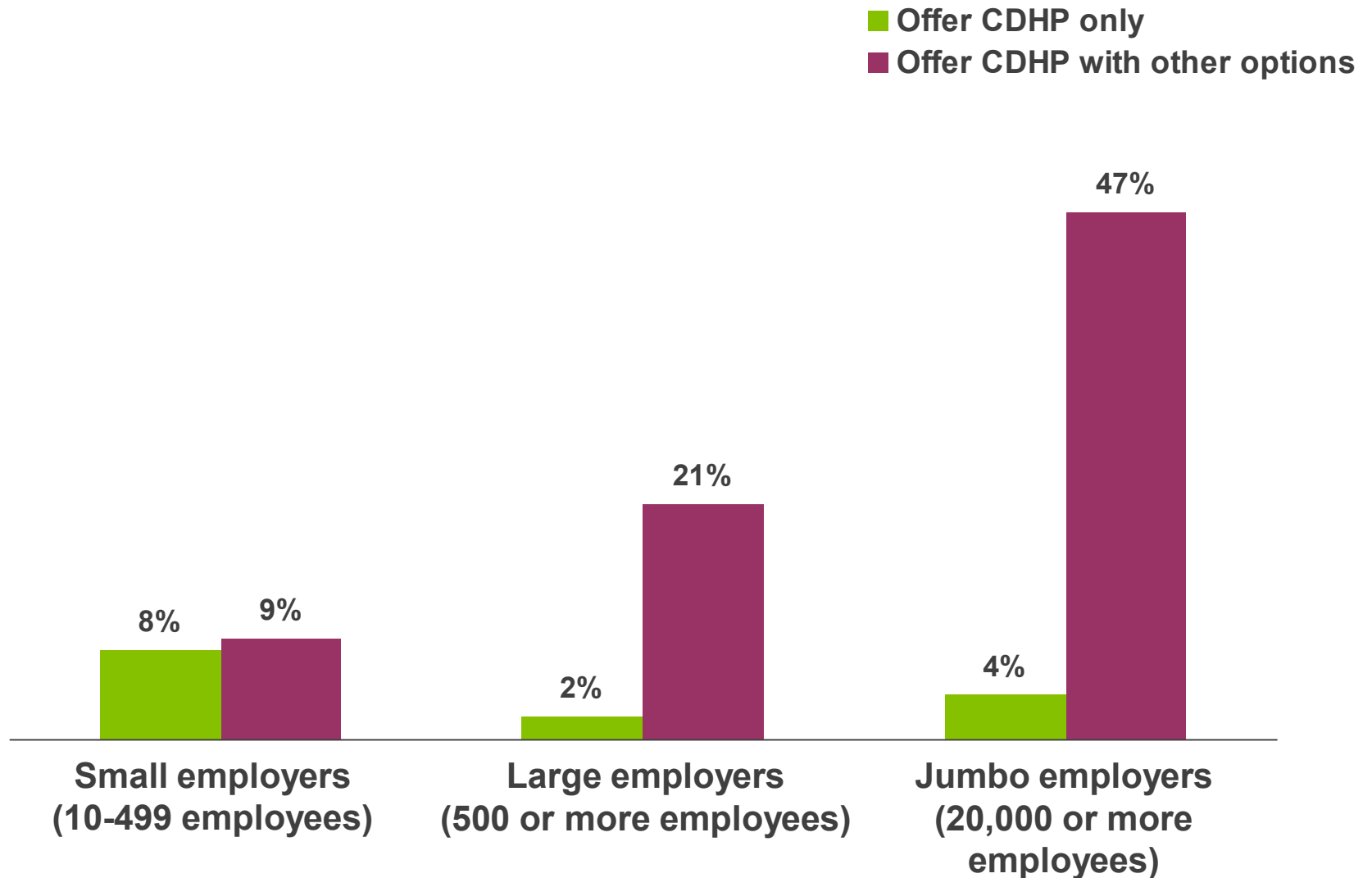
Average cost per employee among large employers



Employers of all sizes prefer HSAs to HRAs

	Offer CDHP in 2010		Very likely to offer CDHP in 2011	
	HSA-eligible	HRA-based	HSA-eligible	HRA-based
Small employers	13%	5%	15%	5%
Large employers	17%	8%	19%	10%
Jumbo employers	37%	24%	39%	24%

