2010 Health Care Benefits Benchmarking Survey

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EXECUTIVE SUMMARY

Without a doubt, the last two years have been a difficult period for businesses of all sizes. Many employers were unprepared for the sudden change in the market and rushed to free up cash quickly by reducing headcounts to cut labor costs. Another factor negatively affecting the financial stability of many businesses is rising health care costs. Unfortunately, as employers' health expenses continue to rise, so will employees' share of the burden.

Many businesses, particularly small businesses, are finding it more difficult to offer strong benefits to match those that have been offered in the past. Some employers are moving to less costly options such as a high deductible health plan coupled with a Health Savings Account, and others are just reducing benefit levels overall by increasing deductibles, co-payments, and co-insurance.

Although health costs continue to trend downward slightly from the double-digit yearly growth rates of the first half of the decade, rising health care costs continue to impact employers and employees alike. While some employers are holding down some cost growth with innovative methods of improving health care efficiency and programs promoting healthful behavior, most continue to be faced with increasing costs for nearly every type of benefit. It's no secret that more and more employers are being forced to reset and increase the employees' portion of health care benefit costs.

Many employers are attempting to control increasing costs by employing cost management strategies such as consumer-directed health plans, disease management, health promotion, and wellness programs to counter increasing health costs. The effectiveness of these strategies is still uncertain, however. Most employers recognize that knowledge of the marketplace is powerful, and benchmarking one's own health plan costs and practices with other employers in the external marketplace is the first step in evaluating the effectiveness of current and future benefit changes and strategies. Benchmarking employer-provided employee health care benefits is the focus of this survey report. By providing timely and accurate measurements of health care plan costs, we hope that this report will serve as a valuable reference that you may use when considering plans, changes, and strategies for effective benefits management.

This Executive Summary presents selected findings based on this year's survey. Only limited trend information is provided since this is only the third year that the survey has been conducted; however, a few differences in the two-year reporting periods are noted. The report will be offered on an annual basis going forward so that trends can be identified and reported in the future.

One hundred eighty-three (183) data submissions representing 120,151 employees were received from participants in this survey. Data for two hundred seventy-nine (279) medical plans and two hundred two (202) dental plans were reported. There are 110,188 enrolled employees in the medical plans reported and 104,050 enrolled employees in the dental plans reported.

Representation by region is as follows:

- Northeast – 21%
- North Central – 25%
- Southeast – 19%

- South Central – 11%
- West Coast – 24%

Types of medical plans offered are as follows:

- Preferred Provider Organization (PPO) – 48%
- Health Maintenance Organization (HMO) – 24%
- Point of Service (POS) – 10%
- Exclusive Provider Organization (EPO) – 3%
- Consumer-Directed High Deductible – 2%
- Indemnity – 2%
- High Deductible Health Plan (HDHP) – 11%

Types of dental plans offered are as follows:

- Dental Preferred Provider Organization (DPPO) – 63%
- Dental Maintenance Organization (DMO) – 20%
- Dental Point of Service (DPOS) – 4%
- Dental Indemnity – 10%
- Dental Reimbursement – 2%
- Dental Discount – <1%
- Dental Exclusive Provider Organization (DEPO) - <1%

MEDICAL BENEFITS

Of one hundred eighty-three (183) survey respondents, one hundred eighty (180) offer at least one medical plan to full-time employees, with Preferred Provider Organization (PPO) plans the most common among all four (4) organization sectors surveyed. Ninety-five percent (95%) of respondents who offer medical benefits offer a pharmacy prescription drug plan, but only eighty-eight percent (88%) offer a mail-order prescription drug plan.

Forty percent (40%) of respondents offer only one (1) medical plan to employees, thirty-four percent (34%) offer two (2) medical plans, and nineteen percent (19%) offer three (3) medical plans to full-time employees. Less than half of this year's respondents offer an opt-out for medical.

