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February 21, 2008

## Mercer's National Survey of Employer-Sponsored Health Plans 2007

Bob Boyer, Indianapolis

Services provided by Mercer Health & Benefits LLC



**Welcome!**



## About the survey

- Largest and most comprehensive annual survey
- Established in 1986, national probability sample used since 1993
- 2,945 employers participated in 2007
- All employers with 10 or more employees are surveyed; size groups examined separately in this presentation include:
  - small employers – 10-499 employees
  - large employers – 500+ employees
  - jumbo employers – 20,000+ employees

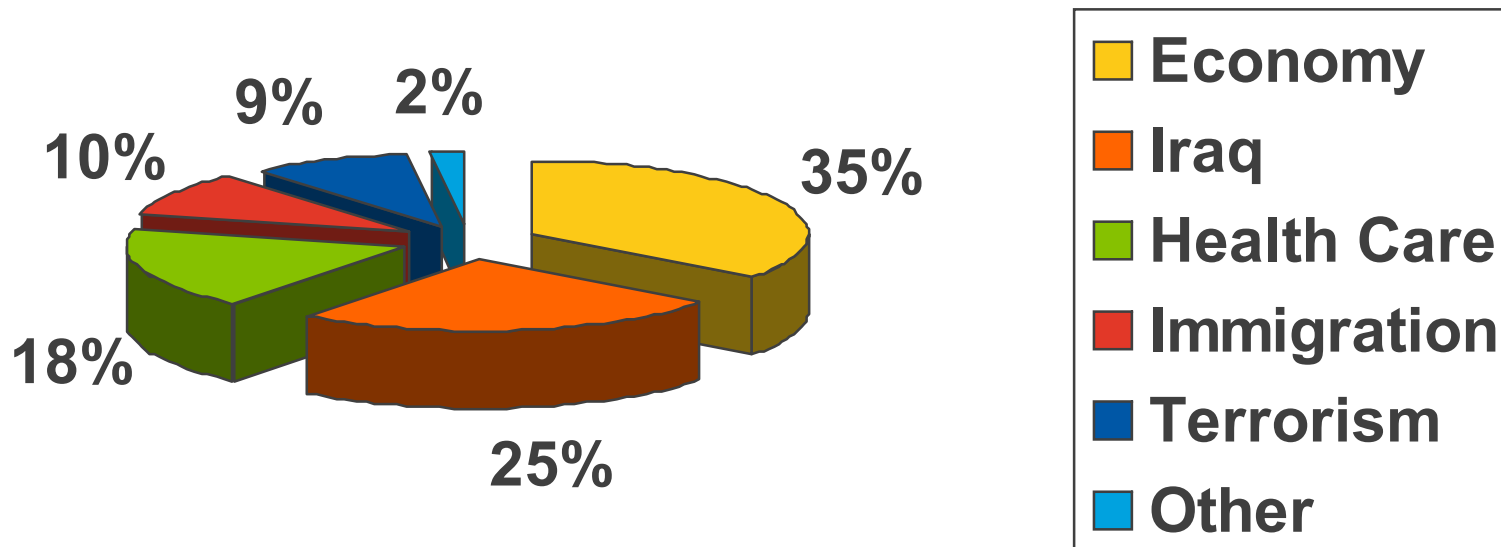


# Top Stories

## Top Stories

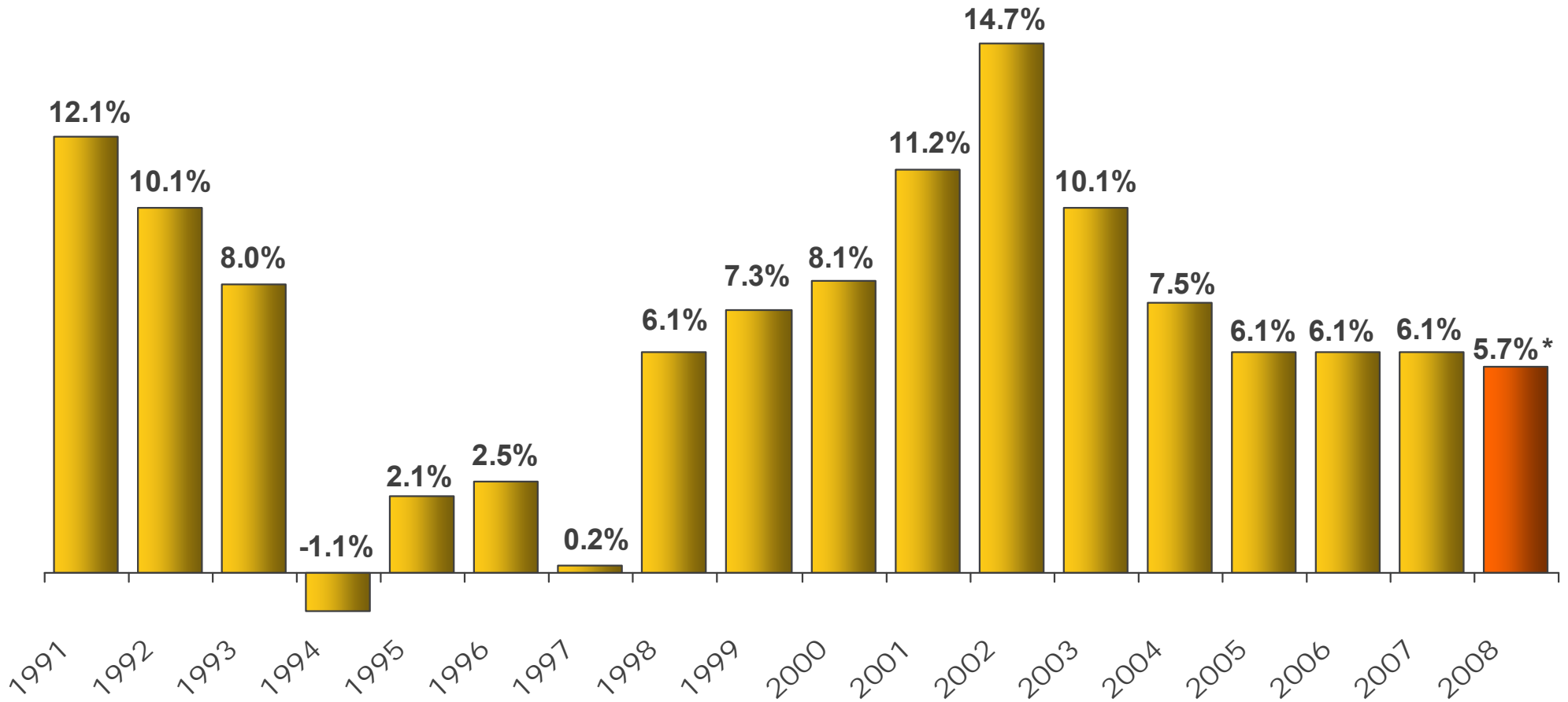
### CNN News Poll – January, 2008

Which of the following issues will be most important to you when you decide how to vote for President?



## Cost growth remains flat

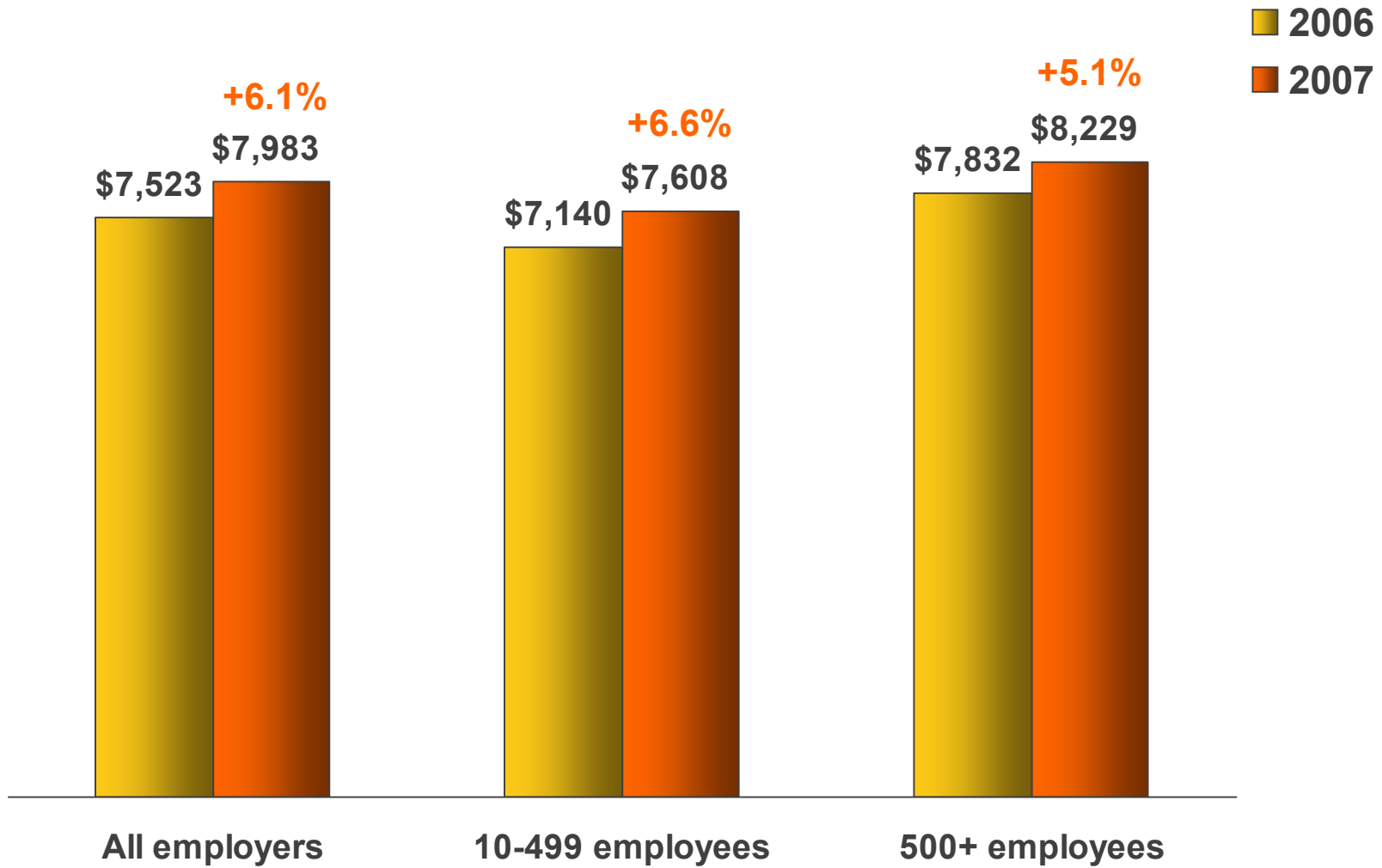
Annual change in total health benefit cost from 1991-2008



**Note: Results for 1990-1998 are based on cost for active and retired employees combined. The change in cost from 1999-2008 is based on cost for active employees only.**

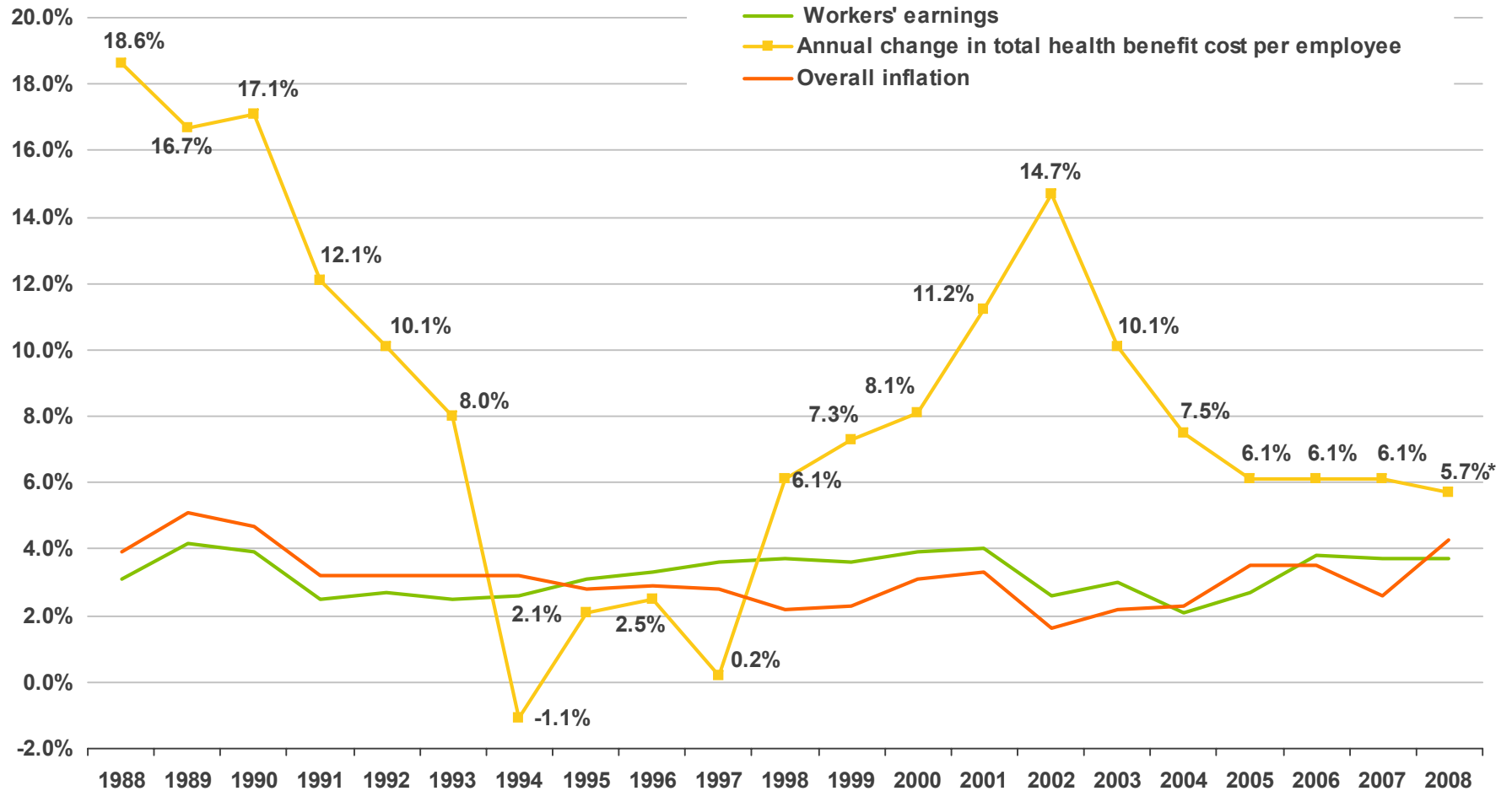
\* Average increase projected for 2008 after changes to plan design

**Cost rises by 6.1% in 2007 — and by just 5.1% for large employers**  
Average total health benefit cost per employee



## Cost growth has been flat since 2005

Total health benefit cost change vs. workers' earnings and general CPI



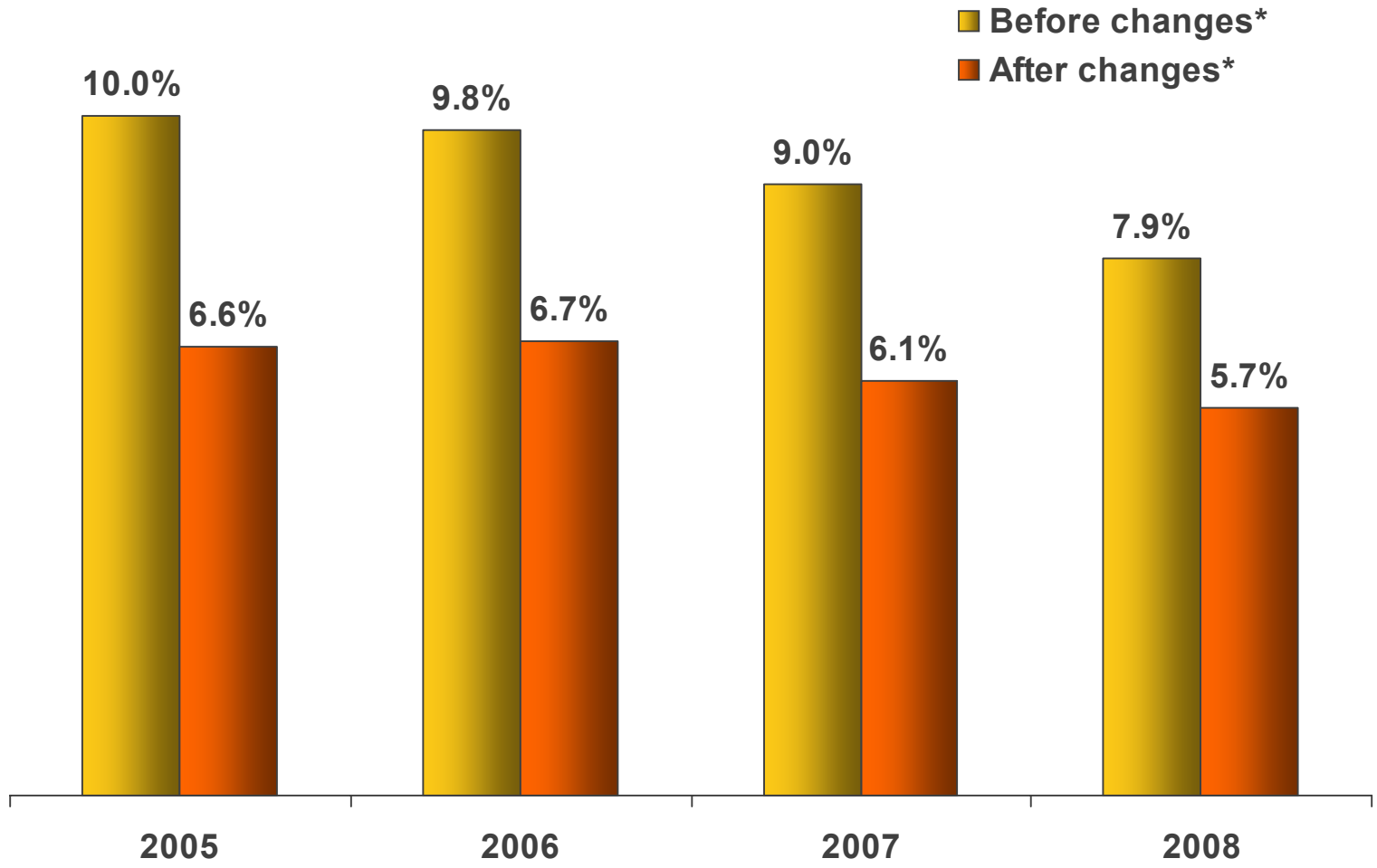
\* Projected

Source: Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1988-2007.