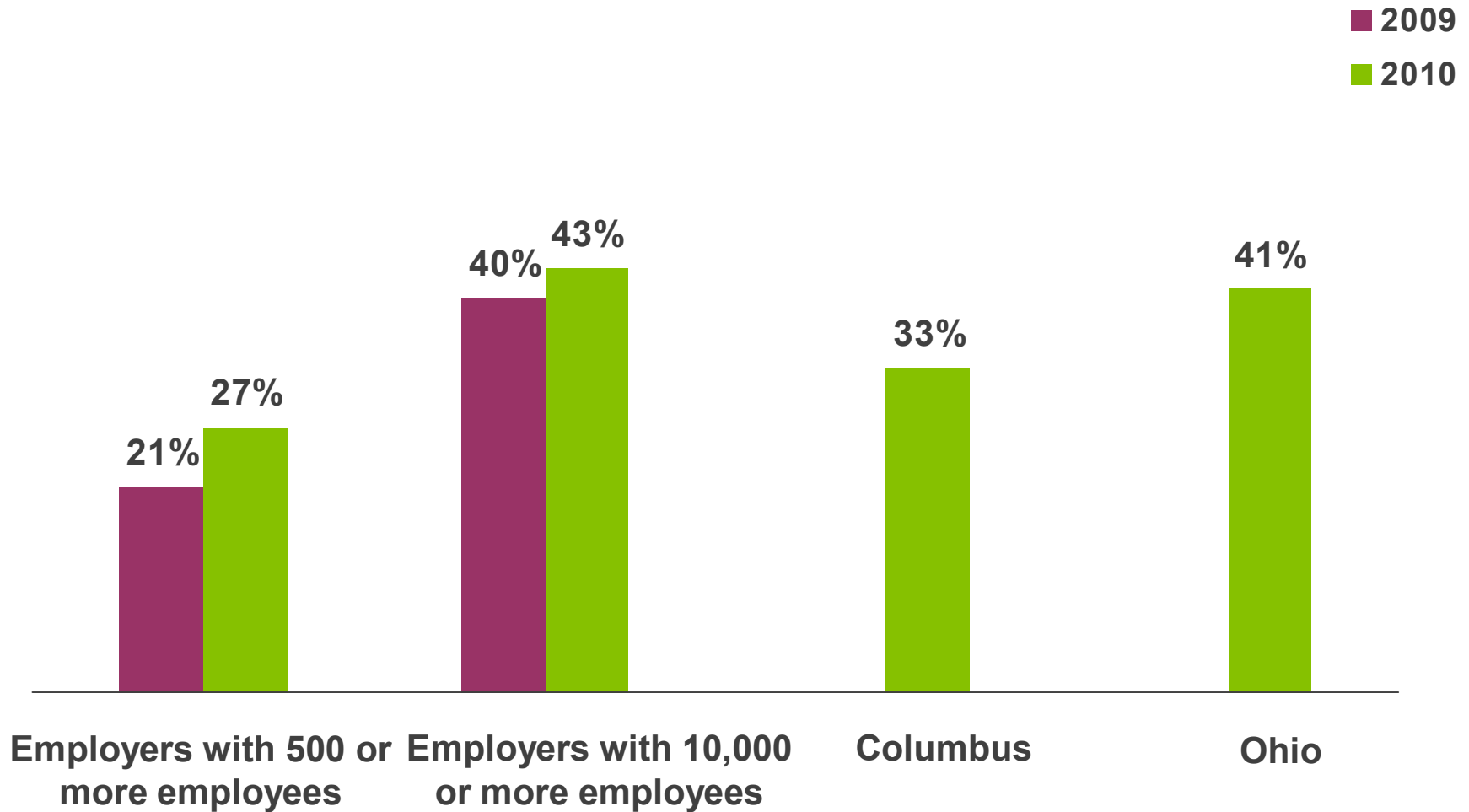
Large employers still reluctant to offer CDHP as the only medical plan choice



Use of specific health management programs

	Large employers	Jumbo employers
Health website	86%	91%
Case management	82%	94%
Nurse advice line	81%	91%
Health risk assessment	69%	85%
Behavior modification	50%	70%
Health advocate services	48%	61%
End-of-life case management	47%	55%

More employers offering incentives to boost employee participation in wellness / health management programs



Health management incentives

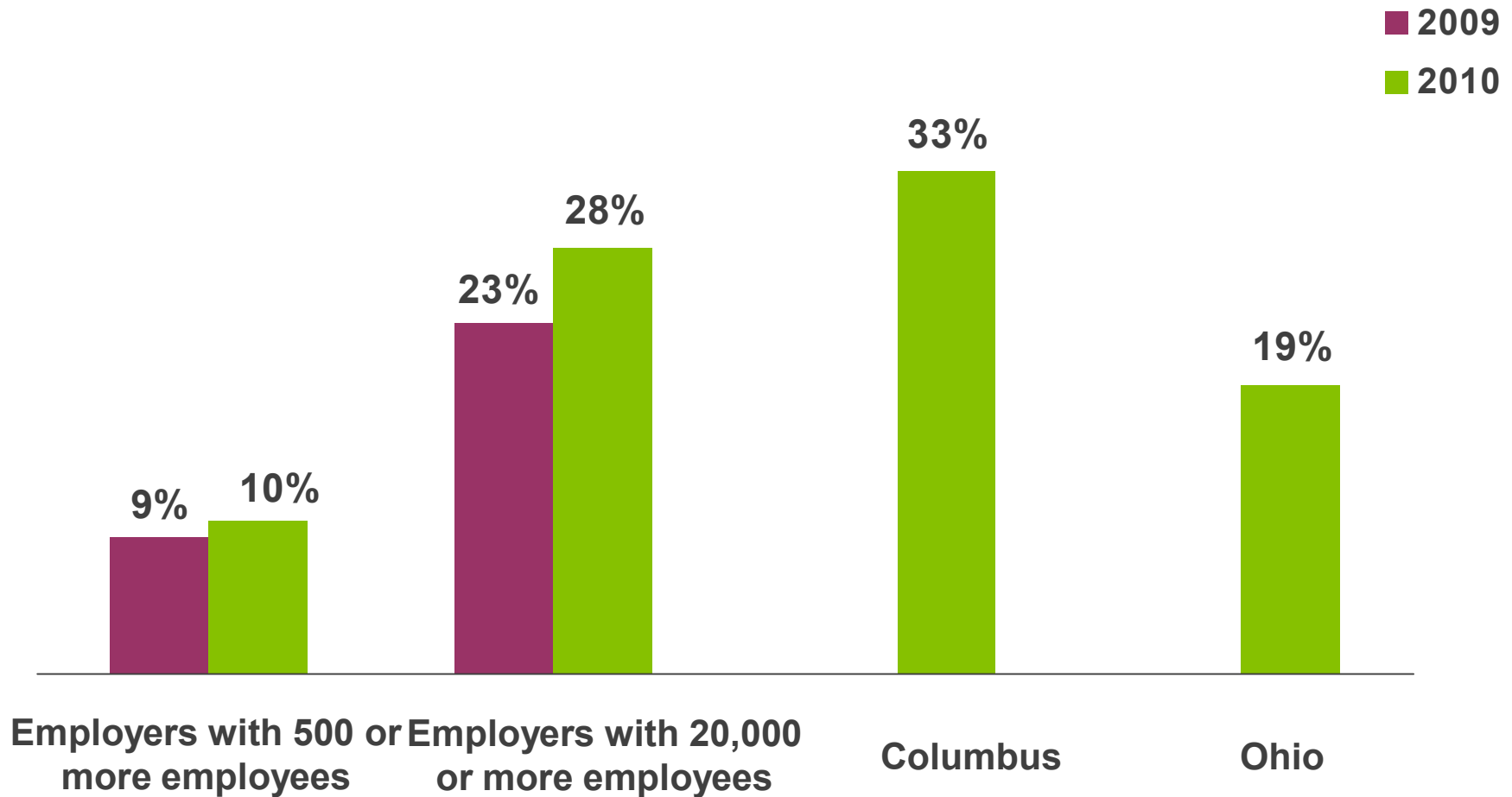
Based on large employers offering the program