Ninety-two percent (92%) of employees in responding organizations are enrolled in an employer-sponsored medical plan. Of the total number of employees covered in these plans, sixty-four percent (64%) participate in Preferred Provider Organization (PPO) plans, twenty percent (20%) participate in Health Maintenance Organization (HMO) plans, two percent (2%) participate in Point of Service (POS) plans, less than one percent (1%) participate in Indemnity plans, nine percent (9%) participate in High Deductible Health Plans (HDHP) combined with a Health Savings Account, and five percent (5%) participate in Exclusive Provider Organization

(EPO) plans. Participation in High Deductible Health Plans (HDHP) combined with a Health Savings Account increased dramatically between 2009 and 2010. Enrollment in Indemnity and Point of Service (POS) plans continued to decline.

Preferred Provider Organization (PPO) plans are the most prevalent type of primary medical plan with fifty-three percent (53%) of the total response (down from 60% in 2009.) Health Maintenance Organization (HMO) plans are the second most prevalent type of benefits delivery with twenty-seven percent (27%) of the response. The average monthly employee cost for Preferred Provider Organization (PPO) plans for employee-only coverage is $106.49, an increase of thirty-nine percent (39%) from the 2009 average cost. The average monthly employer cost for Preferred Provider Organization (PPO) plans for employee-only coverage is $382.89, an increase of eight percent (8%) from 2009. The employer cost for employee-only coverage for PPO plans equals seventy-eight percent (78%) of the total premium cost reported.

It continues to be common to see eligibility requirements for employer-sponsored health care plans as immediate or upon completion of one (1) month of service. Sixty-three percent (63%) of respondents report that executives become eligible for health care benefits in one (1) month or less. Sixty percent (60%) of respondents report that exempt and non-exempt employees are eligible following completion of one (1) month or less.

Employer-sponsored medical benefits for retirees are becoming less and less common. Only seventeen percent (17%) of responding organizations offer medical benefits to retirees and eleven percent (11%) offer retiree dental plans. Employers are far more likely to offer health care benefits to part-time employees than retirees. Thirty-eight percent (38%) of respondents offer medical and dental benefits to part-time employees. Industry groups most likely to offer part-time medical and/or dental benefits are health care, insurance, government, and hospitality/entertainment/gaming.

For actual details and costs, please see the survey report.

COST CONTAINMENT

Sixty-nine percent (69%) of responding organizations provide some form of wellness programs to participants. Sixty-four percent (64%) provide disease management programs, an increase of 12% from 2009. A large majority of respondents provide an Employee Assistance Plan (EAP), alcohol/substance abuse services provisions, and mental health services provisions. Eleven percent (11%) of survey participants introduced a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) in 2010 and it is becoming more common to see this offering as the primary plan.

Employer cost-shifting continues to be common. Fifty-one percent (51%) of respondents increased employee contributions to premiums, which is down five percent (5%) from 2009, but forty-three percent (43%) increased deductibles in the last year, which is up eight percent (8%) from 2009. Another thirty-six percent (36%) increased the employee's prescription co-payment or co-insurance amount, and another forty-one percent (41%) increased the required medical co-payment or co-insurance amount. Surprisingly, twenty-six percent (26%) of respondents, primarily in the non-profit sector, had no increase to required employee contributions.

Thirty-one percent (31%) of this year's responding organizations have a self-insured medical plan, and the majority of those organizations are in for-profit sectors. Self-insurance tends to be more popular in large organizations with more than 1000 employees.

For actual details and costs, please see the survey report.

DENTAL/VISION

Dental benefits are offered by ninety-two percent (92%) of responding organizations, which is seven percent (7%) more than reported in 2009. Of that ninety-two percent (92%), four percent (4%) offer dental as part of the medical plan. Fourteen (14) responding organizations report that no dental plan is offered to employees. Eighty-seven percent (87%) of employees in responding organizations are enrolled in a dental plan, however.

Vision benefits are offered by seventy percent (70%) of respondents, and sixty-seven percent (67%) contribute to the cost of this benefit. Ninety-six percent (96%) of organizations offering vision benefits state that dependents are eligible for coverage.

Most organizations providing dental benefits (73%) offer only one (1) dental plan. Twenty-six percent (26%) of respondents offer two (2) dental plans. The Dental Preferred Provider Organization (DPPO) is the most prevalent delivery method for dental (63%). The average employee monthly contribution level for employee-only coverage is $15.37 (up 19% from 2009.) The average employer monthly contribution level for employee-only coverage is $27.34 (up 30% from 2009).

For actual details and costs, please see the survey report.