# Slowdown in underlying trend suggests utilization may be falling

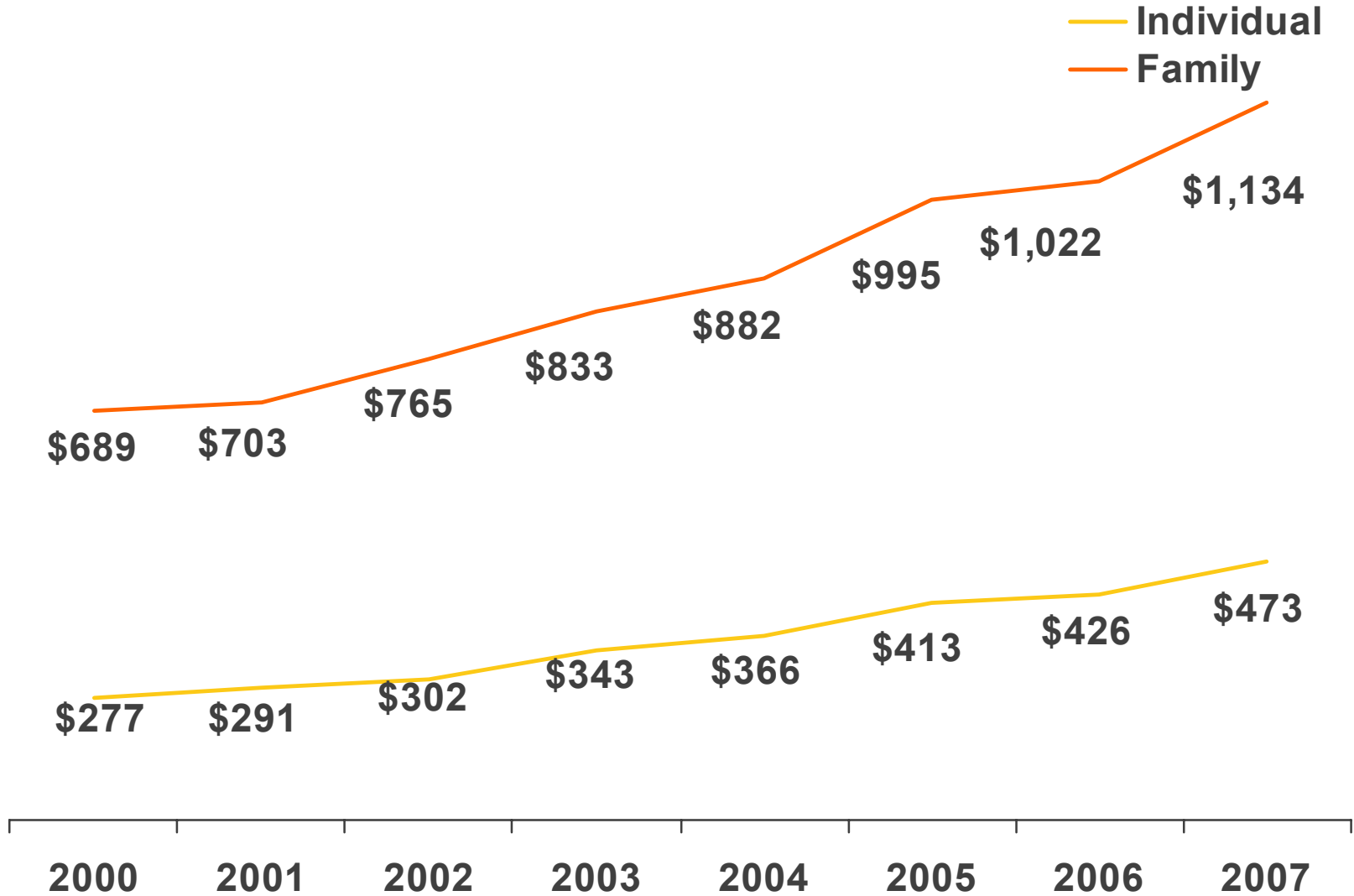
Increase in cost predicted for upcoming plan year



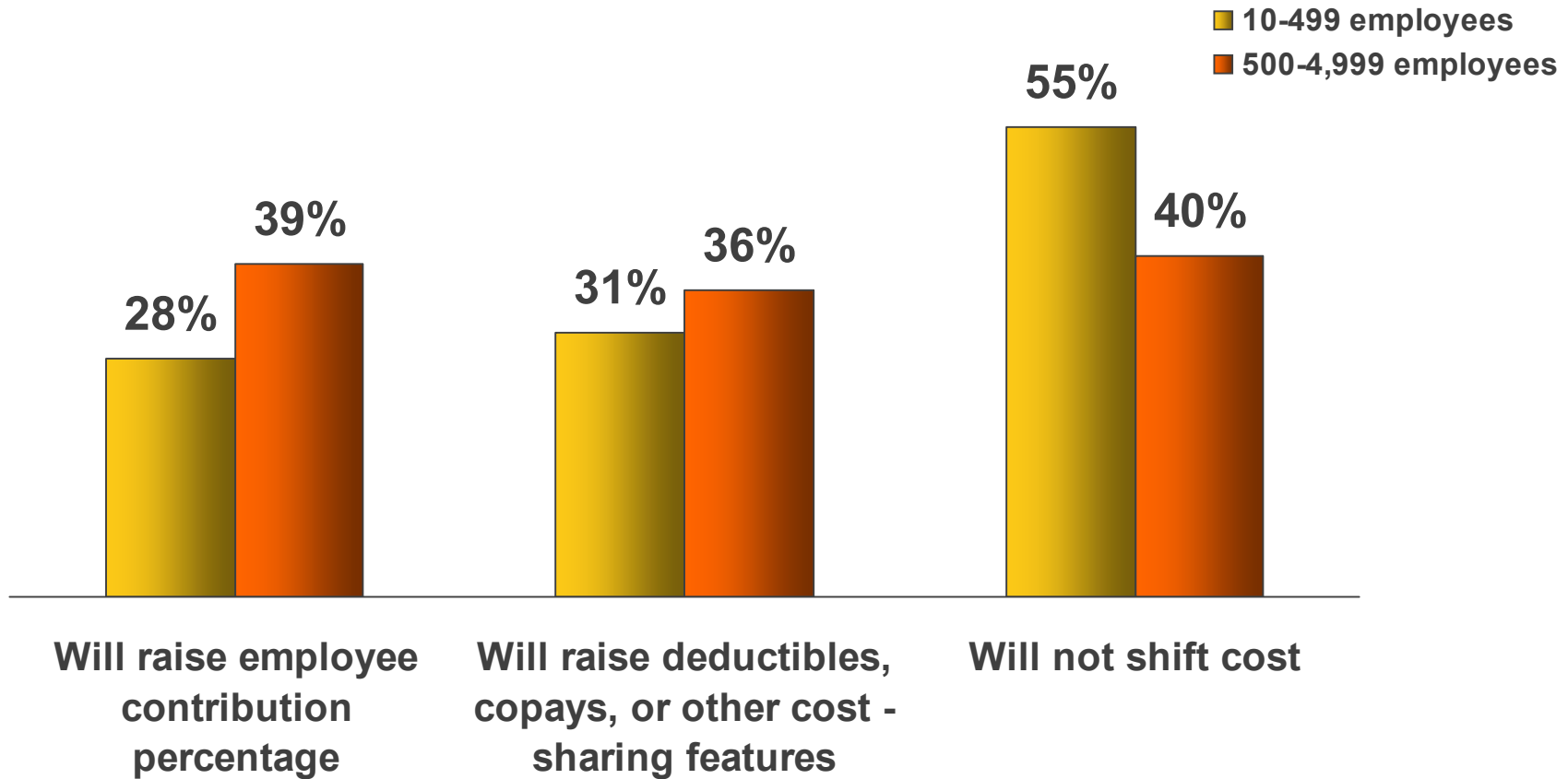
\* Includes changes in carrier, contribution strategy or plan design.

# Employee cost-shifting continues in 2007 among large employers

PPO – average in-network deductibles



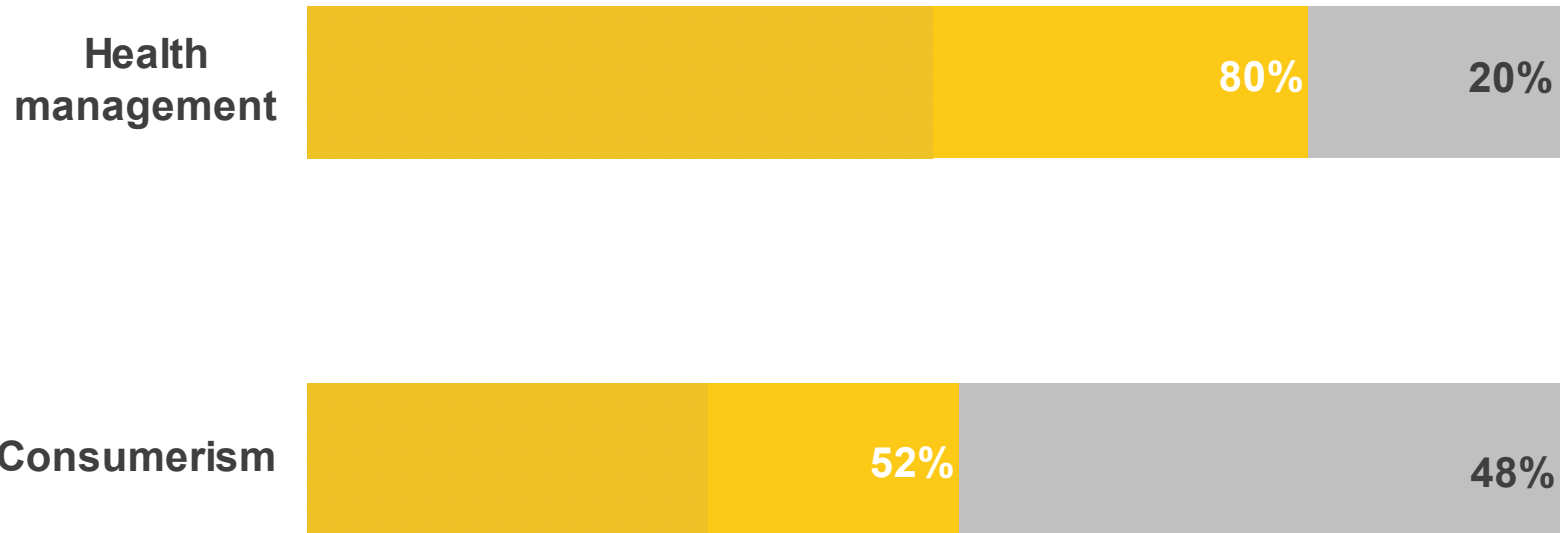
## Employers will continue to shift cost in 2008



# Employer cost management activities helping to slow increases

Large employers

- Use strategy
- Use strategy and believe it has been successful\*
- Don't use strategy



\* in efforts to control health benefit cost or improve workforce health and productivity

## Employer cost management activities helping to slow increases

Large employers

	Use strategy	Believe it has been very/ somewhat successful*	Too soon to tell
Health management	80%	63%	33%
Consumerism	52%	62%	29%
Data warehousing	24%	59%	39%
Collective purchasing	21%	84%	13%
Evidence-based plan design	20%	57%	39%
Performance transparency	12%	28%	63%
High-performance networks	11%	54%	44%

\* in efforts to control health benefit cost or improve workforce health and productivity

## Use of specific health management programs

Large employers

	Large employers	Jumbo employers
Health website	78%	90%
Case management	76%	91%
Nurse advice line	67%	85%
Health risk assessment	56%	78%
End-of-life case management	42%	51%
Health advocate services	38%	47%
Targeted behavior modification	30%	51%

## Return on investment in health management

### Large employers

	<u>All large employers</u>		<u>Jumbo employers</u>	
	2005	2007	2005	2007
Provide disease or care management programs through specialty vendor/ request optional services from health plan vendor	25%	30%	55%	62%
Have attempted to measure return on investment (ROI)*	21%	21%	45%	55%
Of those that have measured ROI, % of employers that are satisfied with ROI	–	73%	–	71%
Use incentives to encourage employees to use disease or care management programs*	13%	23%	23%	38%

\*Among employers that offer disease or care management programs

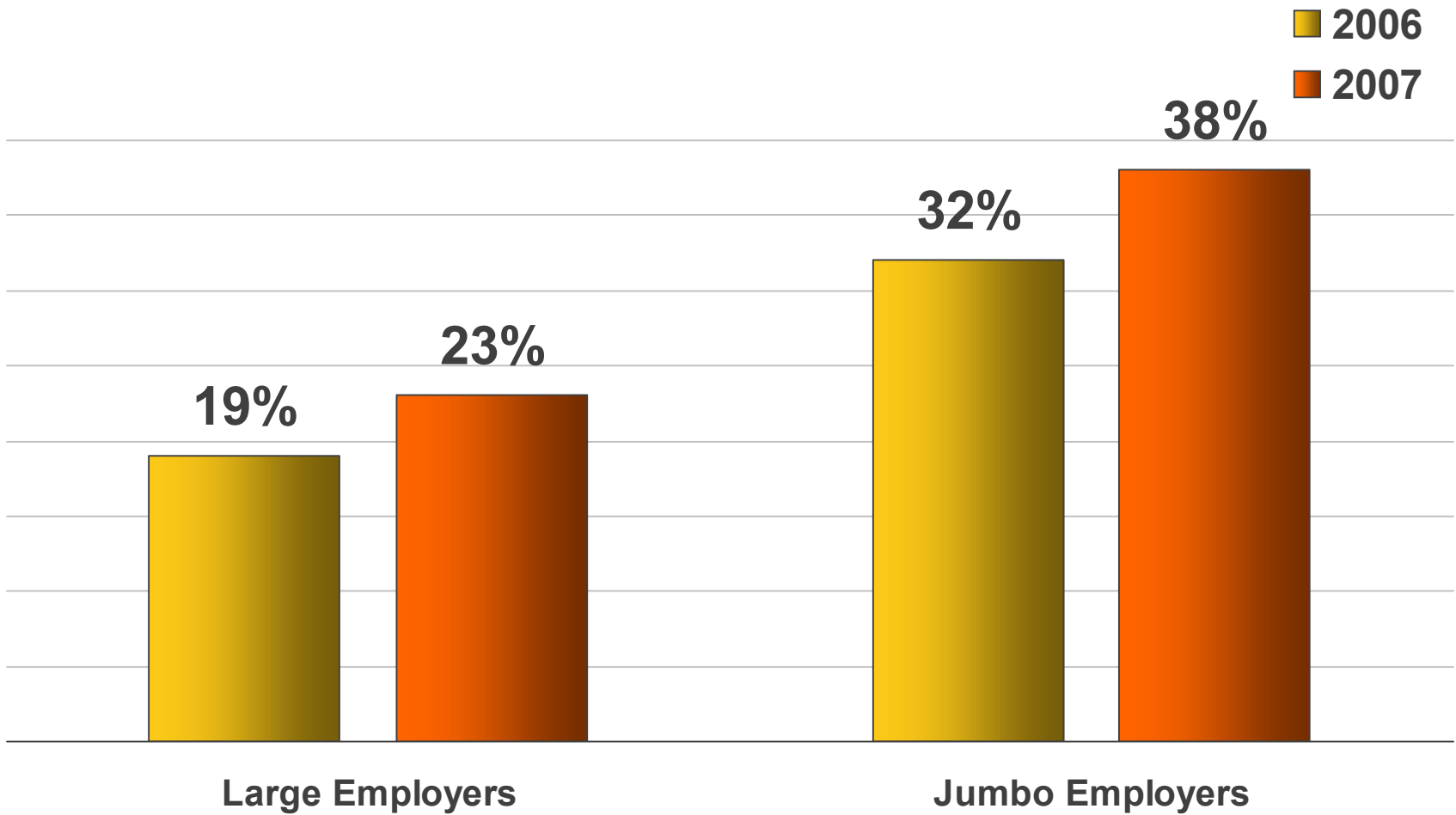
## Use of specific disease management programs