	Large employers	Jumbo employers
Provide incentive for completion of health risk assessment	31%	48%
Average cash value of incentive	\$125	ID
Provide incentive for participating in disease management program	10%	23%
Provide incentive for participating in behavior modification program	18%	34%

ID = Insufficient data

Require lower premium contributions for nonsmokers

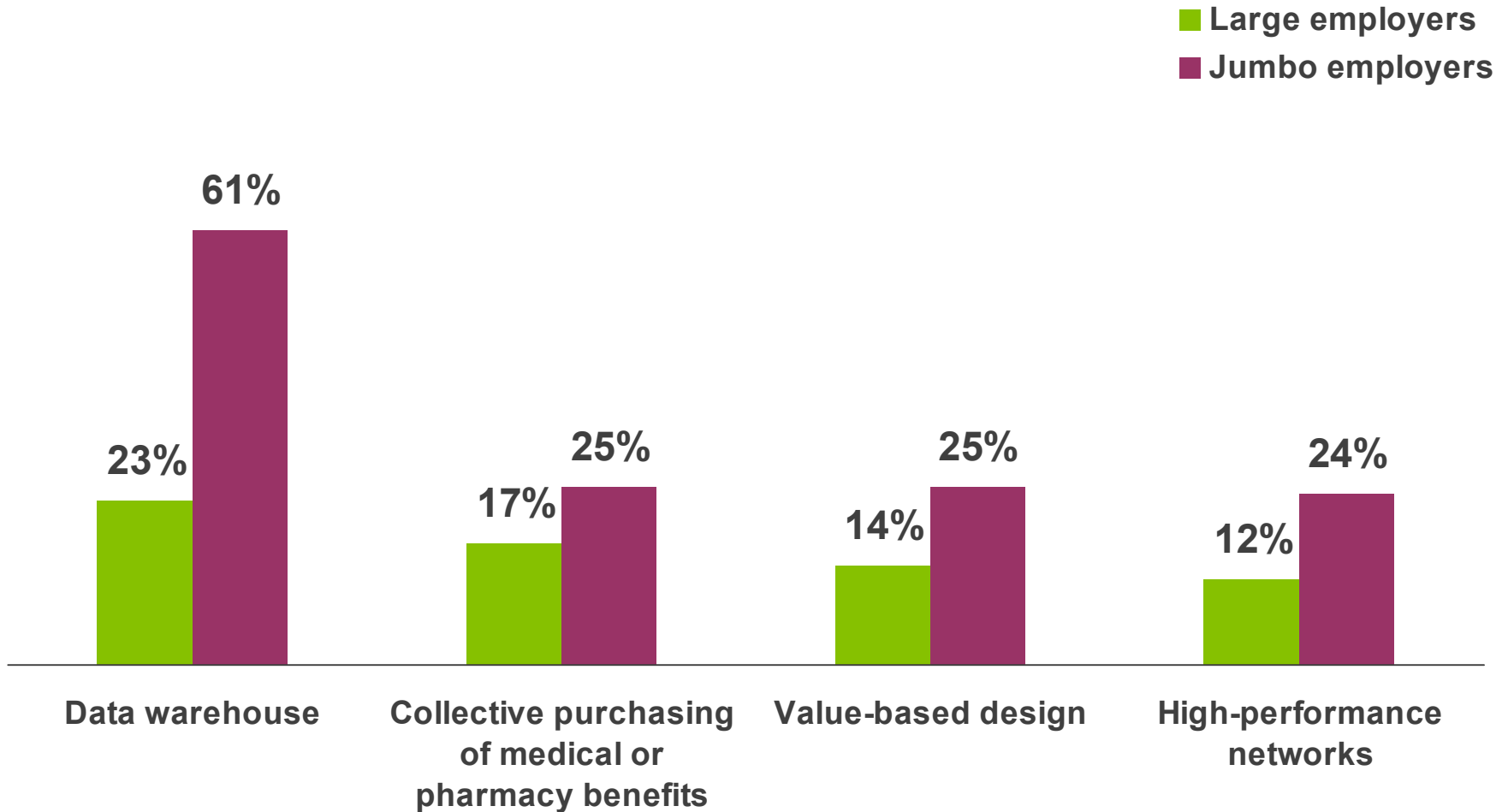
Percent of employers



Employers with more intensive health management programs have reported lower annual cost increases, on average, for two years

- Employer groups compared:
 - Offer only the standard health management services provided by the health plan or no health management services at all
 - Offer some optional health management services through the health plan, and/or contract with a separate specialty vendor to provide health management services to employees
- Compared the average health plan cost increase for 2010
- The average increase for the group offering more intensive health management was more than two points lower than the average for the less intensive group.
- Results using last year's survey data were similar, providing some validation of the methodology

