The Greater Milwaukee Annual Report on Health Care

2004 Employer Health Benefits Survey

Introduction

As part of its mission to provide meaningful information about the status of health care and health-care plans in southeastern Wisconsin, *The Greater Milwaukee Annual Report on Health Care* conducted its second annual Employer Health Benefits Survey, which was conducted between March 2004 and August 2004 at HCTrends.com, the companion Web site for *The Greater Milwaukee Annual Report on Health Care.*

The survey was made possible through the efforts of *The Greater Milwaukee Annual Report on Health Care* and its sponsors: The Benefit Services Group, Inc.; Milliman; Aurora Health Care; and Strategic Employee Benefit Services/Milwaukee. Additional support was provided by the Metropolitan Milwaukee Association of Commerce (MMAC).

Presidents, CEOs and employee benefit professionals were asked to participate in the survey. A total of 138 companies participated.

Survey results are provided both in aggregate form and in groupings based on employer size. The survey is not intended to be a statistically valid sampling of health-care benefits in southeastern Wisconsin. The survey did not utilize random sampling techniques; it relied on the voluntary participation of respondents. As a result, caution should be exercised when interpreting the results, especially for the various group segments (fewer than 5 employees, 5-24 employees, etc.).

The 2004 Employee Benefits Survey is intended to serve as the first comprehensive, publicly disseminated benchmark on employee benefits in southeastern Wisconsin. In the coming years, as its structure evolves and participation increases, we believe the Employer Health Benefits Survey will become an indispensable tool in understanding changing trends in the region's benefit plans.

Dave Jensen
Editorial Director
The Greater Milwaukee Annual Report on Health Care

If you would like to participate in the 2005 Employer Health Benefits Survey, please contact us at:

info@HCTrends.com

Executive Summary

- The online survey was completed between March 2004 and August 2004 by 138 companies representing an estimated 110,000 covered lives

- The average projected increase for the 2004 Plan Year was 15%-19% before employers made changes to their health plans and 10%-14% after employers modified their plans

- Eighty-four percent of survey respondents made changes to their health plan for 2004. Increasing deductibles and/or copays was the most common strategy (utilized by 71% of respondents), followed by increasing out-of-pocket maximums (42%) and increasing the employee share of the premium (36%).

- With these changes, 40% of respondents were able to keep their projected 2004 health plan increases below 10%, including 16% of respondents who kept their projected increases below 5%

- Employers with between 100 and 499 employees faced the greatest challenges. More than half (56%) of employers in this segment experienced initial renewal rates of at least 20%; Even after making changes, 22% of employers in this segment expected their final 2004 increases to exceed the 20% threshold.

- Fewer than half of employers are proactively involved in improving employee health. Wellness programs are the most popular pro-active strategy (utilized by 27% of respondents), followed by disease management programs (18%).

- We compared the survey results with an identical survey conducted in the Seattle area by our sister publication, *The Greater Puget Sound Annual Report on Health Care.* We found that:

    - Milwaukee employers were more aggressive than Seattle employers in changing their health-care plans. A greater percentage of Milwaukee employers were able to keep their projected health-plan costs below 10%

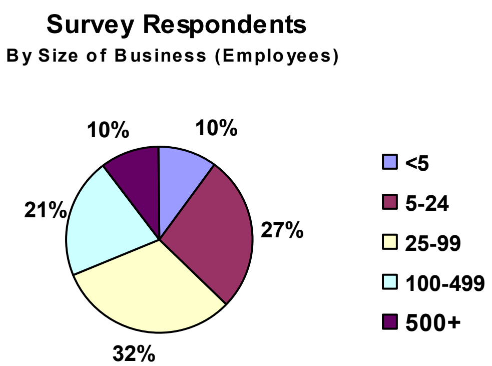
    - Seattle companies require their employees to pay a much smaller share of single coverage and a much greater share of family coverage than Milwaukee employers. This difference alone would make Milwaukee employer costs 5% higher than Seattle employer costs if all other market variables were equal.