Offered to employees enrolled in primary medical plan

	Large employers	Jumbo employers
Diabetes	63%	83%
Heart disease/hypertension	55%	78%
Asthma	49%	75%
Cancer	43%	46%
Depression	34%	36%
Renal disease	32%	31%
Obesity	32%	30%
Low back pain	29%	47%
Rare diseases	23%	27%
Any disease management program	67%	86%



**More employers using incentives to encourage participation in health management programs**

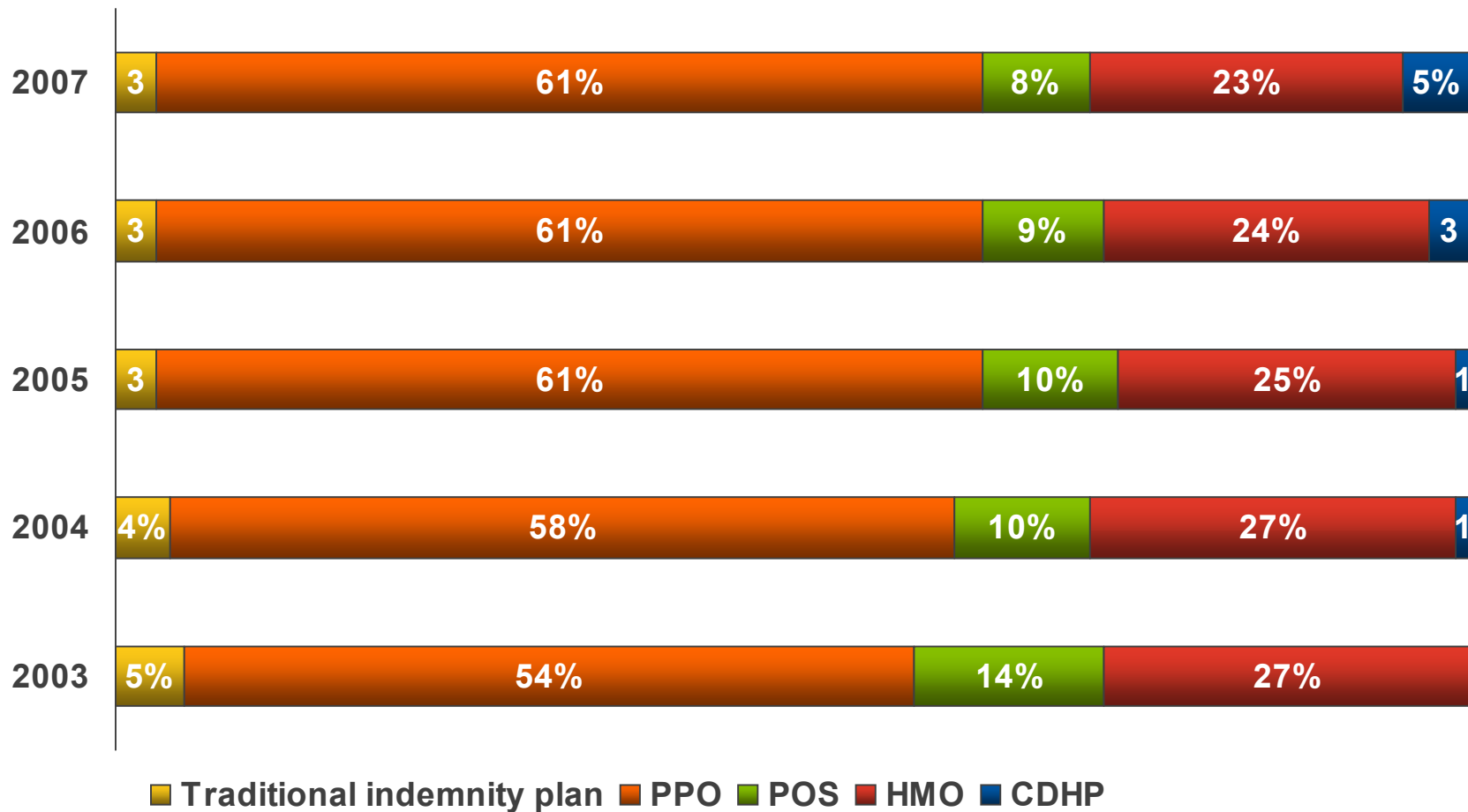


## Use incentives to encourage participation in care management programs offered

	Large employers	Jumbo employers
Completing a Health Risk Assessment	29%	40%
Participation in a disease management program	11%	17%
Participation in a behavior modification program	22%	33%
Completing a behavior modification program	16%	17%
<b>Any health management programs</b>	<b>23%</b>	<b>38%</b>

# CDHP enrollment reaches 5% of all covered employees

Percent of covered employees



## **Growth in CDHP offerings slows in 2007**

Percent of employers offering HRA- or HSA-based CDHP

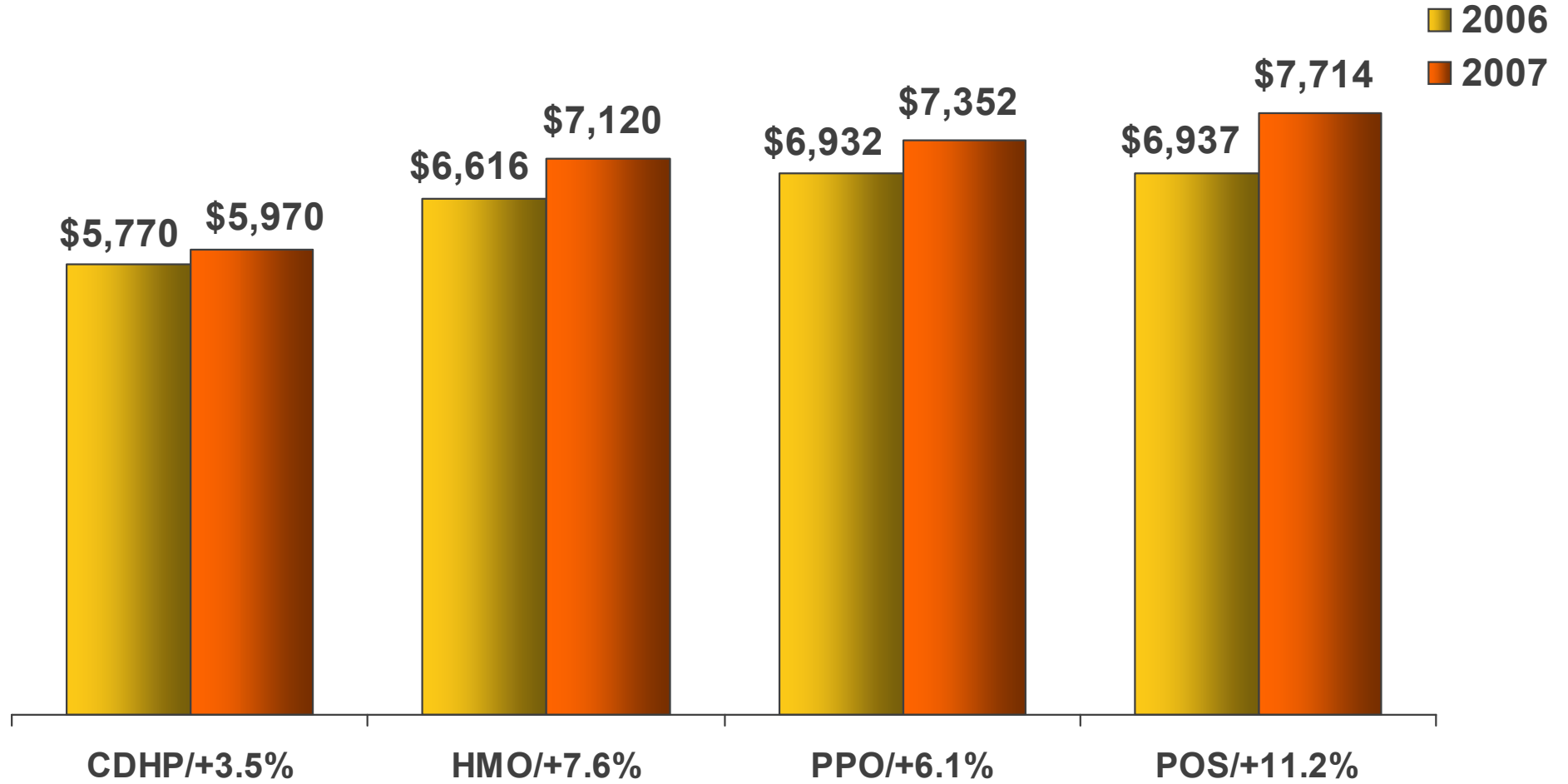
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>All employers</b>	<b>2%</b>	<b>6%</b>	<b>7%</b>
<b>Small employers</b>	<b>2%</b>	<b>5%</b>	<b>7%</b>
<b>Large employers</b>	<b>5%</b>	<b>11%</b>	<b>14%</b>
<b>Jumbo employers</b>	<b>22%</b>	<b>37%</b>	<b>41%</b>

## Consumerism initiatives

	Large employers	Jumbo employers
Have replaced copays with coinsurance	16%	36%
Vary premium contribution based on health status	5%	16%
Use evidence-based design	20%	24%
– Reduced cost-sharing for maintenance drugs	10%	11%
– Waive/reduce copays for specific, effective drug therapies	5%	6%
– Waive/reduce copays for specific, effective treatment modalities	3%	4%

## Employers save money with CDHPs

Average cost per employee



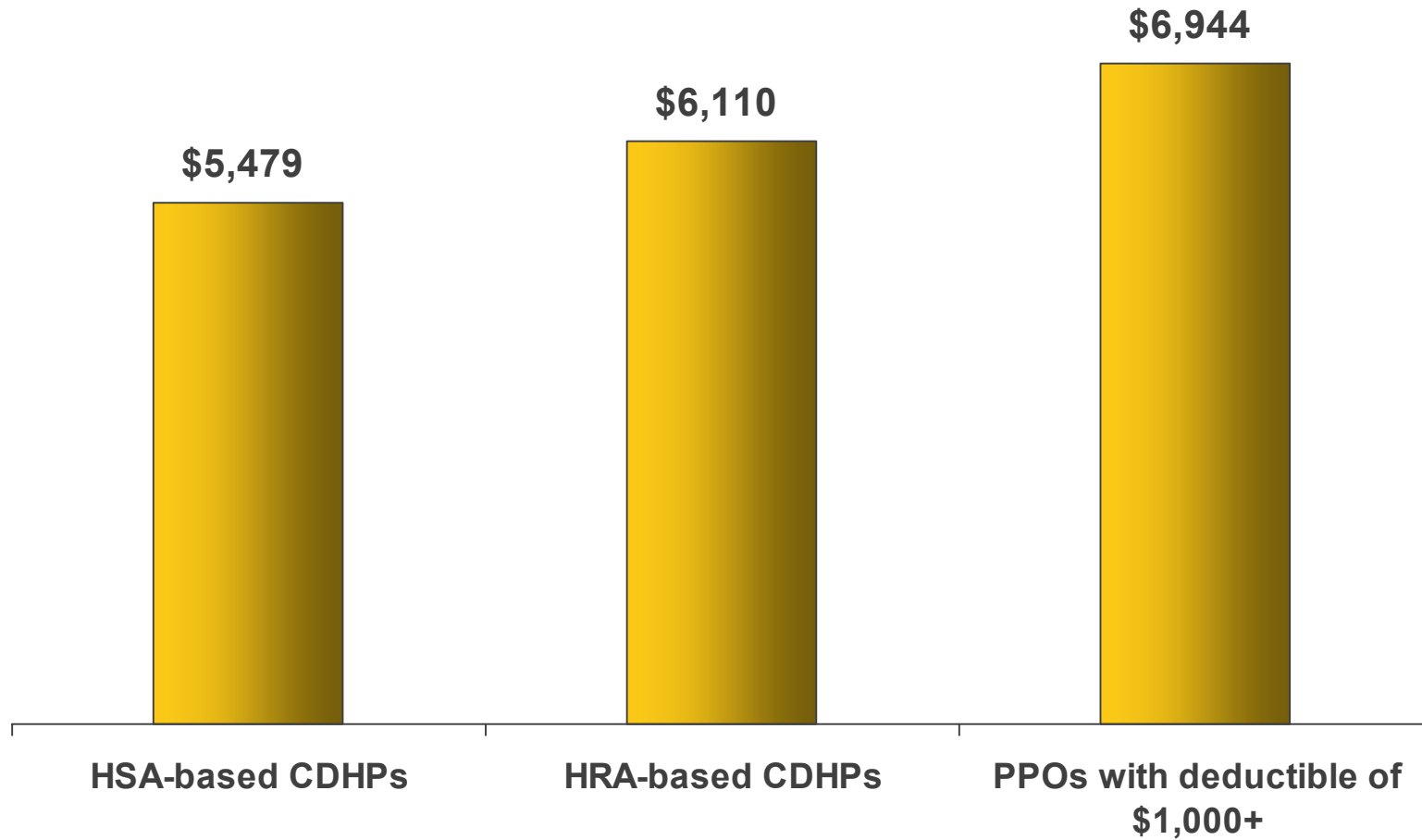
## Comparing HSA, HRA and PPO plan design

### Large employers

	HSA	HRA	PPO
Average in-network deductible	\$1,769	\$1,457	\$473
% employers contributing to account	65%	100%	–
Average employer account contribution	\$626*	\$621	–
Average “gap”	\$1,143	\$836	\$473
Average cost per employee	\$5,479	\$6,110	\$7,429
Average monthly employee premium contribution	\$69	\$65	\$89

\* Based on employers making a contribution. Including zeros, the average employer HSA contribution is \$408.

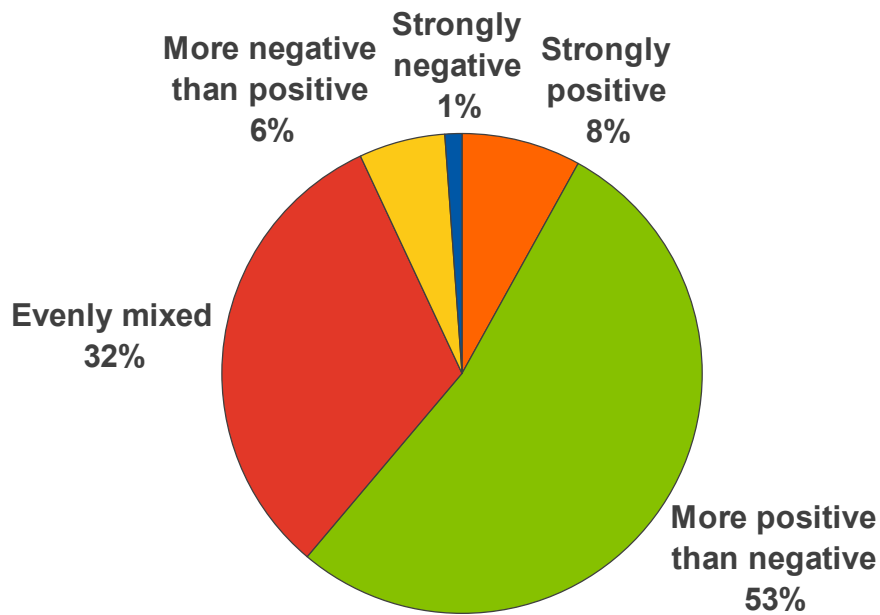
**HSAs vs. HRAs vs. high-deductible PPOs**  
Average cost per employee among large employers