Largest employers using advanced cost-management strategies



Emerging cost-management strategies target quality and cost-efficiency

Employers with 5,000 or more employees

■ Already use ■ Interested in using ■ Not interested in using

Surgical centers of excellence



Retail clinics for minor acute or preventive care



Telemediated care

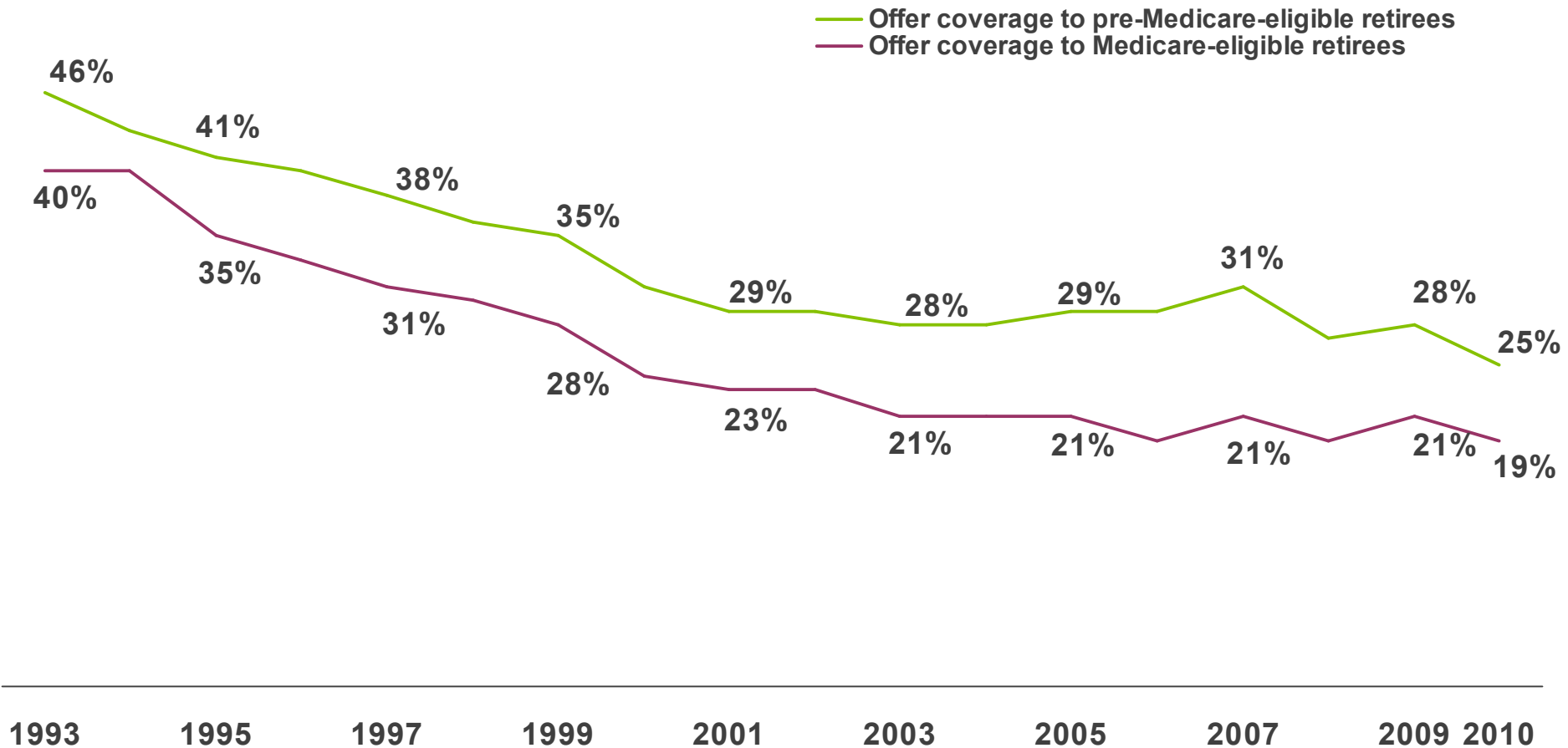


Medical homes



Medical plans* for early retirees now offered by just 25% of large employers, a new low

Percent of large employers



*Plan must be offered on an ongoing basis (i.e., new hires are eligible).



Other Benefits

Employer offerings of mini-med or limited health plans most common among jumbo retailers

	Large employers	Jumbo employers
Wholesale/retail trade	22%	69%
Services	12%	45%
Manufacturing	2%	<1%
All industries	7%	25%