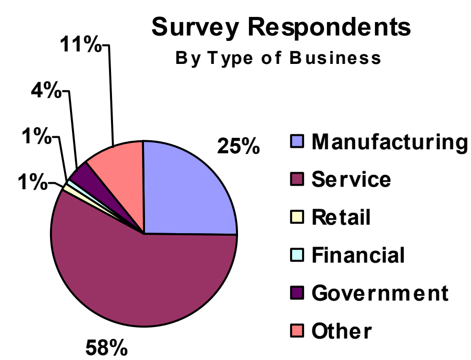
Overview

Sample Demographics

The online survey was conducted from March through August 2004 at HCTrends.com, the companion Web site for *The Greater Milwaukee Annual Report on Health Care.* A total of 138 companies participated in the survey. More than half of the respondents were service companies; 25% were manufacturing firms and 11% classified themselves as "other." These included four wholesale/distribution companies, four non-profit organizations, one construction firm and two transportation companies.

Based on survey responses, we estimate that the survey represents more than 100,000 employees and their dependents. The sampling of respondents was relatively reflective of the Milwaukee market. Eighty percent of the respondents had between 5 and 500 employees. Ten percent had fewer than five employees; the remaining 10% had more than 500 employees. Twelve percent of the respondents indicated that at least a portion of their work force was represented by a labor organization.

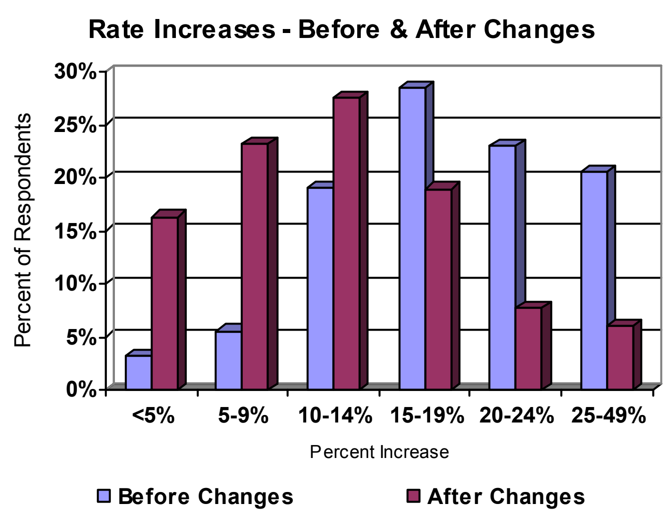




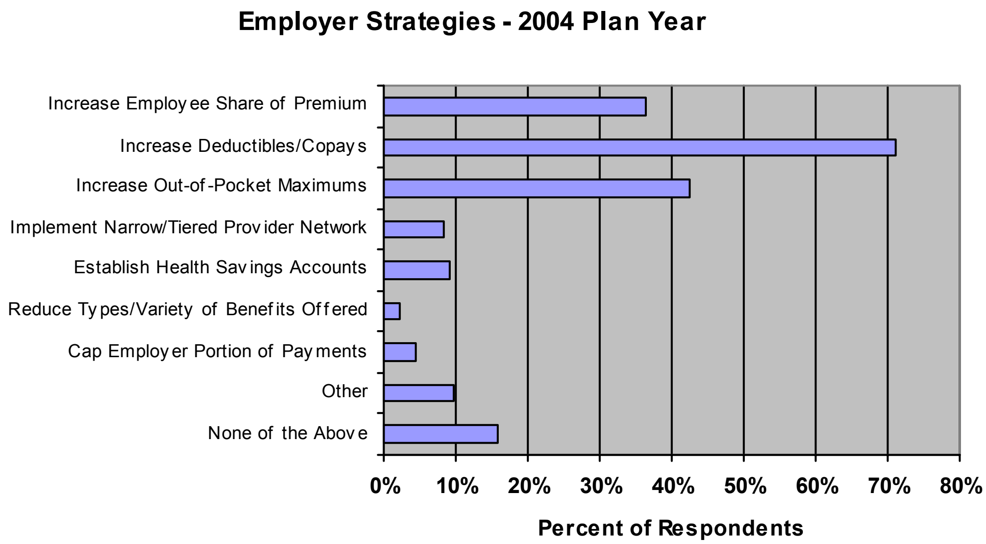
2004 Health-Plan Costs & Strategies

The survey asked participants to estimate their projected health-care cost increases from 2003 to 2004 both before and after they made changes to their benefit plans.