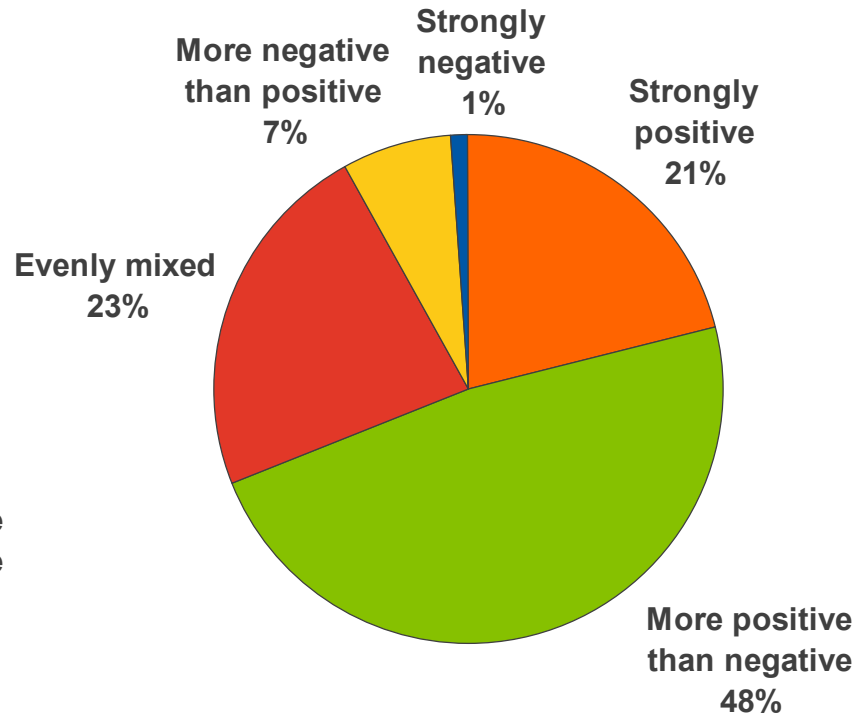


# Enrollee response to HSAs and HRAs

Large employer assessment of employee reaction



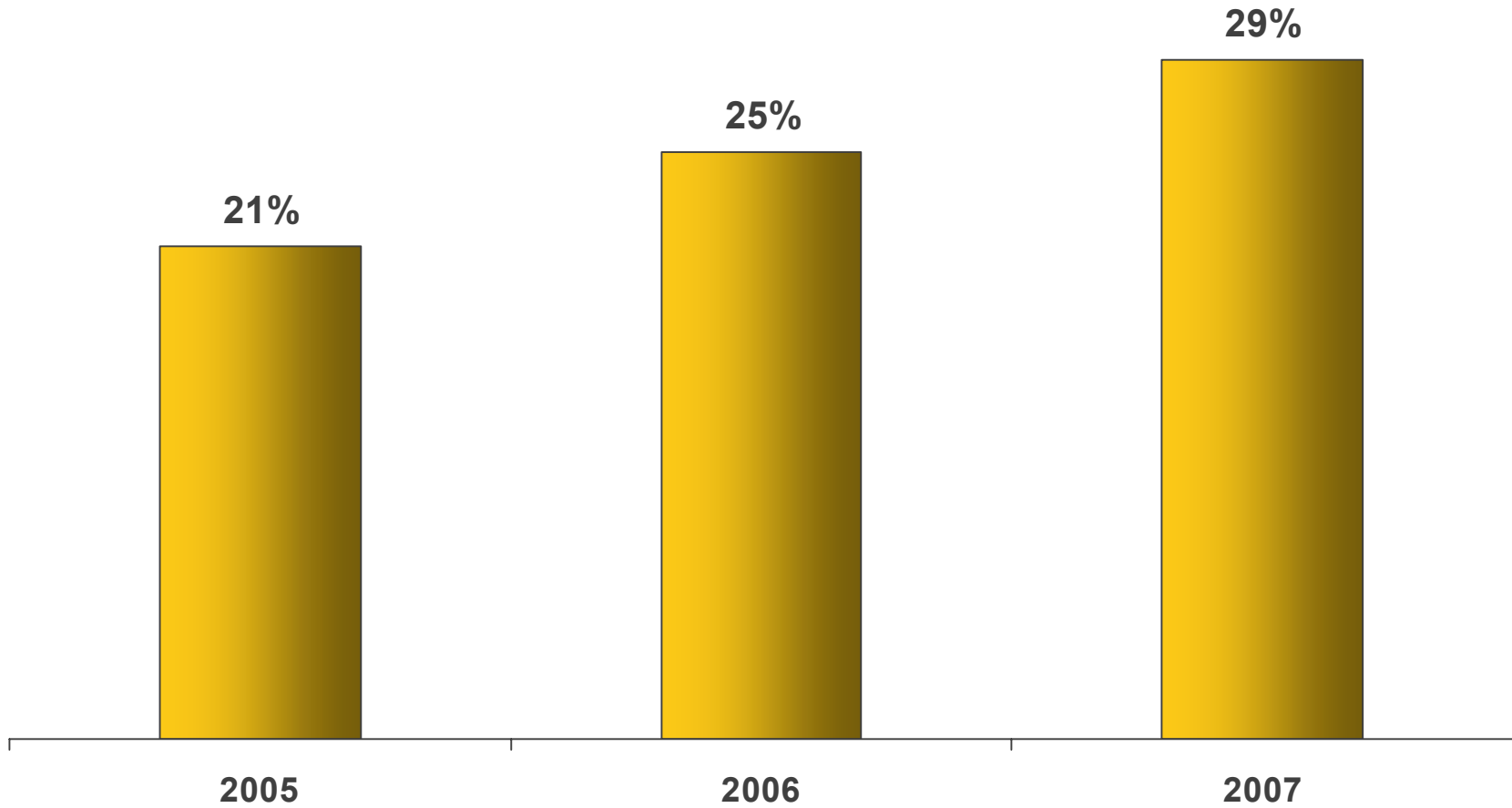
**HSAs**



**HRAs**

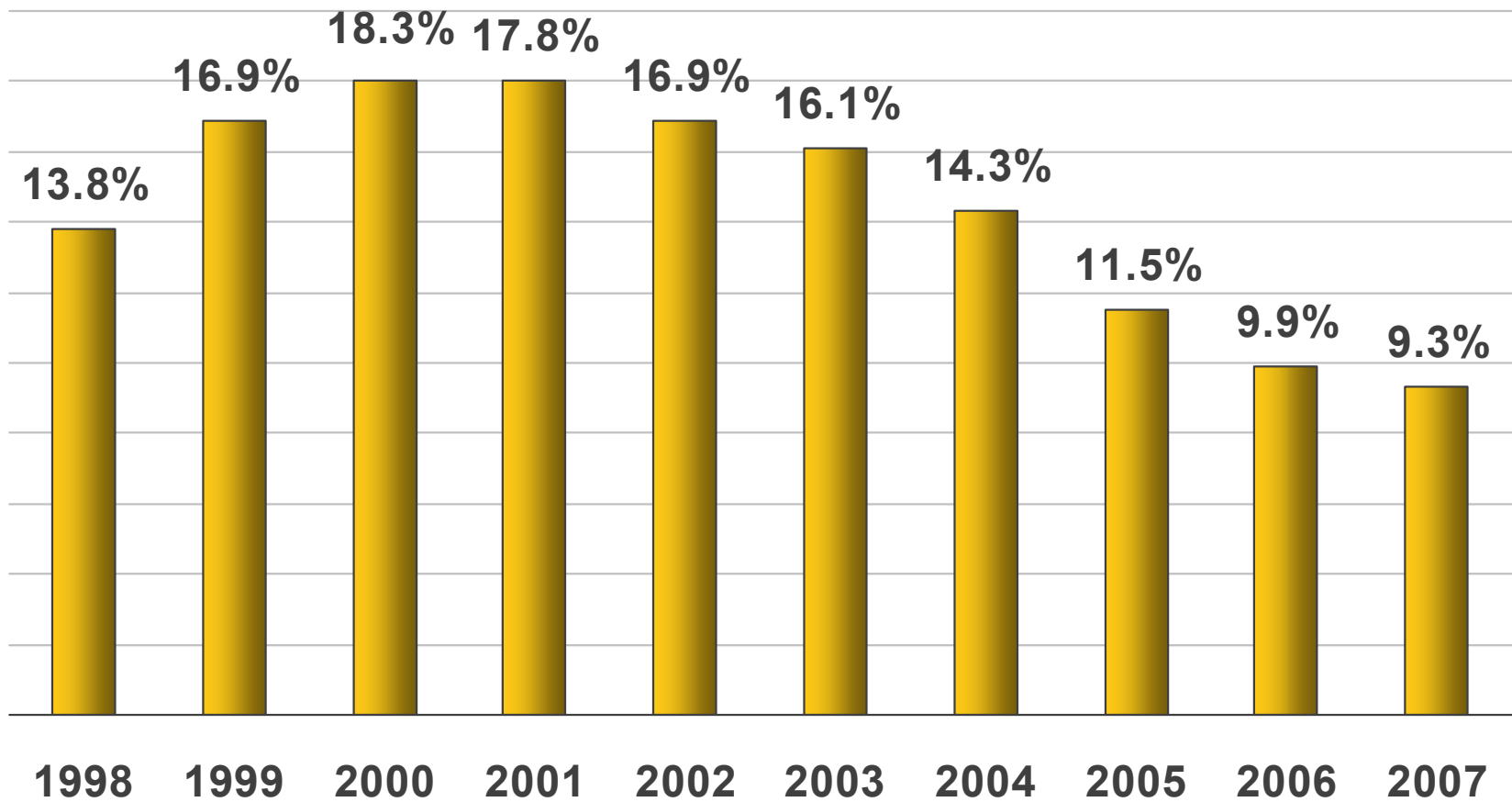
## Average enrollment in CDHP over time

Among 77 large employers that have offered a CDHP as a choice since 2005



## Prescription drug benefit cost slows for a sixth year, but continues to outpace overall cost

Cost increase in primary medical plan for large employers



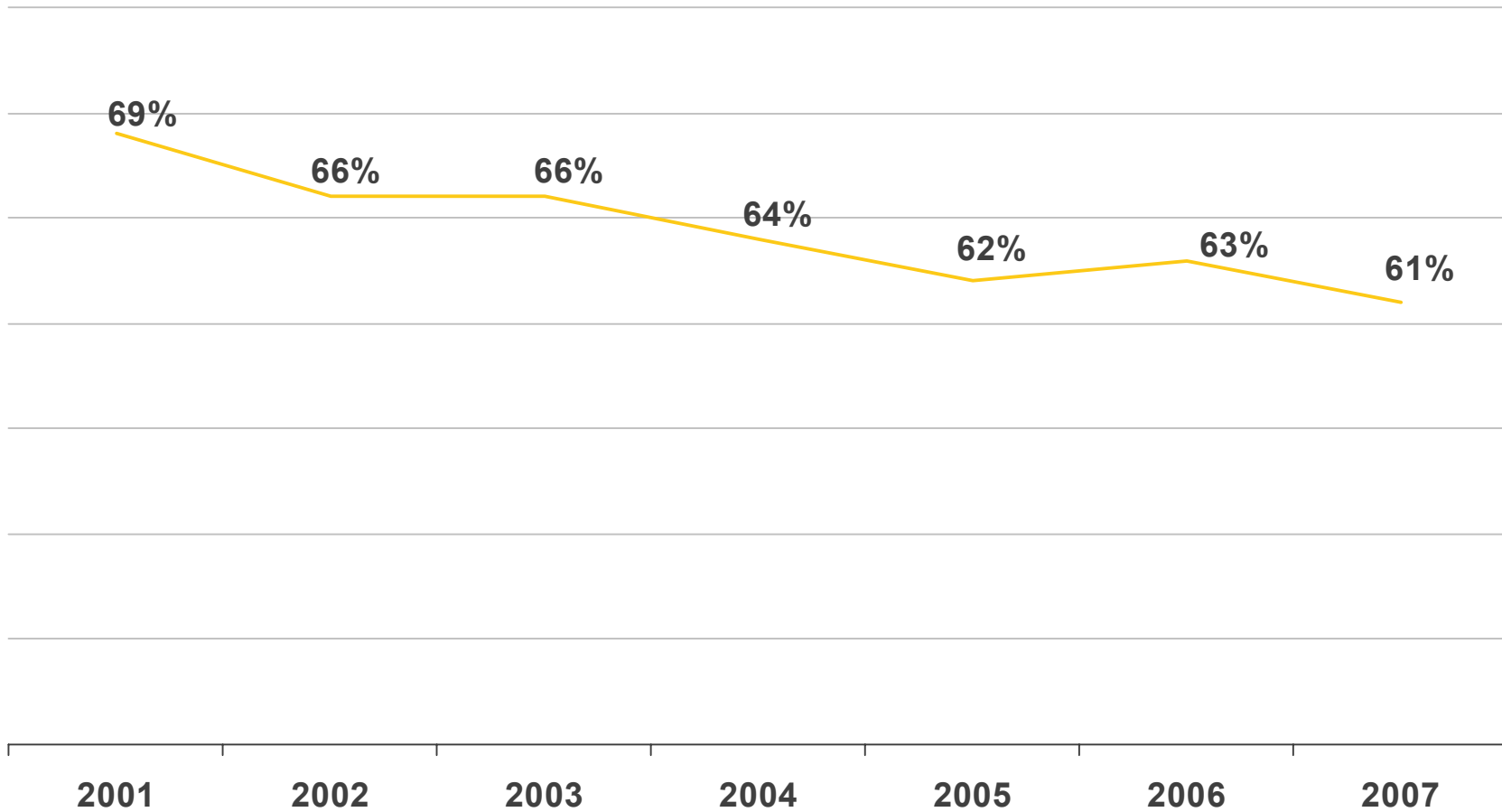
## Use of coinsurance in drug plans

Percent of employers requiring coinsurance

	Large employers		Jumbo employers	
	<u>Retail card</u>	<u>Mail-order</u>	<u>Retail card</u>	<u>Mail-order</u>
Generic drugs	8%	6%	34%	25%
Formulary brand	10%	7%	40%	24%
Non-formulary brand	12%	8%	41%	25%
Specialty/biotech/ lifestyle	2%	2%	5%	2%
Any drug category	20%	15%	55%	39%

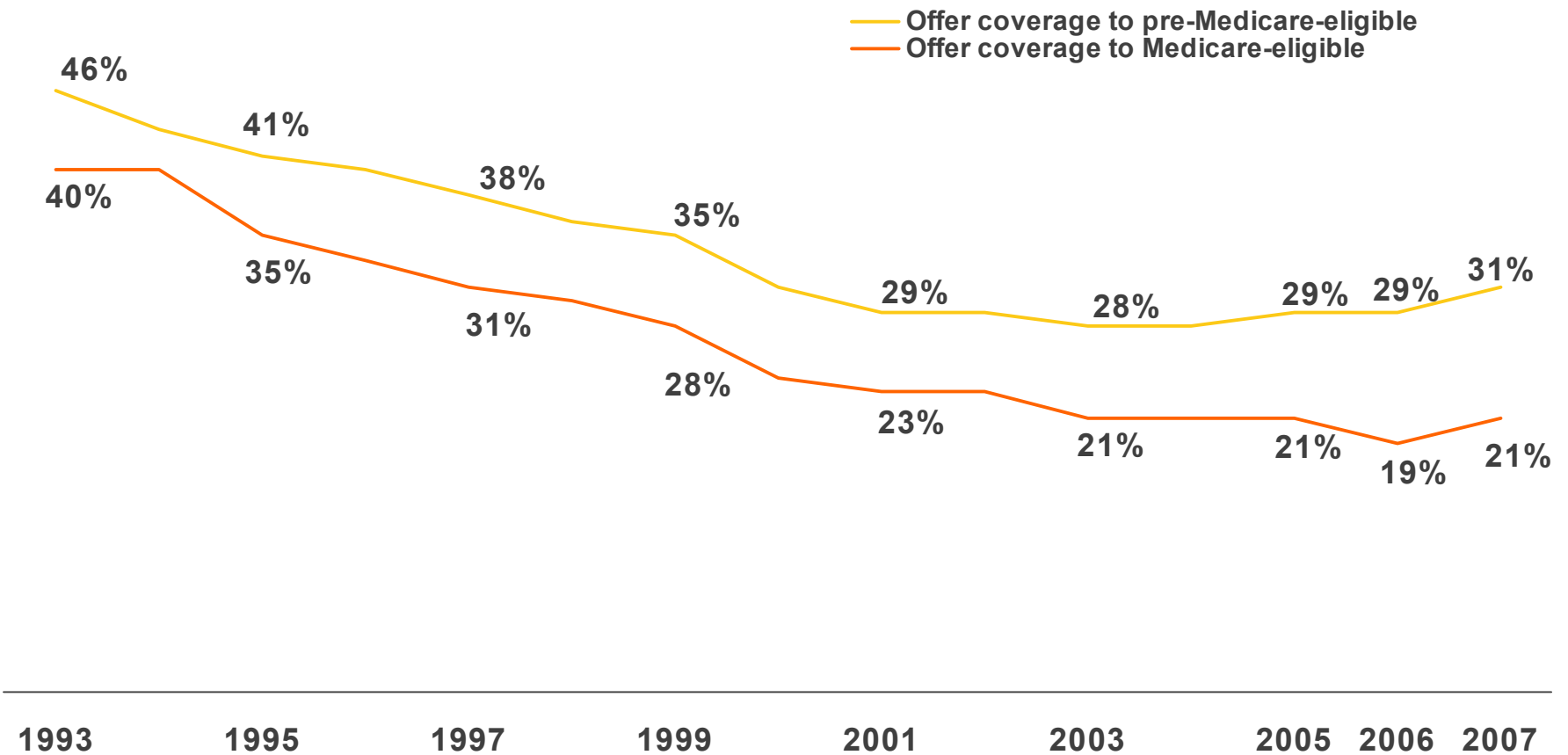
## Health coverage eroding among small employers

Percent of employers with 10-199 employees that offer coverage



# Surprise uptick in retiree medical offerings in 2007, but only among mid-sized employers

Large employers



## Employer opinions on health reform initiatives or proposals

	Disapprove/ Strongly disapprove	Approve/ Strongly approve
“Pay or play” – requiring employers to offer a health plan or pay into a fund to provide coverage for the uninsured	50%	23%
Individual mandates – requiring individuals to purchase health insurance, at specified levels of coverage and cost	48%	23%
Extending the age of children entitled to dependent coverage	23%	48%
Making section 125 cafeteria plans a requirement to allow all employees (including those not eligible for coverage) to make pretax premium contributions	18%	61%
Connector or exchange agencies that provide access to affordable insurance for individuals and small businesses	15%	58%



# Should states be encouraged to implement health reform measures as a way to test approaches to universal coverage?

Employer opinion

Small employers



Large employers



Jumbo employers



■ Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly disagree



## What the largest employers are considering for the next five years

Employers with 10,000 or more employees

	Interested/ very interested	Very interested
Evidence-based design	81%	20%
Facilitating creation of personal health records	63%	21%
Building block approach to coverage	38%	6%
Off-shoring major surgery	9%	–

## **The trillion-dollar question – increasing access for the uninsured**

Do employers have a role?

