

2007 EMPLOYER HEALTH CARE BENEFITS SURVEY

Summary of Findings

EXPECTED COST INCREASES FOR 2008

- Sixty-one percent of employers expect single-digit premium increases for the 2008 plan year, a significant improvement from 45 percent last year
- Less than 13 percent of employers expect their premium renewal increases to be more than 15 percent in 2008, down from 18 percent in 2006

2007 PLAN COSTS

- Seventy percent of employers kept their current year (2007) health care cost increases below 10 percent, compared to 61 percent in 2006 and 46 percent in 2005
- The average premium (employer and employee share combined) in 2007 is:
 - \$4,250 to \$4,499 for single coverage, the same as in 2006 and approximately the same as the 2007 national average (\$4,479) reported by the Kaiser Family Foundation health benefits survey.
 - \$12,000 - \$12,499 for family coverage, the same as in 2006. It also is approximately the same as the 2007 national average (\$12,106) reported by the Kaiser Family Foundation health benefits survey
- More than half of respondents (52 percent) made changes to this year's plan design, slightly less than the 57 percent who made changes for the 2006 plan year

MOST COMMON CHANGES TO PLAN DESIGN			
Change	Percent of Respondents		
	2007	2006	2005
Increase Deductibles/Copays/Coinsurance	50%	47%	40%
Increase Out-of-Pocket Maximums	32%	32%	23%
Increase Employee Share of Premium	29%	32%	30%

- Most employers continue to utilize three-tier prescription drug plans.

PHARMACY PLAN COPAYS		
Median Copay	2007	2006
Tier 1	\$10	\$10
Tier 2	\$30	\$25
Tier 3	\$50	\$45

HEALTH SAVINGS ACCOUNTS (HSAs) & HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs)

- Twenty-nine percent of all survey respondents offer employees a Health Savings Account or Health Reimbursement Arrangement, up significantly from 20 percent in 2006
- HSAs are far more popular than HRAs. Seventy-two percent of companies that offer one or the other offer an HSA; 28 percent offer an HRA
- HSAs/HRAs are most popular among companies with between 200 and 499 employees – one-third of all respondents in this employer size offer one or the other
- Most companies that offer HSAs or HRAs give employees a choice between two or more health plans
- When given a choice, approximately one third of employees select the HSA/HRA option
- On average, companies that offer HSAs or HRAs have median premiums that are 8 to 12 percent less than companies that don't

AVERAGE ANNUAL PREMIUM		
Median Premium	Companies <u>with</u> HSAs/HRAs	Companies <u>without</u> HSAs/HRAs
Single Coverage	\$4,000-\$4,249	\$4,500-\$4,749
Family Coverage	\$11,500-\$11,999	\$12,500-\$12,999

- Among companies that currently don't offer HSAs/HRAs, 63 percent of respondents said they have little or no interest in them, up significantly from one third of respondents in 2006
- The average **employer contribution** to an HSA/HRA in 2007 was:
 - \$500 to \$749 for single coverage
 - \$1,000 to \$1,249 for family coverage
- The average **deductible** for qualifying high-deductible plans in 2007 was:
 - \$1,500 to \$1,749 for single coverage
 - \$3,000 to \$3,499 for family coverage
- Most employees (62 percent) do not make their contribution to employees' health savings account contingent on employee behavior. Those that do are most likely to require that employees complete health-risk appraisals
- Companies that have wellness programs are more inclined to be interested in HSAs/HRAs. Almost half (46 percent) of companies with a wellness program also have an HSA/HRA. By comparison, only 39 percent of companies without a wellness program have an HSA/HRA

WELLNESS PROGRAMS

- Twenty-seven percent of all survey respondents reported having a wellness program
- Three-fourths of wellness programs are less than three years old, including 33 percent that were started this year
- Corporate interest in wellness programs appears to be directly related to the size of the company: 11 percent of companies with fewer than 20 employees have wellness programs, compared to 53 percent of companies with more than 500 employees
- Fewer than half of employees participate in wellness programs at most companies. Less than a third of respondents enroll in wellness programs when there is no financial incentive. Participation jumps to an average of 75 percent when employers link participation to the employee's share of their health care costs
- The average employer spends between \$20 and \$29 per employee on wellness programs. Approximately 31 percent of respondents said their wellness program was included in their health plan, while 37 percent reported spending more than \$60 per employee
 - The most frequently utilized components of wellness programs are:
 - Newsletters (used in 74 percent of programs)
 - Web sites (70 percent)
 - Health-risk assessments (69 percent)
 - Brown-bag lunches (58 percent)
 - Fewer than 25 percent of wellness programs utilized health coaches