Approximately 44% percent of respondents said their health-plan costs would have increased by at least 20% if they had left their benefit plan unchanged, compared to 14% who made the same claim after changes were made.
More employers (16%) predicted they would be able to keep their cost increase below 5% for 2004 than employers who predicted increases greater than 20%. Three percent of respondents said they cancelled their health plans in 2004.



Increasing deductibles and copays was the principal plan design strategy utilized by employers for the 2004 plan year. More than 70% of employers utilized this approach. The median deductible for single coverage increased from $200-$299 to $300-$399 (for the purposes of this survey, companies could select a range of deductibles). The median deductible for family coverage increased from $400-$499 to $600 or more.

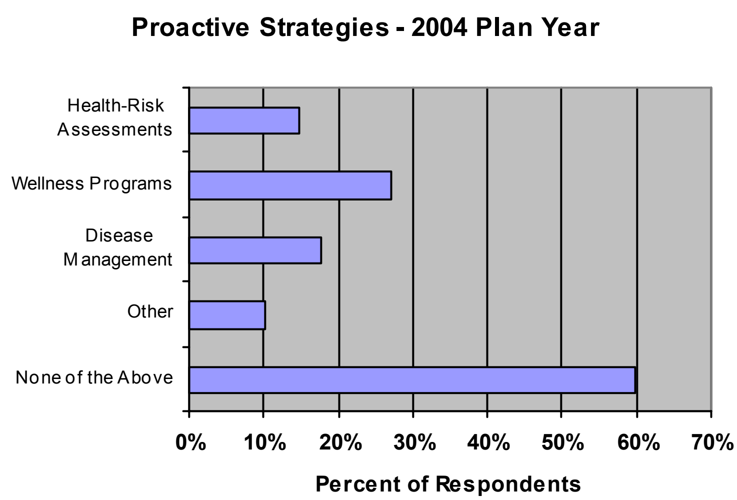


Employers also increased physician office copays from $15 to $20 and increased the copay for third-tier drugs from $40 to $50.

Other significant employer strategies including increasing the employee share of premium costs (36%) and increasing out-of-pocket maximums for both single and family coverage.

Approximately 10% of respondents said they employed “other” plan design strategies. These included: changing networks or health plans, shifting to consumer-directed health plans and changing pharmacy benefit managers.

The survey also asked what proactive programs employers had implemented to contain health-plan costs.



More than 25% of respondents indicated they had implemented wellness programs for their employees. Other popular programs include disease management programs, utilized by 18% of respondents, and health-risk assessments, utilized by 15% of respondents.

2004 Health-Plan Characteristics

Approximately 6% of respondents said they do not provide health insurance to their employees. Not surprisingly, employers with fewer than five employees are the most likely to not offer health plans. Twenty-one percent of respondents with fewer than 5 employees do not offer coverage to their employees. Two-thirds (66%) offer one plan, 16% offer two plans and 12% offer three or more plans.

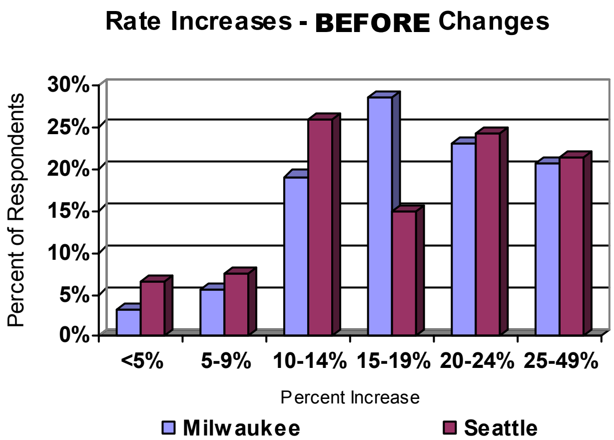
The vast majority of respondents (92%) offer their employees a preferred provider organization (PPO) network. Health maintenance organizations (HMOs) are the next most popular form of coverage (15%), followed by traditional indemnity plans (2%). (Note: because some employers offer multiple options, these percentages exceed 100% when added together.)