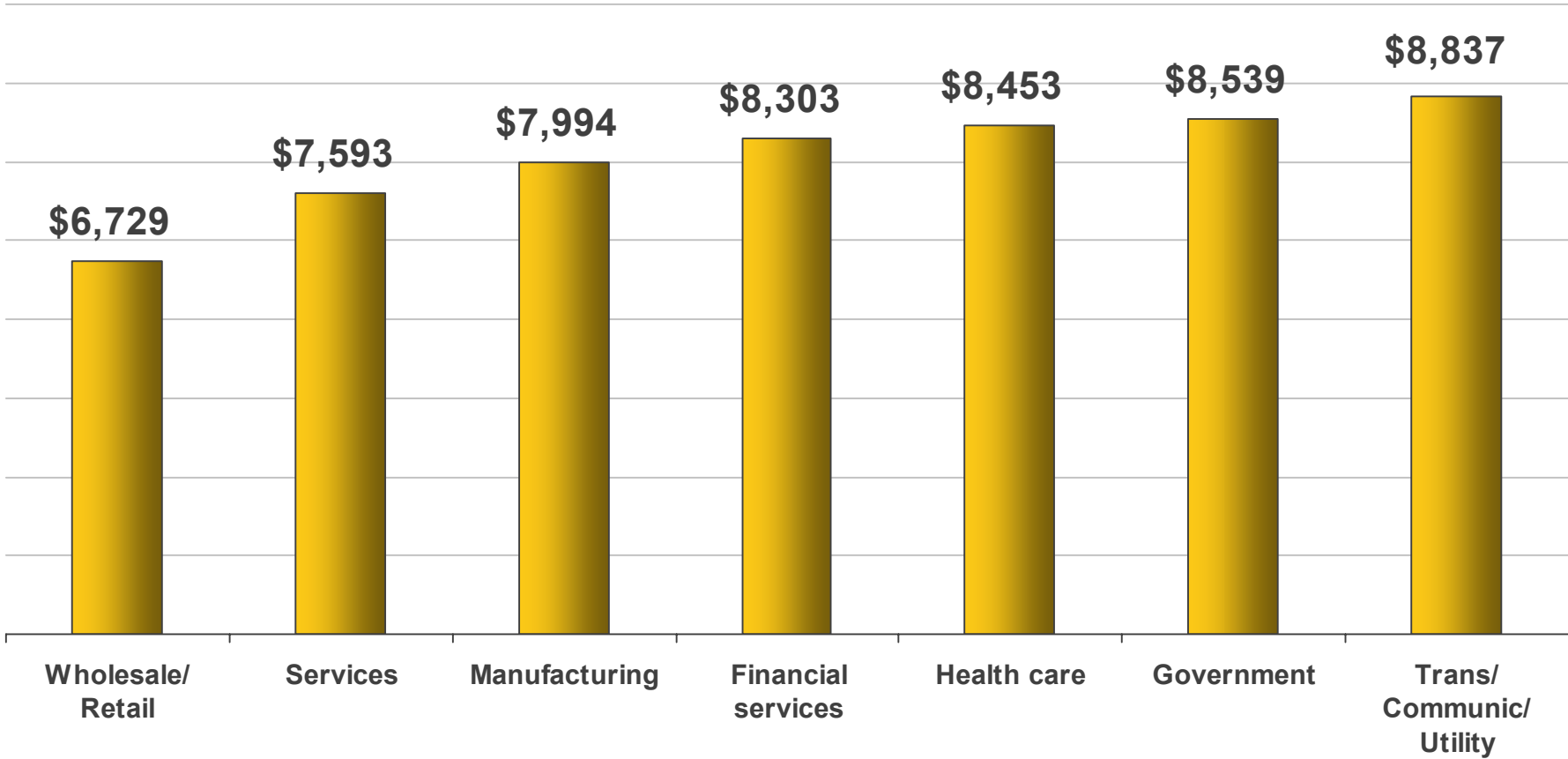
- The high number of uninsured contributes to the fact that the US ranks only 20<sup>th</sup> out of 30 developed nations in longevity, while outspending all of them.
- Uncontrolled cost growth has been a key factor in the problem of the uninsured
- Employer and health industry initiatives have helped slow cost growth in recent years and continue to show promise
- Government-led reform needs to build on this progress -- this time around, employers should and will have a seat at the table



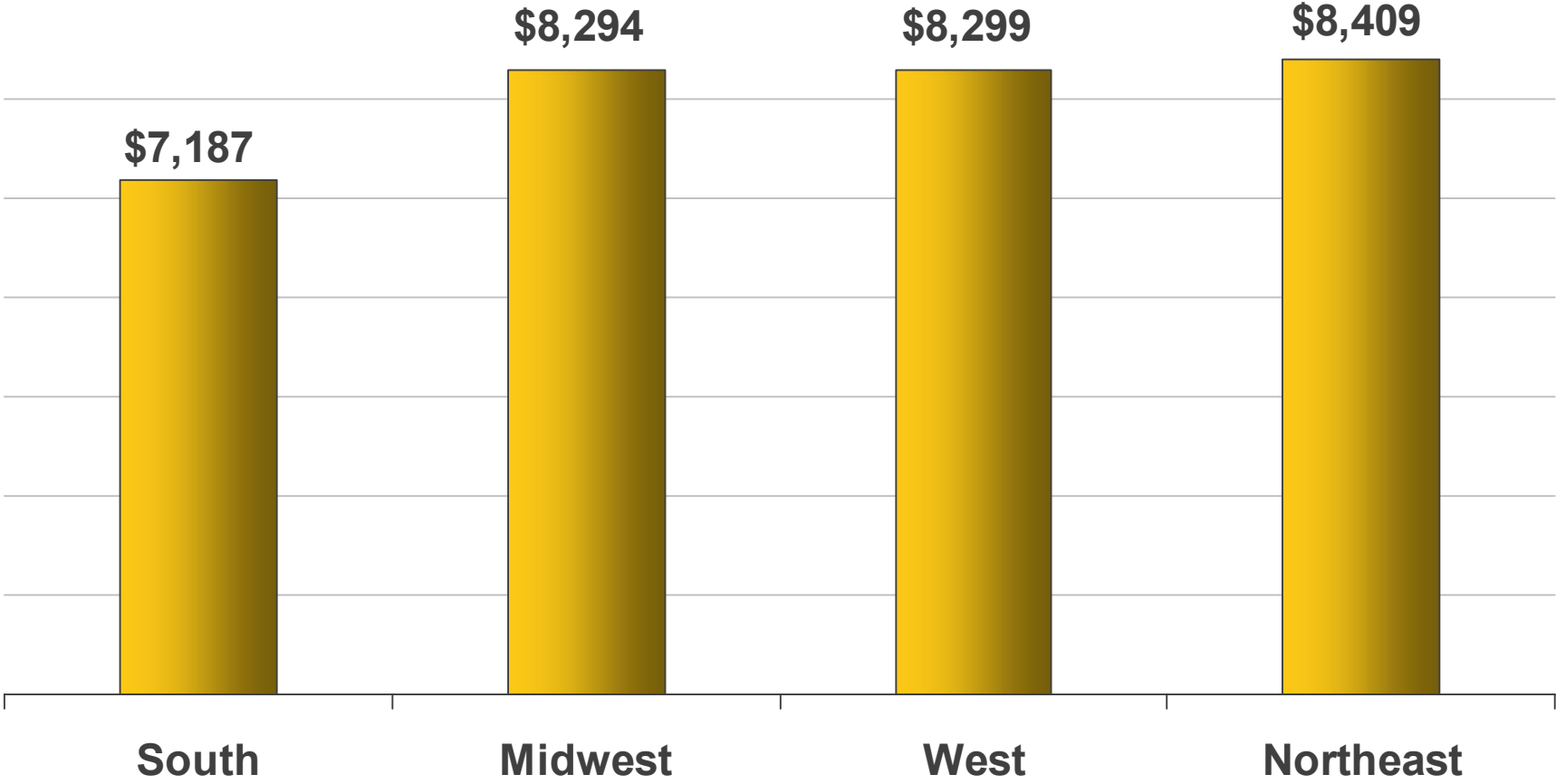
## More on Cost and Design

# Factors that affect average cost per employee

Industry

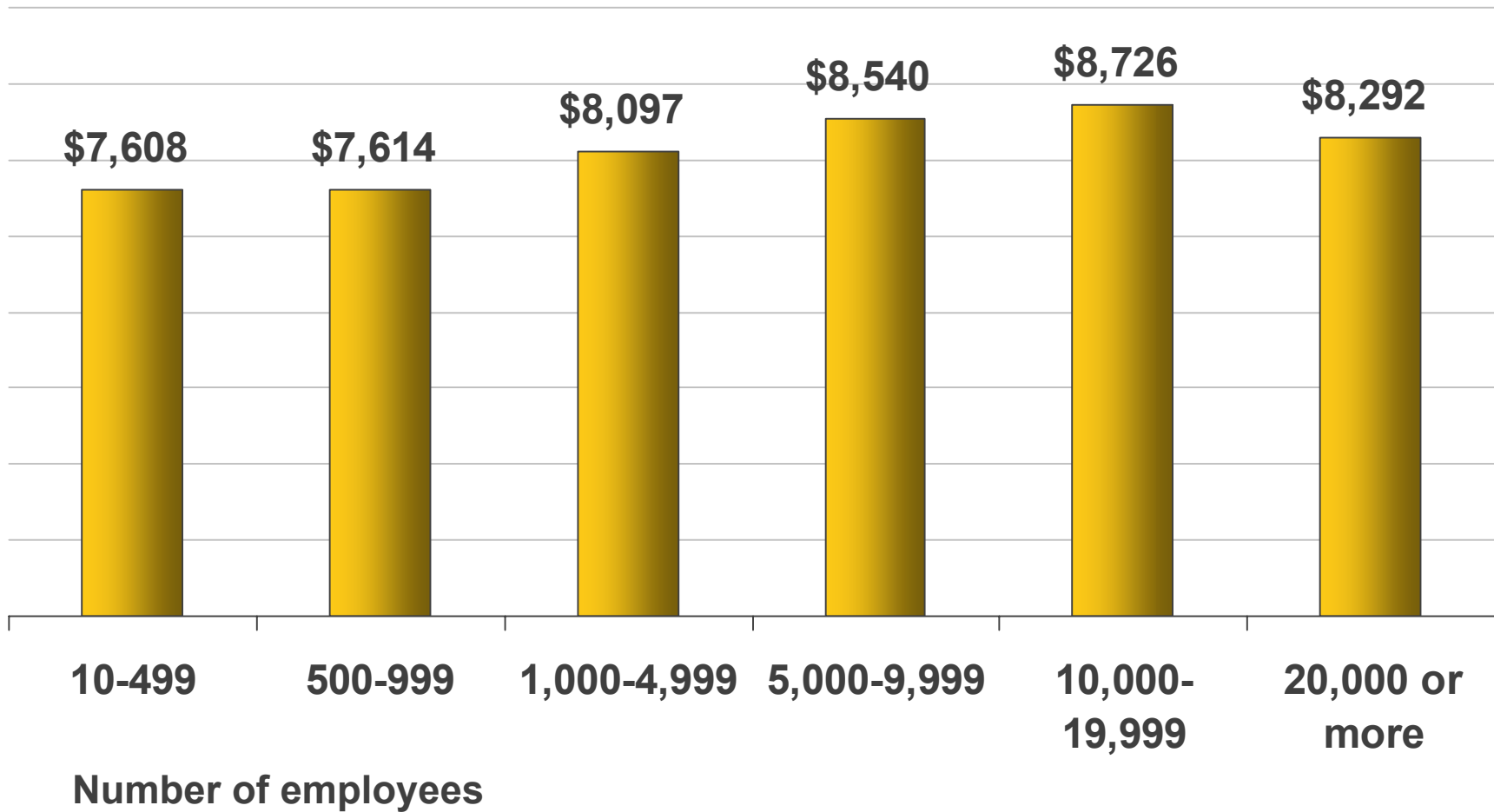


**Factors that affect average cost per employee**  
Region



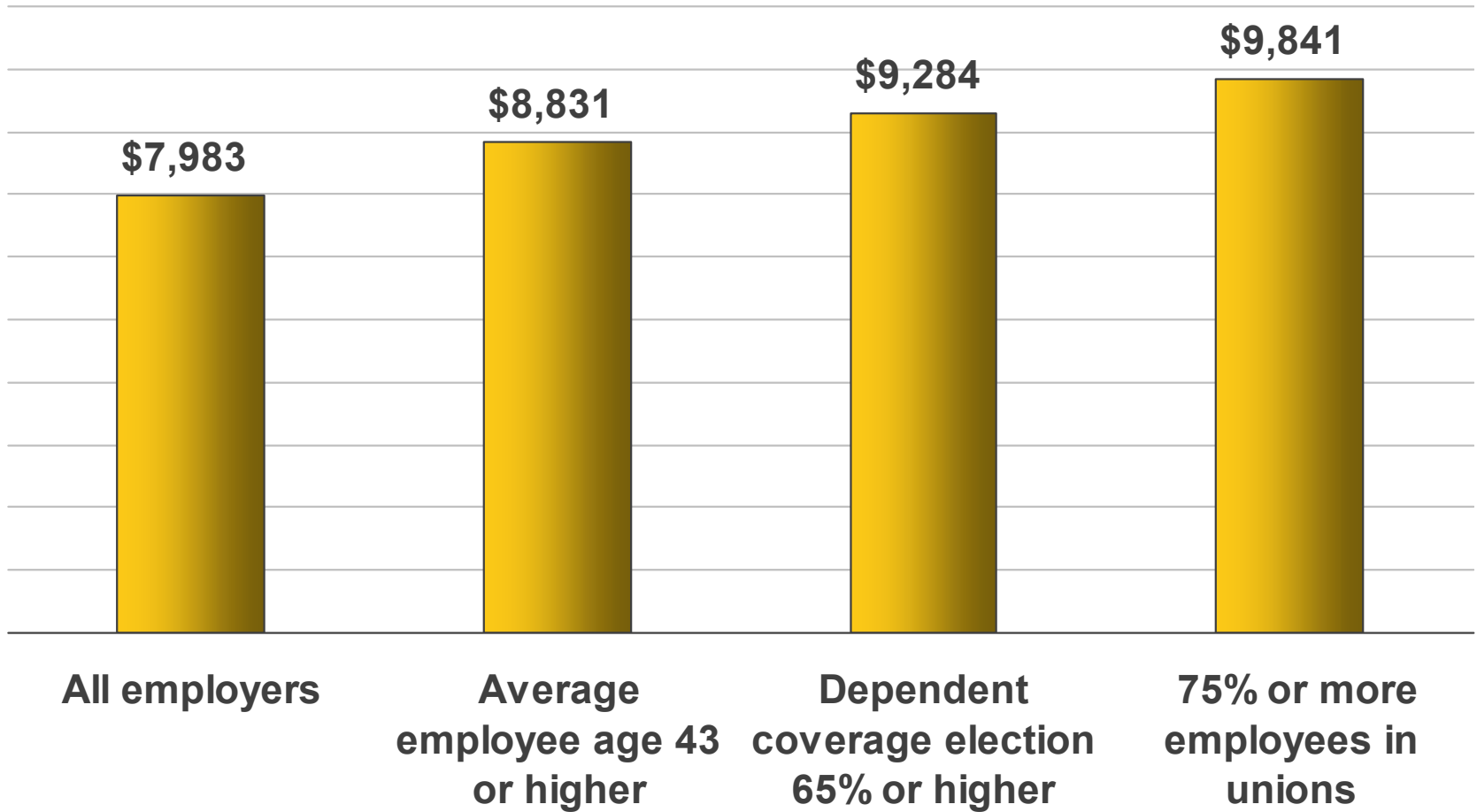
## Factors that affect average cost per employee