ABOUT THE SURVEY

- 311 Milwaukee-area companies completed the fifth annual Employer Health Care Benefits Survey, which is conducted in cooperation with The Greater Milwaukee Annual Report on Health Care, HCTrends, The Benefit Services Group (BSG), The Metropolitan Milwaukee Association of Commerce, the Wellness Council of Wisconsin and the Business Health Care Group
- Thirty percent of the responding companies had fewer than 20 employees; 13 percent had 20-49 employees; 27 percent had between 50 and 199 employees; 15 percent had between 200 and 499 employees; and 15 percent had more than 500 employees

PROPOSED STATE PLAN vs. EXISTING PLANS

Because of the current public debate over a proposed universal health insurance plan for Wisconsin residents, we also compared the state plan – as proposed by Senate Democrats – with the average existing benefit plan in the Milwaukee area.

PLAN COMPARISON – TYPICAL PLAN VS. PROPOSED STATE HEALTH PLAN		
	AVERAGE EMPLOYER¹	HEALTHY WISCONSIN²
COPAYS		
Office Visit	\$20	\$20
DEDUCTIBLE		
Individual (Under age 18)	\$500-\$599	None
Individual (Over age 18)	\$500-\$599	\$300
Family	\$1,500-\$1,749	\$600
COINSURANCE		
In-Network	20%	0%
Out-of-Network	30%	25%
OUT-OF-POCKET MAX		
Individual	\$2,000-\$2,499	\$2,000
Family	\$4,000-\$4,999	\$3,000
PHARMACY		
Tier 1	\$10	\$5
Tier 2	\$30	\$15
Tier 3	\$50	\$40
PLAN COSTS		
Single	\$4,250-\$4,499	\$6,811-\$7,242 ³
Family	\$12,000-\$12,499	\$16,984-\$18,061 ³

NOTES:

1. Plan design information for the “Average Employer” is based on average (median) survey results from the 2007 Employer Health Care Benefits Survey.
2. Plan design information for Healthy Wisconsin is based on information contained in the Healthy Wisconsin Legislation (Senate Amendment to Senate Substitute Amendment 1, to 2007 Senate Bill 40).
3. The enacting legislation requires that the Healthy Wisconsin plan offer – at a minimum – the same benefits as the uniform coverage for state employees as of Jan. 1, 2007. The plan costs shown above are the annual premiums for the least expensive (Tier 1) insurance plans currently offered to state employees in the Milwaukee metropolitan region (Source: “*It’s Your Choice 2007*,” State of Wisconsin Employees Benefits Handbook – ET-2107). These premiums are being used to show what it currently costs to provide this plan design. The actual premiums for Healthy Wisconsin would be based on a percentage (11% to 16%) of a person’s income up to \$97,500.

Average Plan Characteristics By Company Size

<20 Employees

Average Expected Increase 2008: 5% - 9%

Median 2007 Premium Costs

Employer and employee share combined

Single Coverage: \$4,000-\$4,249

Family Coverage: \$12,000-\$12,499

2007 Total Premium or Health Plan Costs (Employer and Employee Share Combined)							
Single Coverage	<\$3,750	\$3,750-\$3,999	\$4,000-\$4,249	\$4,250-\$4,449	\$4,500-\$4,749	\$4,750-\$5,249	>=\$5,250
% of Respondents	31%	16%	7%	7%	5%	16%	18%
Family Coverage	<\$11,000	\$11,000-\$11,499	\$11,500-\$11,999	\$12,000-\$12,499	\$12,500-\$13,499	\$13,500-\$14,499	>=\$14,500
% of Respondents	28%	11%	5%	11%	9%	7%	29%

Typical Plan Characteristics

Percent Paid by Employer	Single	Family	
	75%-79%	75%-79%	
Deductible	Single	Family	
	\$800+	\$2,500+	
Out-of-Pocket Maximums	Single	Family	
	\$1,500-\$1,999	\$3,000-\$3,999	
Physician Office Copay		\$25	
Prescription Plan Copays	Tier 1	Tier 2	Tier 3
	\$10	\$30	\$50

20-49 Employees

Average Expected Increase 2008: 5% - 9%

Median 2007 Premium Costs

Employer and employee share combined

Single Coverage: \$3,750-\$3,999

Family Coverage: \$11,500-\$11,999

2007 Total Premium or Health Plan Costs (Employer and Employee Share Combined)							
Single Coverage	<\$3,750	\$3,750-\$3,999	\$4,000-\$4,249	\$4,250-\$4,999	\$5,000-\$5,499	\$5,500-\$5,749	\$5,750+
% of Respondents	34%	21%	10%	14%	7%	7%	7%
Family Coverage	<\$11,000	\$11,000-\$11,499	\$11,500-\$11,999	\$12,000-\$12,499	\$12,500-\$13,499	\$13,500-\$14,499	\$14,500+
% of Respondents	38%	10%	3%	14%	7%	14%	14%