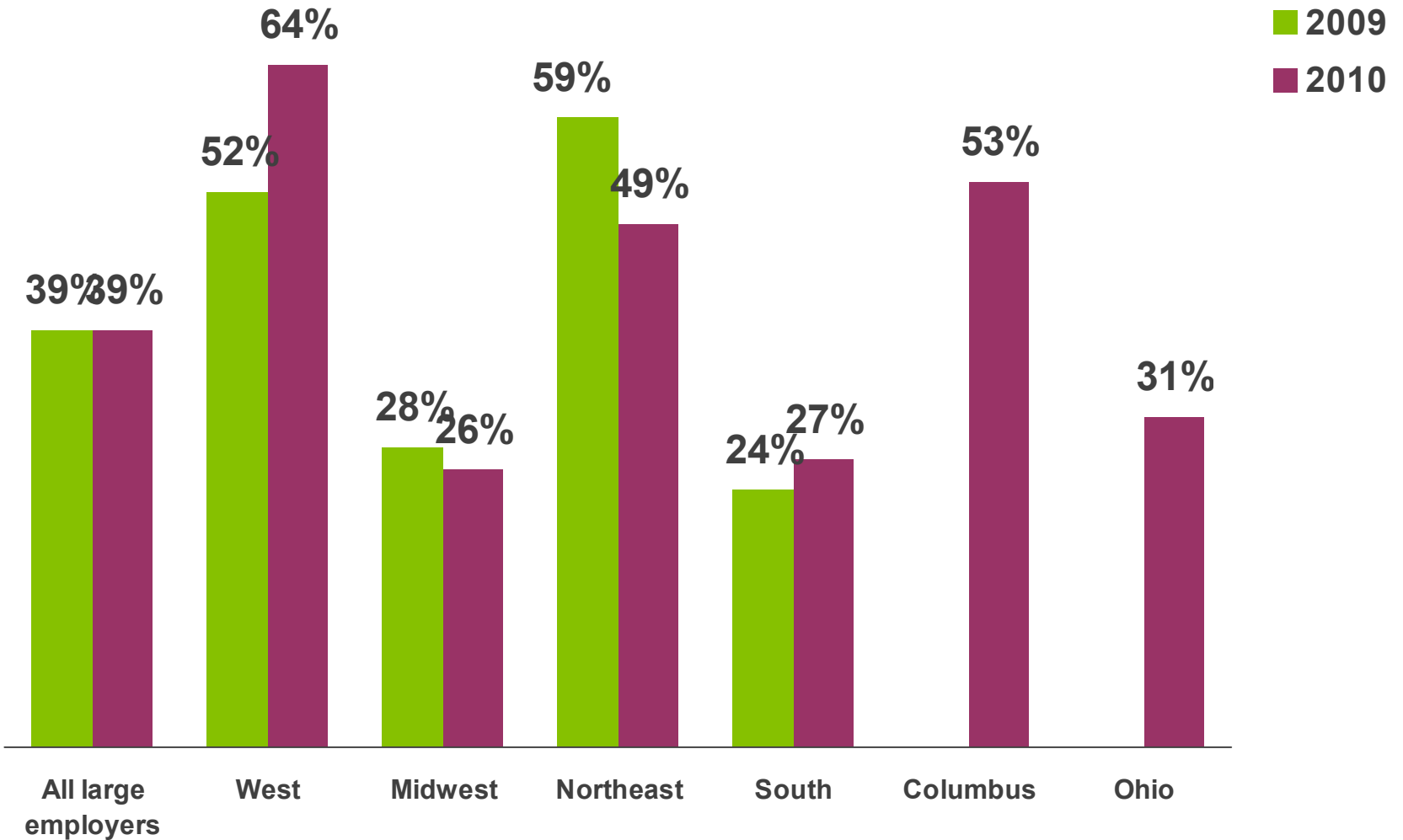
Coverage for part-time employees

Large employers with at least some PTEs

- Make coverage available to PTEs: 67%
- Average number of hours required for eligibility: 23/week
- Of the employers covering PTEs:
 - 44% set different contributions for PTEs and FTEs
 - 6% offer different plans to PTEs and FTEs
- Average PTE contribution, as a % of premium
 - 38% for employee-only coverage
 - 42% for family coverage

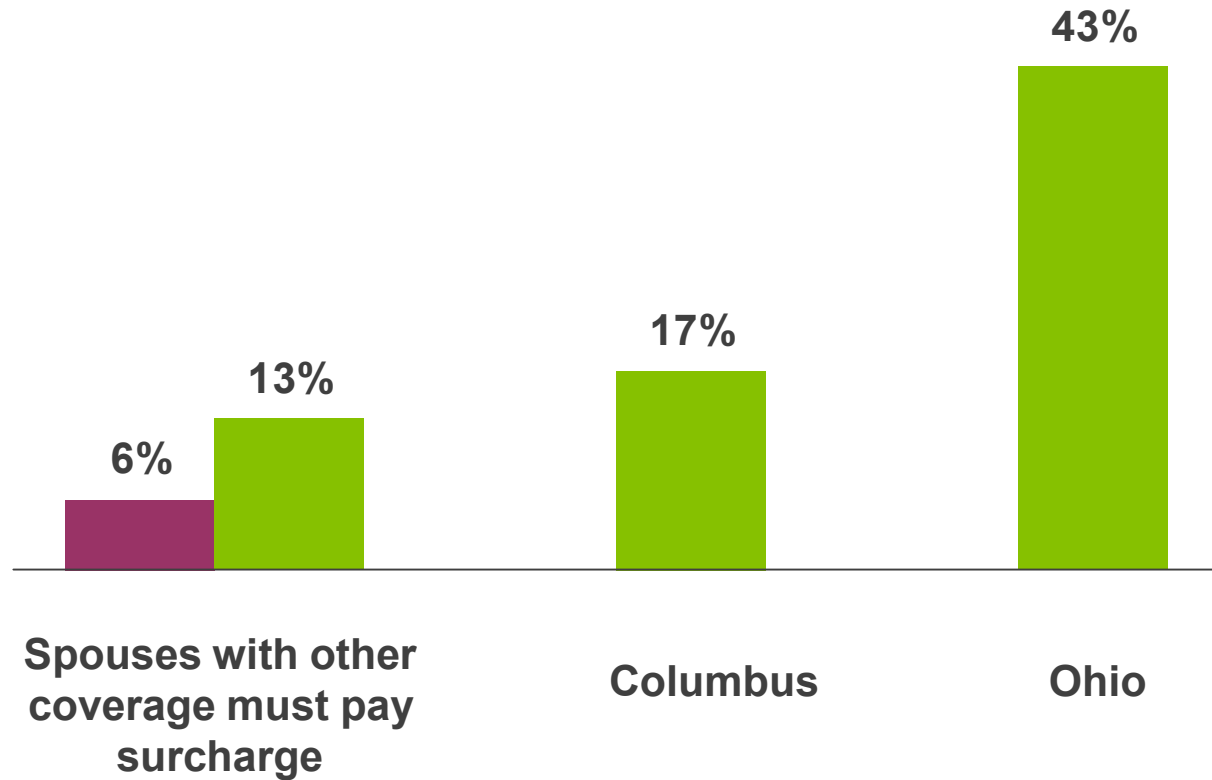
Same-sex domestic partner coverage varies by region