Employer size

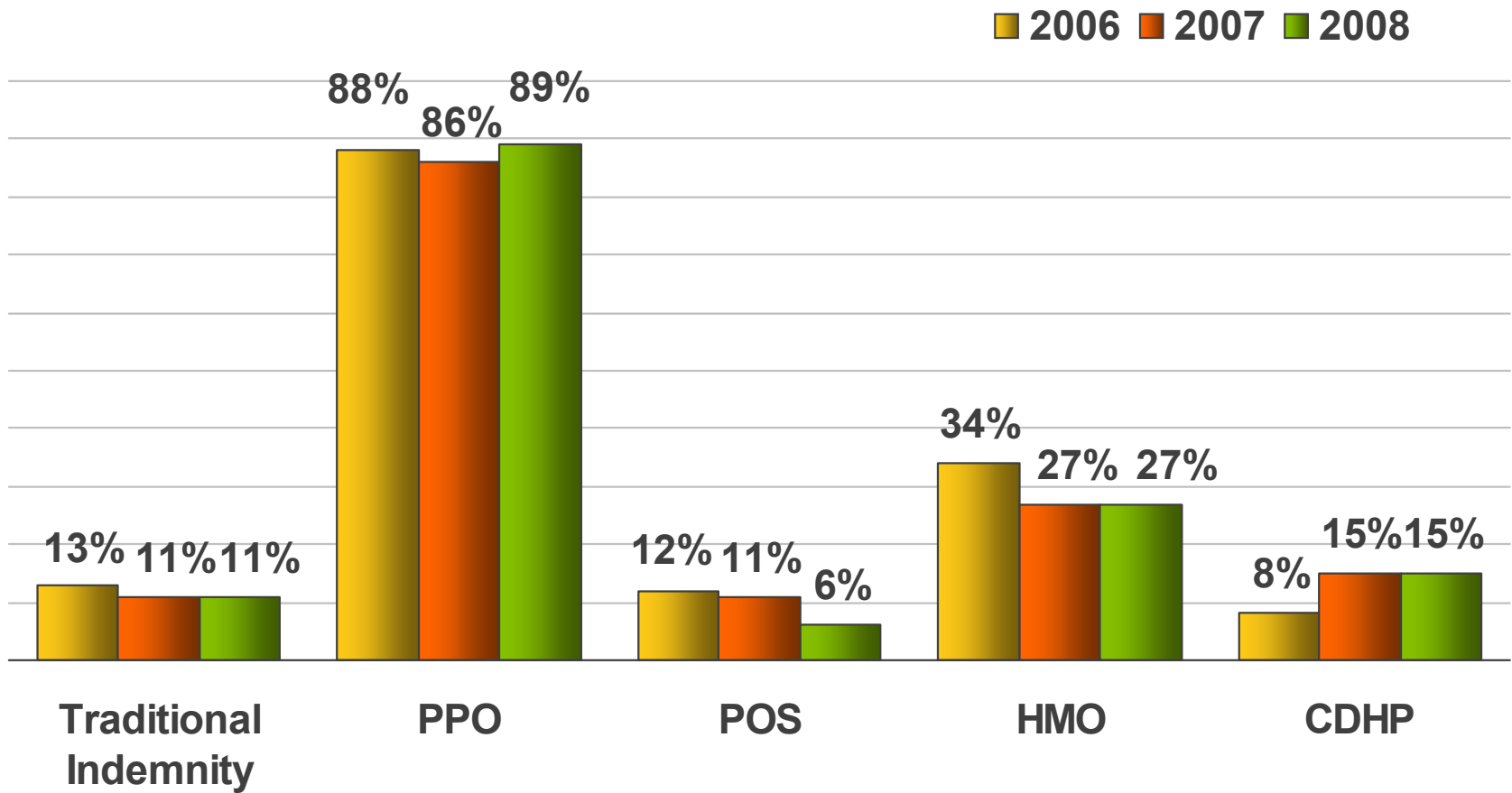


## Factors that affect average cost per employee

Employer/employee demographics

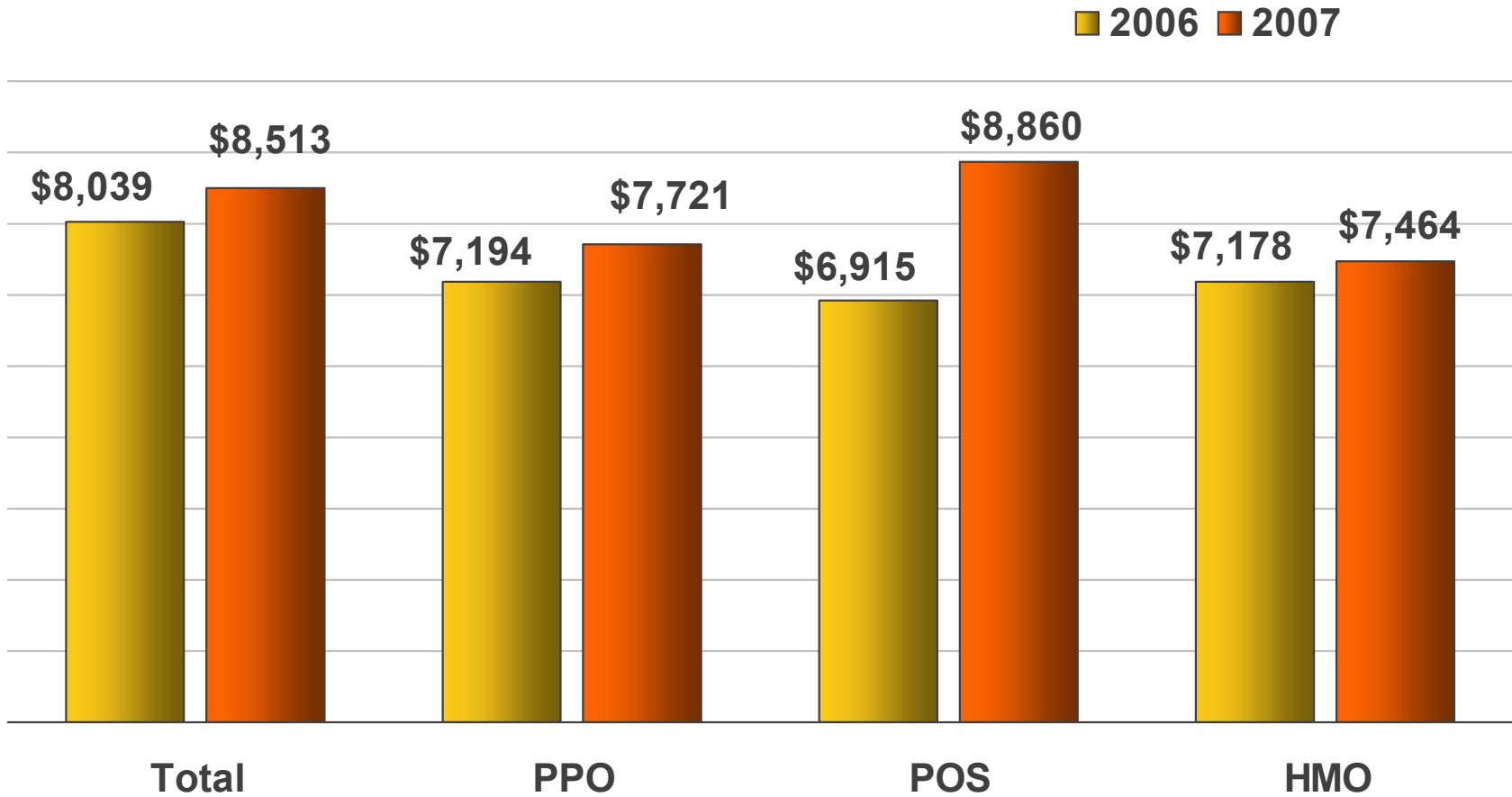


**Midwest region – type of plan offered**  
Large employers



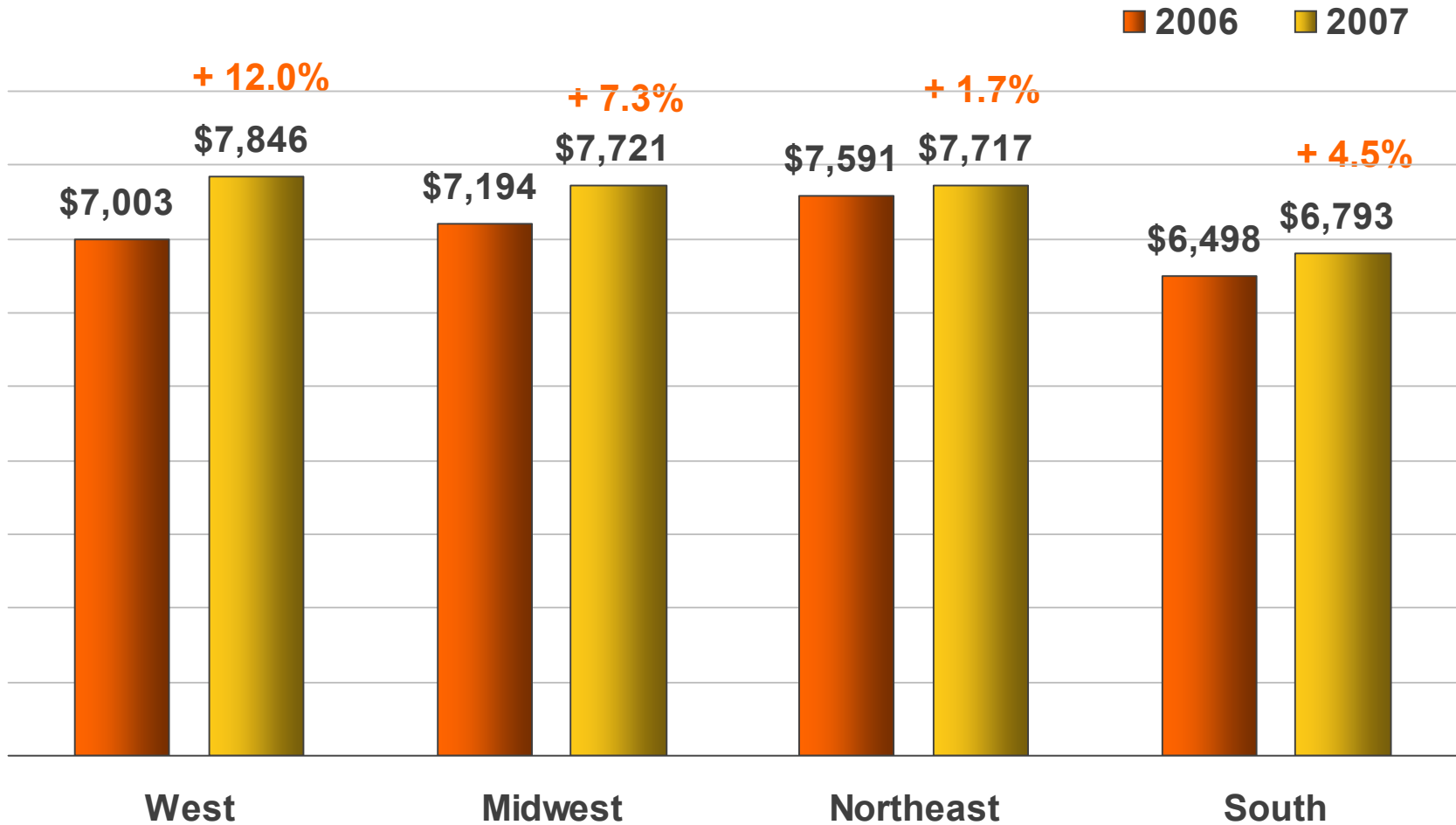


**Midwest region – average cost per active employee**  
Large employers



# PPO cost per employee, by region

Large PPO sponsors

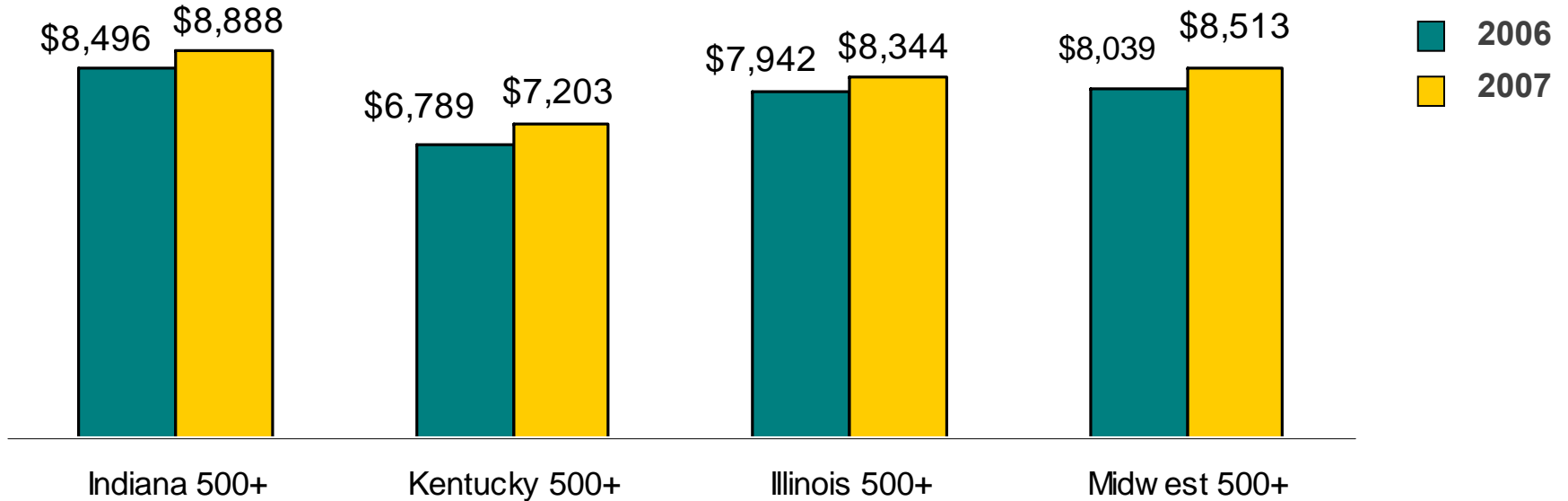


## Employee cost-sharing requirements for PPO

### Large PPO sponsors

<b>DEDUCTIBLE (MEDIAN)</b>	<b>In-network</b>	<b>Out-of-network</b>
Require deductible	77%	95%
Individual amount (median)	\$300	\$500
Family amount (median)	\$800	\$1,200
<b>DOCTOR'S OFFICE VISIT</b>		
Require copay	81%	14%
Copay amount (median)	\$20	\$20
Require coinsurance	20%	86%
Coinsurance amount (median)	20%	30%
<b>HOSPITALIZATION</b>		
Require per-admission copay	23%	15%
Copay amount (median)	\$250	\$350
Require coinsurance	66%	89%
Coinsurance amount (median)	20%	30%
<b>OUT-OF-POCKET MAXIMUM</b>		
Plan includes maximum	84%	86%
Individual OOP max (median)	\$2,000	\$3,250

**Midwest region – average total benefit cost per employee**  
Large Employers

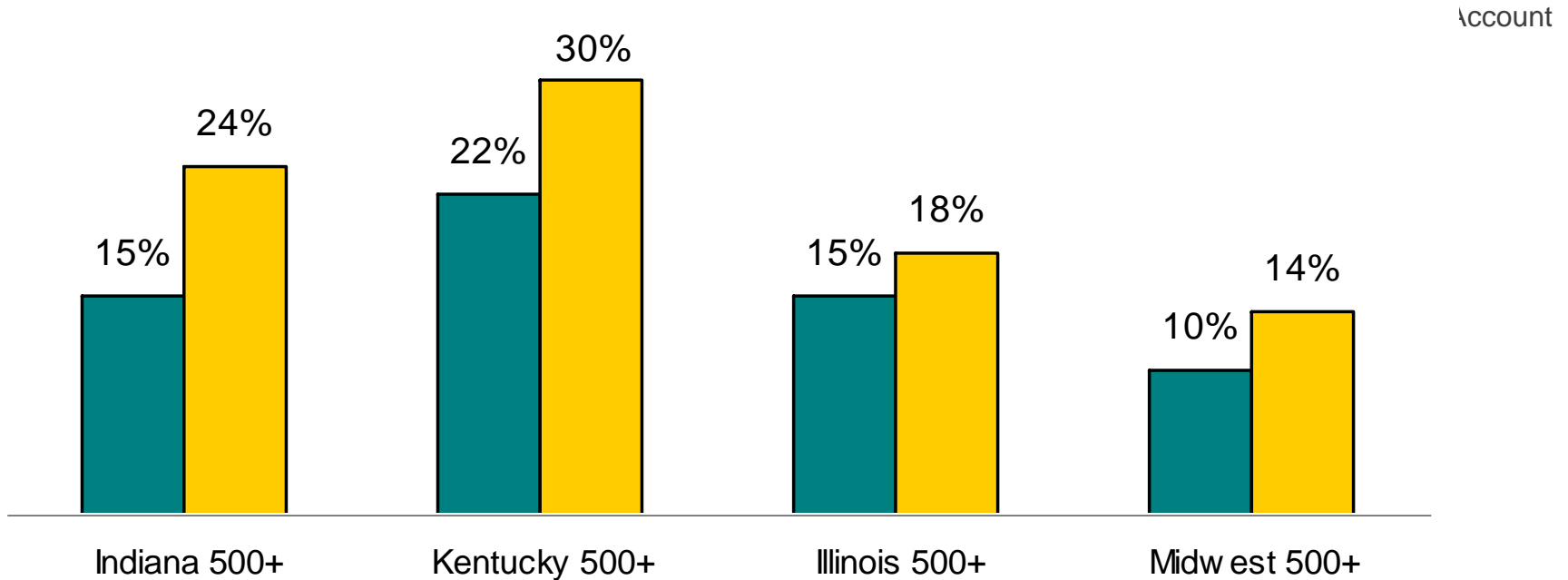


**Expected average increase in total health benefit cost for 2008:**

	Indiana 500+	Kentucky 500+	Illinois 500+	Midwest 500+
Before making changes*	8.6%	8.0%	9.0%	8.4%
After making changes*	5.6%	3.6%	5.9%	6.3%