Typical Plan Characteristics

Percent Paid by Employer	Single	Family	
	80%-84%	75%-79%	
Deductible	Single	Family	
	\$800+	\$2,000-\$2,249	
Out-of-Pocket Maximums	Single	Family	
	\$2,000-\$2,499	\$4,000-\$4,999	
Physician Office Copay		\$25	
Prescription Plan Copays	Tier 1	Tier 2	Tier 3
	\$10	\$30	\$50

50-199 Employees

Average Expected Increase 2008: 5% - 9%

Median 2007 Premium Costs

Employer and employee share combined

Single Coverage: \$4,000-\$4,249

Family Coverage: \$12,000-\$12,499

2007 Total Premium or Health Plan Costs (Employer and Employee Share Combined)							
Single Coverage	<\$3,750	\$3,750-\$3,999	\$4,000-\$4,249	\$4,250-\$4,749	\$4,750-\$5,249	\$5,250-\$5,749	\$5,750+
% of Respondents	15%	22%	10%	10%	12%	9%	22%
Family Coverage	<\$11,000	\$11,000-\$11,999	\$12,000-\$12,499	\$12,500-\$12,999	\$13,000-\$13,499	\$13,500-\$14,499	\$14,500+
% of Respondents	31%	12%	10%	10%	5%	5%	27%

Typical Plan Characteristics

Percent Paid by Employer	Single	Family	
	70%-74%	70%-74%	
Deductible	Single	Family	
	\$800+	\$2,000-2,249	
Out-of-Pocket Maximums	Single	Family	
	\$1,500-\$1,999	\$4,000-\$4,999	
Physician Office Copay		\$20	
Prescription Plan Copays	Tier 1	Tier 2	Tier 3
	\$10	\$30	\$50

200-499 Employees

Average Expected Increase 2008: 5% - 9%

Median 2007 Premium Costs

Employer and employee share combined

Single Coverage: \$5,250-\$5,499

Family Coverage: \$13,000-\$13,499

2007 Total Premium or Health Plan Costs (Employer and Employee Share Combined)							
Single Coverage	<\$3,750	\$3,750-\$3,999	\$4,000-\$4,749	\$4,750-\$5,249	\$5,250-\$5,499	\$5,500-\$5,749	\$5,750+
% of Respondents	13%	10%	13%	10%	6%	10%	38%
Family Coverage	<\$11,000	\$11,000-\$11,499	\$11,500-\$11,999	\$12,000-\$12,999	\$13,000-\$13,499	\$13,500-\$14,999	\$15,000+
% of Respondents	16%	13%	3%	16%	3%	10%	39%

Typical Plan Characteristics

Percent Paid by Employer	Single	Family	
	80%-84%	80%-84%	
Deductible	Single	Family	
	\$500-\$599	\$750-\$1,499	
Out-of-Pocket Maximums	Single	Family	
	\$1,500-\$1,999	\$4,000-\$4,999	
Physician Office Copay		\$20	
Prescription Plan Copays	Tier 1	Tier 2	Tier 3
	\$10	\$25	\$45

500+ Employees

Average Expected Increase 2008: 5% - 9%

Median 2007 Premium Costs

Employer and employee share combined

Single Coverage: \$5,000-\$5,249

Family Coverage: \$14,000-\$14,499

2007 Total Premium or Health Plan Costs (Employer and Employee Share Combined)							
Single Coverage	<\$3,999	\$4,000-\$4,249	\$4,250-\$4,749	\$4,750-\$4,999	\$5,000-\$5,249	\$5,250-\$5,749	\$5,750+
% of Respondents	23%	7%	17%	3%	10%	13%	27%
Family Coverage	<\$11,000	\$11,000-\$11,999	\$12,000-\$12,999	\$13,000-\$13,999	\$14,000-\$14,499	\$14,500-\$14,999	\$15,000+
% of Respondents	3%	26%	10%	3%	10%	10%	38%

Typical Plan Characteristics

Percent Paid by Employer	Single	Family	
	80%-84%	80%-84%	
Deductible	Single	Family	
	\$1-\$299	\$1-\$749	
Out-of-Pocket Maximums	Single	Family	
	\$1,500-\$1,999	\$3,000-\$3,999	
Physician Office Copay		\$20	
Prescription Plan Copays	Tier 1	Tier 2	Tier 3
	\$7	\$20	\$40