Large employers



Special provisions addressing spouses with other coverage available

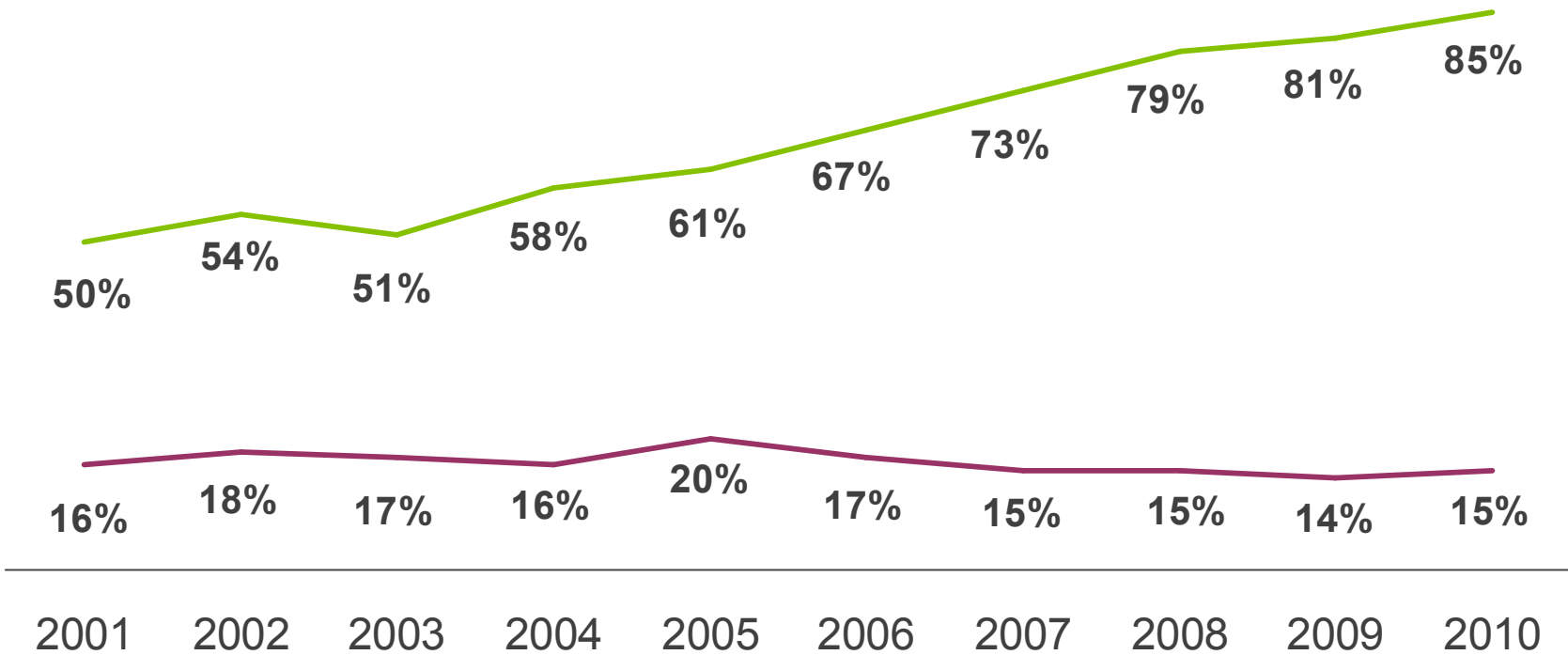
■ Large employers ■ Jumbo employers



Offer a managed dental care plan

Large dental plan sponsors

Dental PPO
Dental HMO



Dental plan* design

Large dental plan sponsors

Employers requiring deductible	82%
Individual deductible amount (median)	\$50
Plan includes annual benefit maximum	87%
Individual maximum (median)	\$1,500
Plan includes separate max for orthodontic	87%
Individual ortho lifetime max (median)	\$1,500
Orthodontic services are subject to deductible	56%

* Based on dental PPOs and fee-for-service plans

Provide voluntary insurance benefits (paid partially or fully by employee)

Large employers

Disability	82%
Vision	70%
Accident	57%
Whole / universal life	49%
Long-term care	32%
Cancer / critical illness	41%
Auto / homeowners	18%
Travel	19%
Hospital indemnity	16%

Provide work-life benefits

Large employers

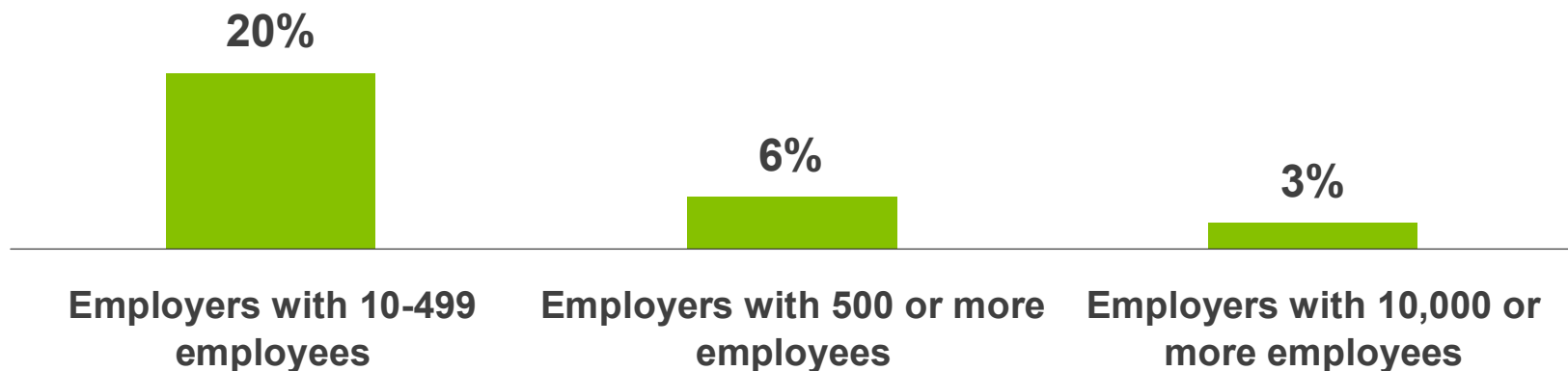
Fitness center discounts	57%
Relocation assistance	38%
Legal consultation and referral	35%
Financial consultation and referral	33%
Dependent care resource and referral	26%
Elder care resource and referral	26%
Telecommuting / work from home	25%
Adoption assistance	21%
On-site care or near-site dependent care	11%
School / college locator service	10%