\*to plan design or health plan vendor

**Midwest region – average total benefit cost per employee**  
Large Employers

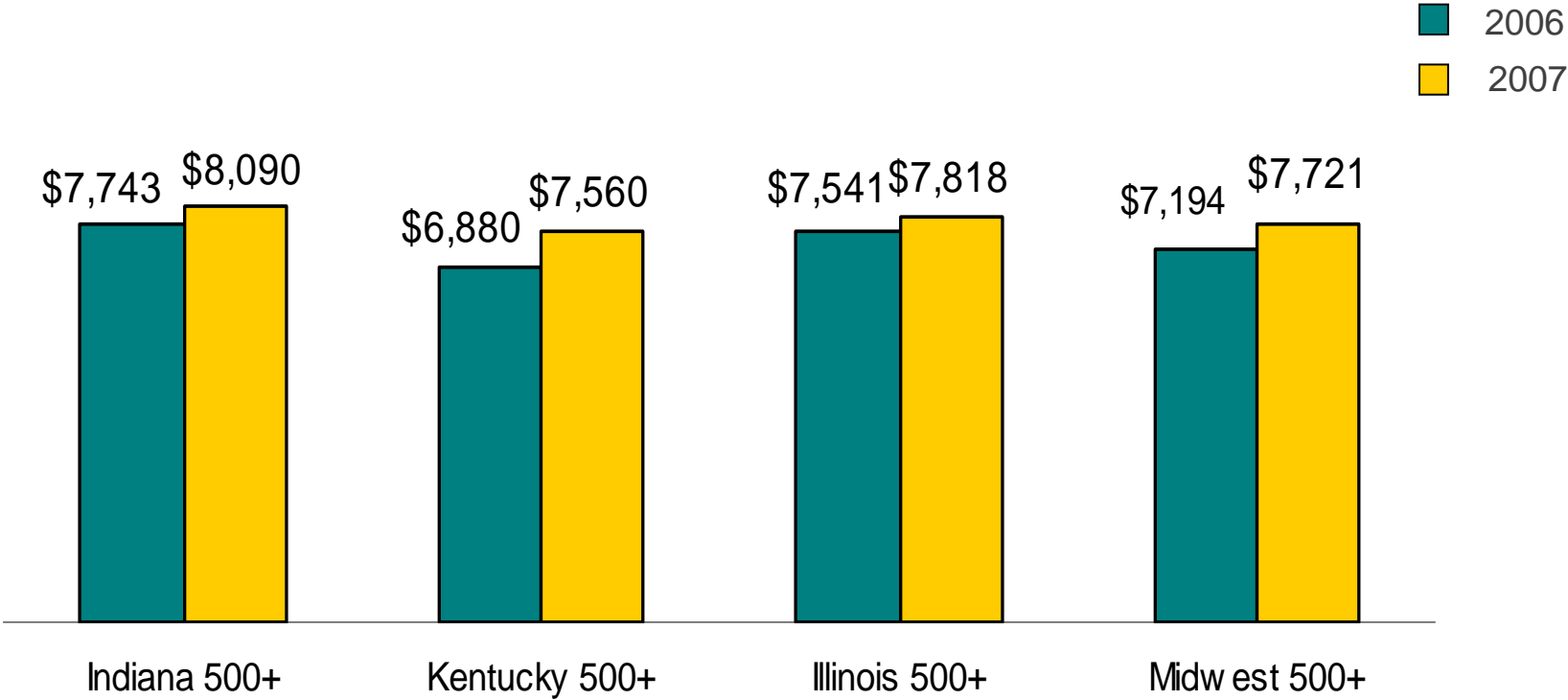


**Will offer an account-based CDHP in next five years**

As the only type of plan offered  
Alongside other medical plan choices

	Indiana 500+	Kentucky 500+	Illinois 500+	Midwest 500+
As the only type of plan offered	17%	14%	8%	9%
Alongside other medical plan choices	51%	67%	57%	52%

**Midwest region – average PPO cost per employee**  
Large Employers



## Employee monthly dollar contributions for CDHP coverage

Employers with 500-4,999 employees

	No contribution required	Average monthly \$\$ amount	Average contribution as % of premium
<b>HSA-based CDHP</b>			
Employee-only	14%	\$76	29%
Family	6%	\$301	35%
<b>HRA-based CDHP</b>			
Employee-only	8%	\$67	23%
Family	2%	\$285	35%
<b>PPO</b>			
Employee-only	17%	\$90	23%
Family	6%	\$338	35%
<b>HMO</b>			
Employee-only	17%	\$87	23%

## CDHP plan design

Sponsors with 500-4,999 employees

<b>HRA</b>	<b>Employer contribution (median)</b>	<b>Deductible (median)</b>	<b>Out-of-pocket maximum (median)</b>
Employee-only	\$500	\$1,250	\$2,200
Family	\$1,000	\$2,500	\$4,500

<b>HSA</b>	<b>Employer contribution * (median)</b>	<b>Deductible (median)</b>	<b>Out-of-pocket maximum (median)</b>
Employee-only	\$535	\$1,500	\$2,650
Family	\$1,000	\$3,000	\$5,000

\* Zeros not included

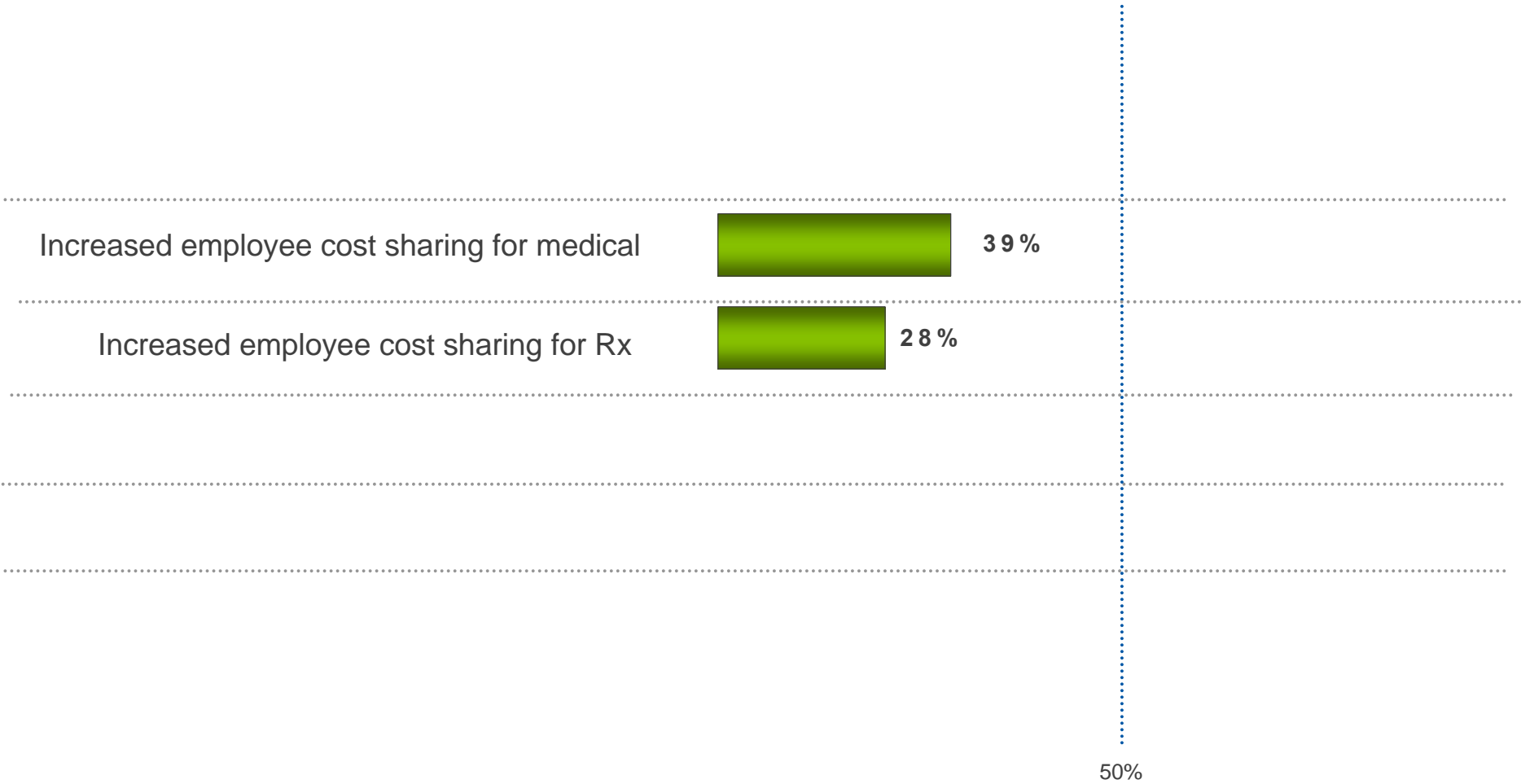




**Employer actions for 2008:  
Results of the  
2008 Mercer Client Pulse Survey  
Midwest**

# Basic Strategies - Plan design

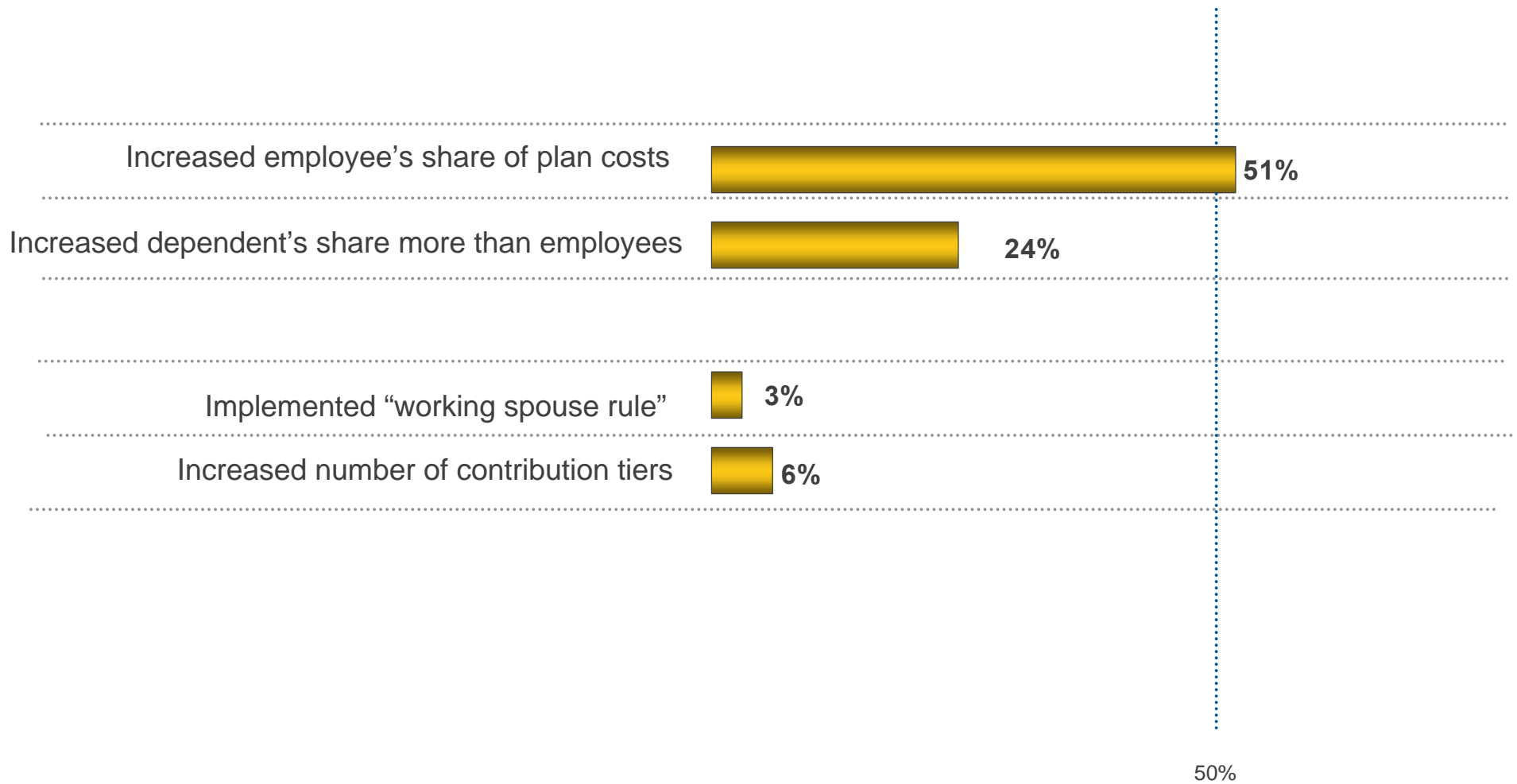
## 2008 medical benefit changes



Source: Mercer's 2008 Client PULSE Survey

## Basic Strategies - Contributions

### 2008 medical benefit changes

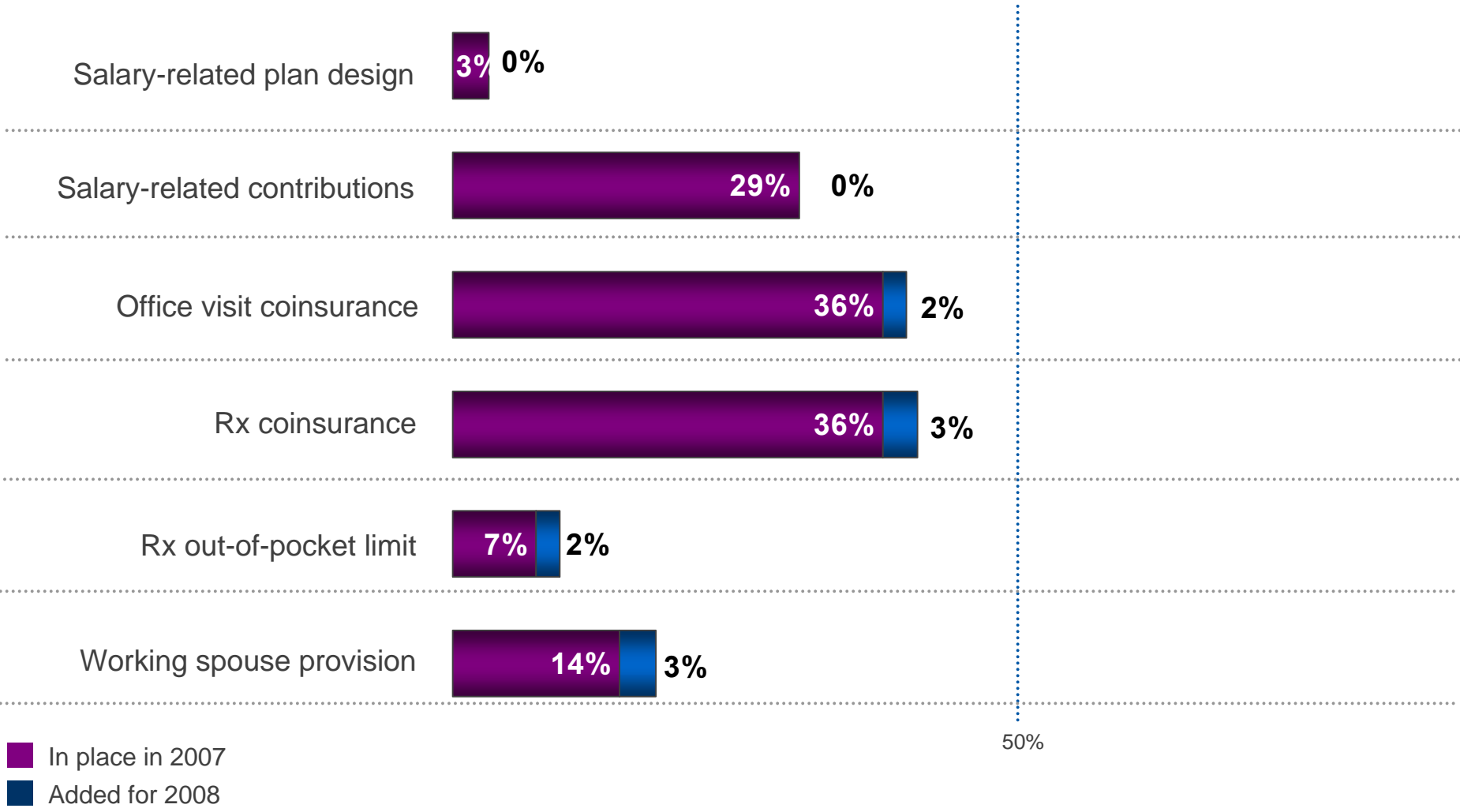


Source: Mercer's 2008 Client PULSE Survey



# Basic Strategies

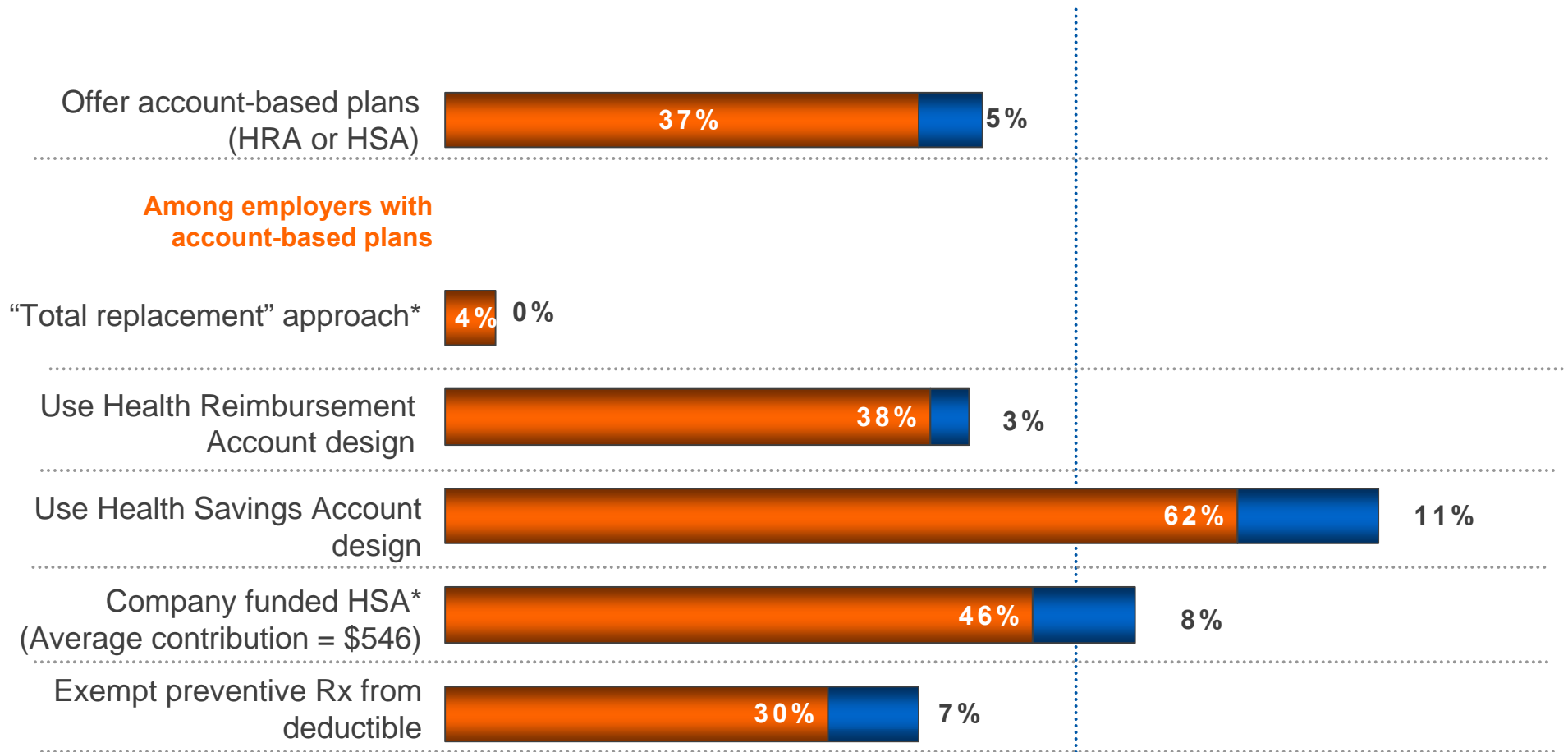
Some (very) slowly changing trends



50%

## Advanced plan design

### Consumer-Directed Health Plans



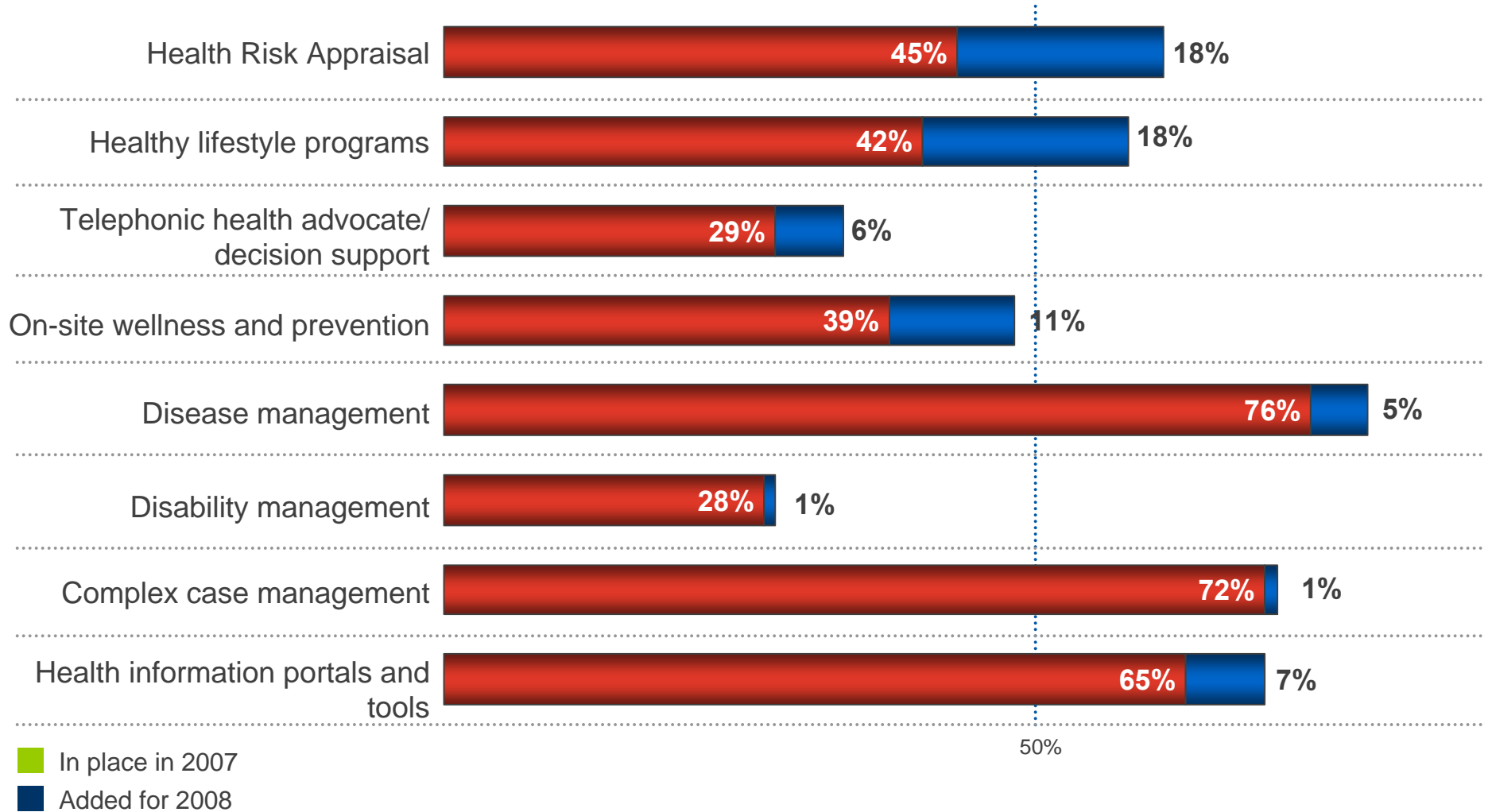
\*Among employers funding HSA-based CDHPs

■ In place in 2007  
■ Added for 2008

50%

## Advanced Strategies - Health management: encouraging employees to be more proactive about their health

Percent of respondents offering program

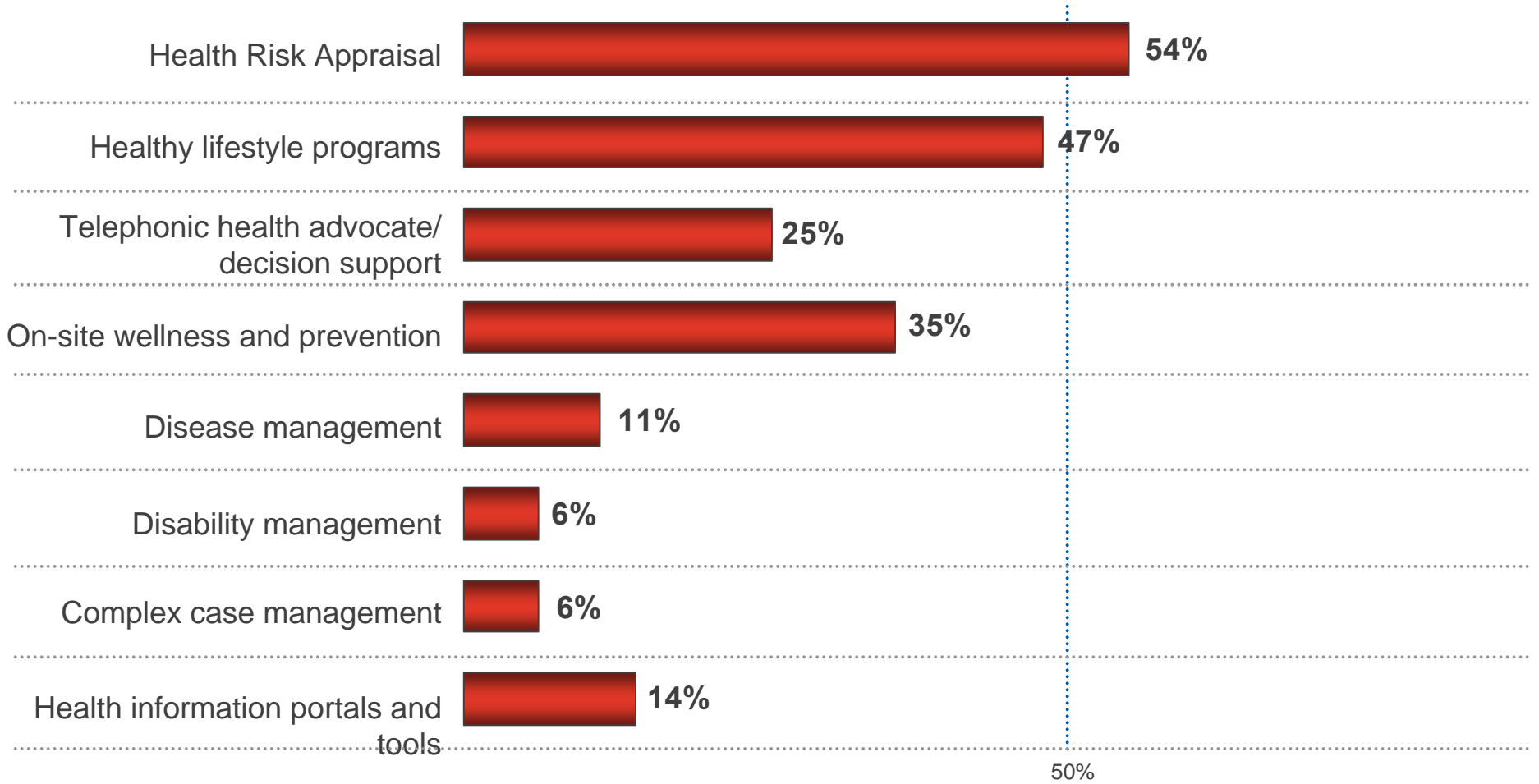


■ In place in 2007

■ Added for 2008

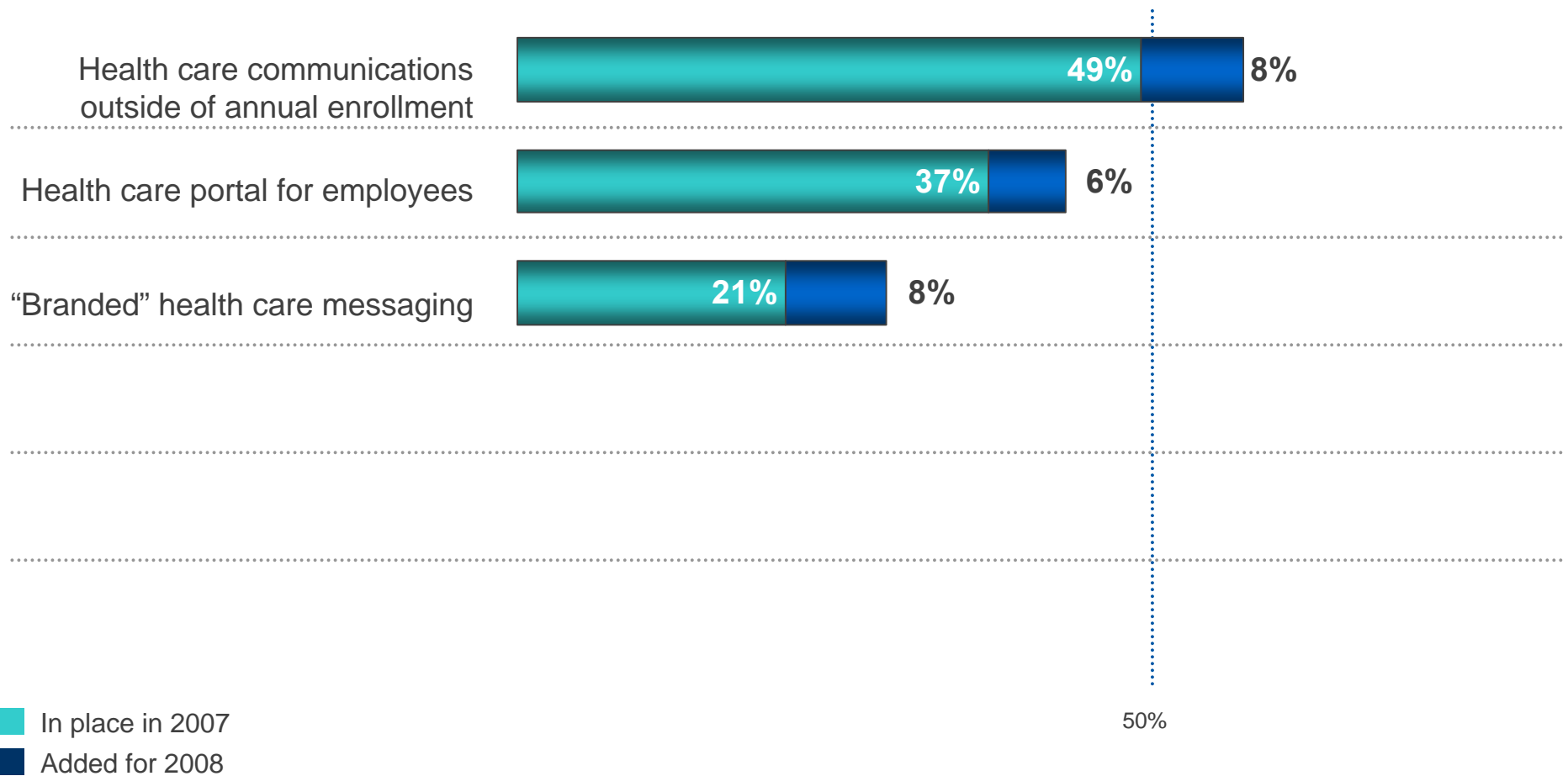
## Provide incentives to participate in health management program

Among respondents with program, percent providing incentives



# Communication

## Increasing levels of employee engagement



■ In place in 2007  
■ Added for 2008

50%



## Advanced strategy changes for 2008:

What do they mean?

- Slow but steady growth of account-based plans
  - Growing evidence that:
    - Necessary care is not neglected
    - Discretionary spending is reduced
- Objective and endorsed quality measures are still lacking
  - Slow growth of HPN plans
- Increasing use of measurement to support plan design and health management initiatives
  - Jump in health management data integration
  - Jump in ROI measurement
- New strategies take time and effort to bear fruit – engaging your organization (management and employees) is still the key to success



# Questions

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