More on Health Reform

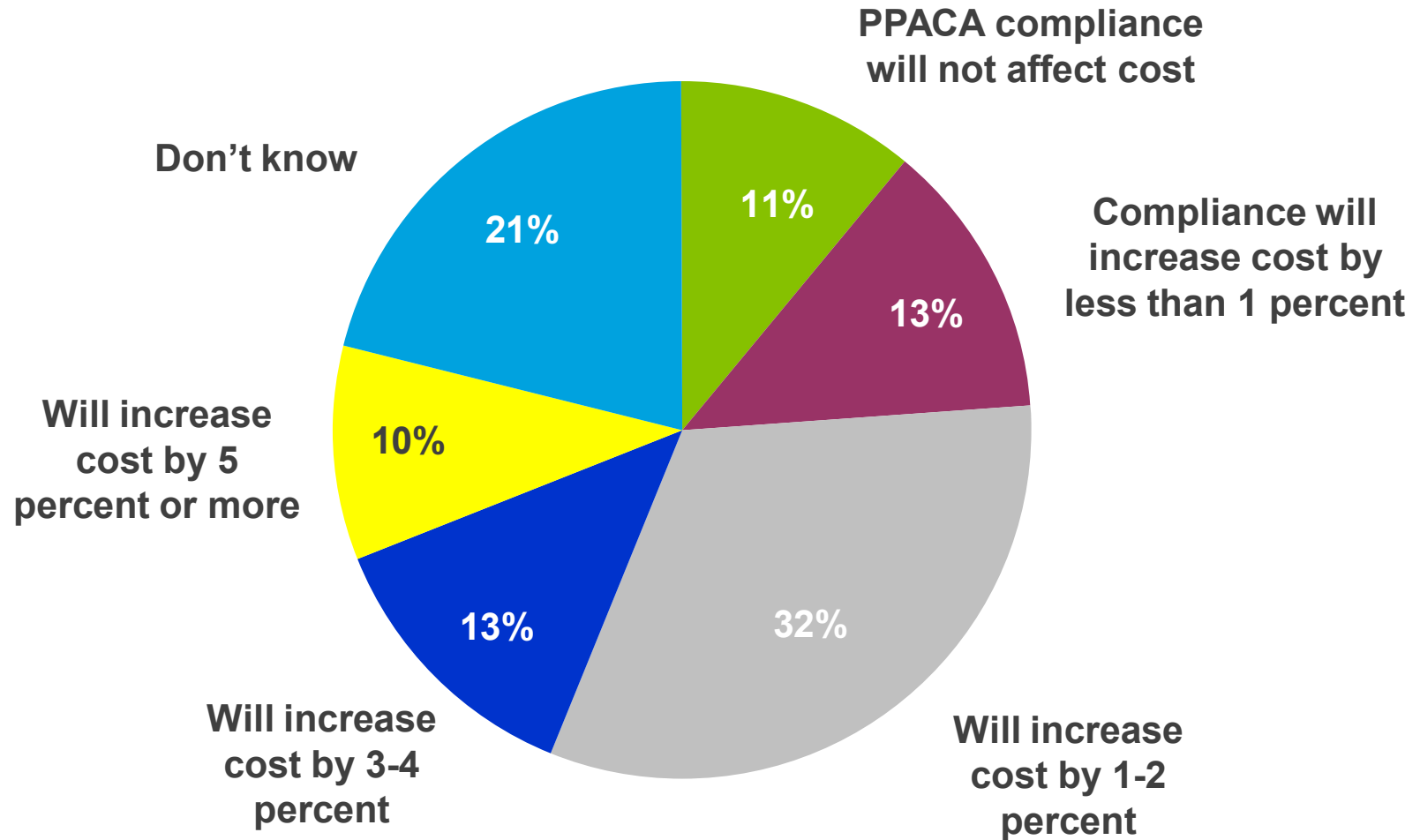
One-fifth of small employers, but few large employers, say they are likely to drop medical plans after insurance exchanges are operational in 2014

If Massachusetts' three-year experience with exchanges is a guide, few employers of any size will actually do so



2011 PPACA requirements will affect some employers more than others

Estimated increase in spending in 2011 among large employers due solely to complying with PPACA requirements



Likely* actions with regard to providing coverage to all employees working 30 or more hours per week

Based on large employers that do not currently offer coverage to all employees working 30 or more hours per week

Make all employees working 30+ hours / week eligible for full-time employee plan(s)



Change workforce strategy so that fewer employees work 30+ hours / week



Add a lower-cost plan for employees that work fewer than 40 hours / week



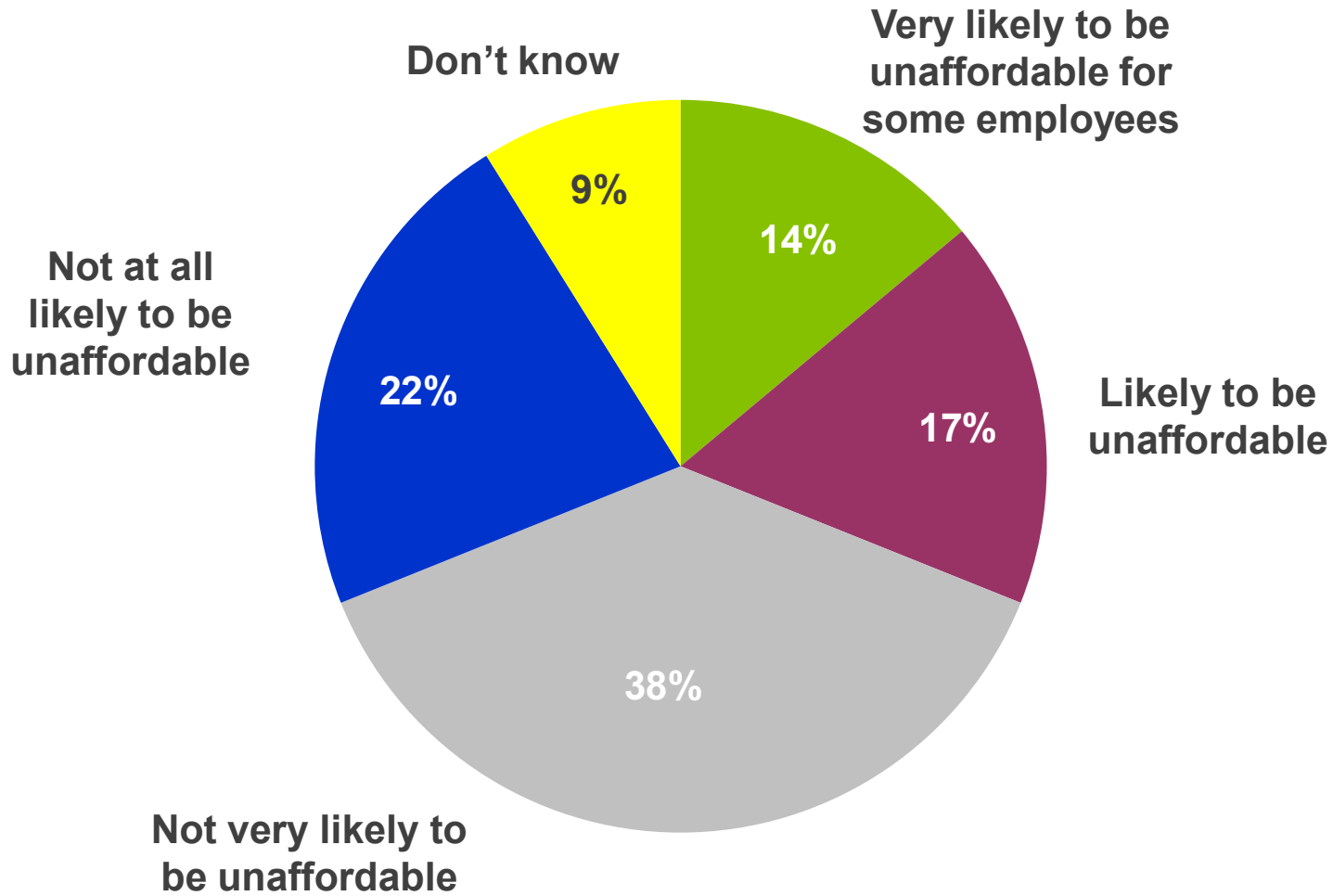
Make no (or minimal) changes and pay penalty as necessary



*Selected 4 or 5 on a 5-point scale, where 1="Not at all likely" and 5="Very likely"

About a third of employers say their current health plan coverage would likely be considered unaffordable for at least some employees

Large employers



More than two-fifths of employers could be subject to the excise tax in 2018 if they make no changes to their current plan design

Large employers

All large employers



Northeast



Midwest



West

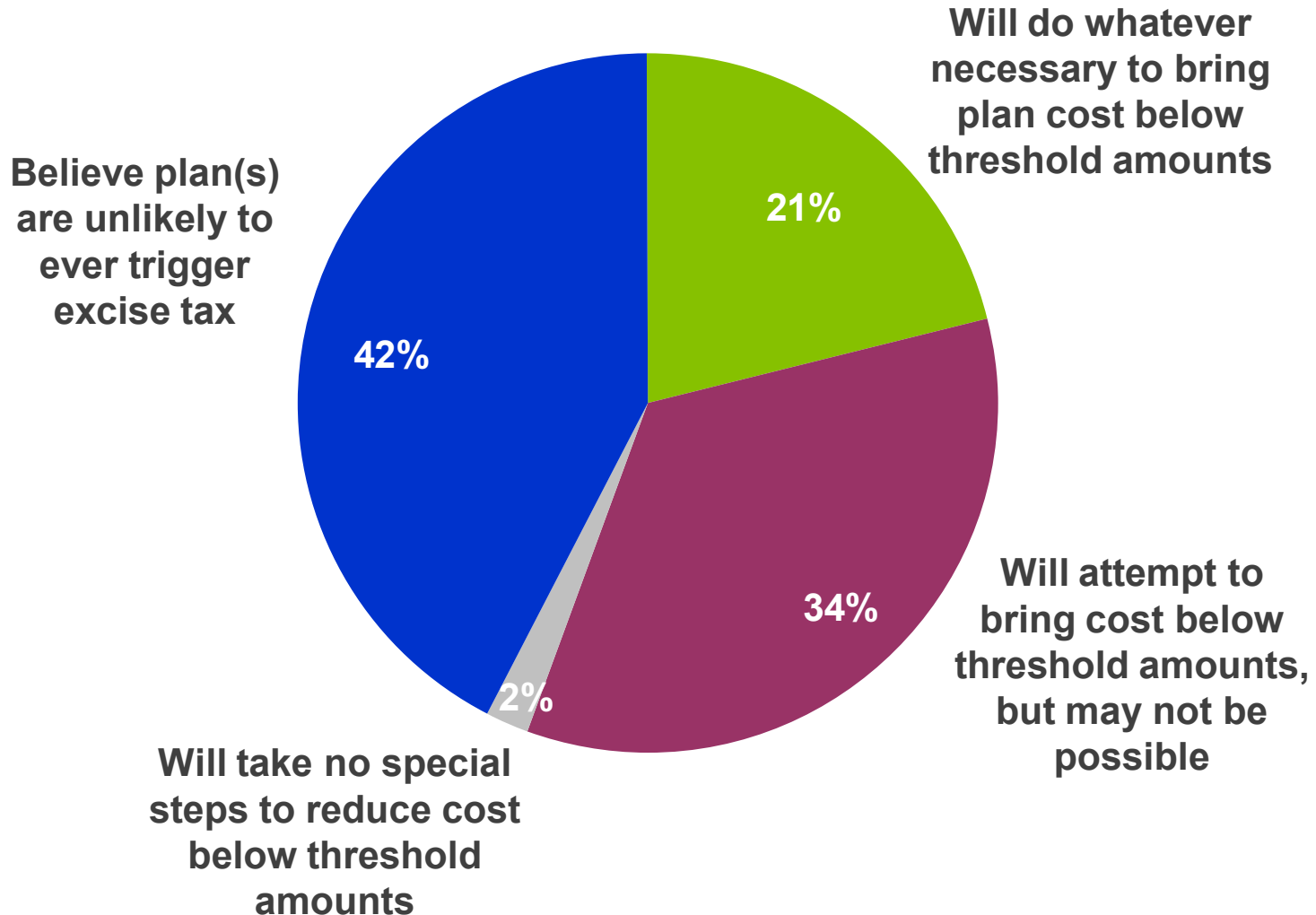


South



Employer reaction to excise tax

Large employers



With health reform bringing new cost pressures, employers need to focus on managing cost for the foreseeable future

What's working, according to the survey?

- Health management: The majority of employers that have invested in health management are satisfied with their return
 - Employers are increasingly providing meaningful financial incentives for employees to participate in HM programs
- Consumer-directed health plans: As these plans become more familiar, they are providing a welcome low-cost option
 - With the majority of jumbo employers now offering a CDHP, this new plan model may be approaching the tipping point
 - A handful of very large employers have braved full replacement
- Advanced strategies focused on quality and efficiency
 - Centers of excellence, world-class surgical centers
 - Medical homes
 - Value-based design



Questions

MERCER