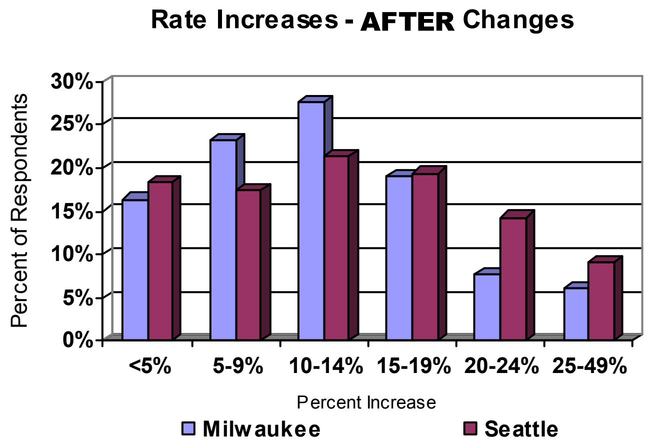
Typical Plan Characteristics (Median) - 2004

Percent Paid by Employer		Single	Family
		70%-79%	**70%-79%**
Deductible		Single	Family
		$300-$399	**$600+**
Maximum Out-of-Pocket		Single	Family
		$1,500-$1,999	**$3,000-$3,999**
Physician Office Copay		**$20**	
Prescription Copays	Tier 1	Tier 2	Tier 3
	$10	**$25**	**$50**

More than one-third of respondents (38%) said their health coverage was at least partially self-funded.

Approximately 70% of respondents said their deductibles cover all medical care except prescriptions; 15% said the deductibles included prescription costs. Two-thirds of employers said their deductible counted toward the out-of-pocket maximum; one-third said it did not.

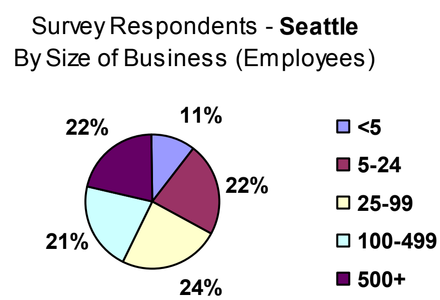




Comparing Milwaukee and Seattle Health Plans

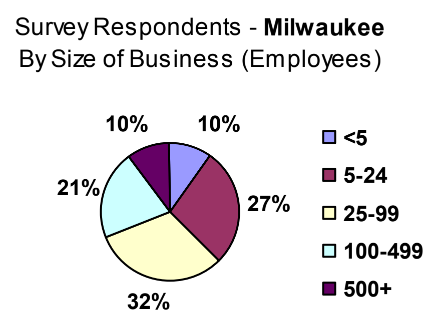
With the cooperation of our sister publication, *The Greater Puget Sound Annual Report on Health Care*, we were able to conduct simultaneous surveys in 2004. This gave us the ability to compare how employers in two different mid-market cities (the Milwaukee metropolitan area has 1.7 million residents; Seattle has 3.5 million residents). As a city, Seattle is slightly smaller than Milwaukee (563,374 people vs. 596,974) but Seattle's metropolitan area is considerably larger (3.5 million residents compared to 1.7 million residents). In 2002, the latest year for which comparable data is available, Seattle's employer health-care costs were 20% lower than Milwaukee's employer health-care costs, according to Hewitt Associates.

The survey questions were identical. The number of respondents, the type of employers responding (manufacturing, service, etc.) and the size of these employers (based on number of employees) were similar. There were 138 respondents for the Milwaukee survey and 120 respondents for the Seattle survey. Seattle had more large companies (500+ employees) in its sample (22% for Seattle vs. 10% for Milwaukee), but the remaining segments were comparable. Milwaukee had more manufacturers (25% for Milwaukee vs. 7% for Seattle), which is reflective of the difference between the two markets. (Manufacturing jobs account for 21% of all jobs in the Milwaukee area and 13% of all jobs in the Seattle area).



Employers in both cities experienced similar cost increases for the 2004 plan year. The median projected increase before plan changes was 14%-19% in both markets; the projected average increase dropped to 10%-14% after changes were made.

A closer look at the data, however, indicates that Milwaukee employers were slightly more effective in containing plan cost increases than their Seattle counterparts:

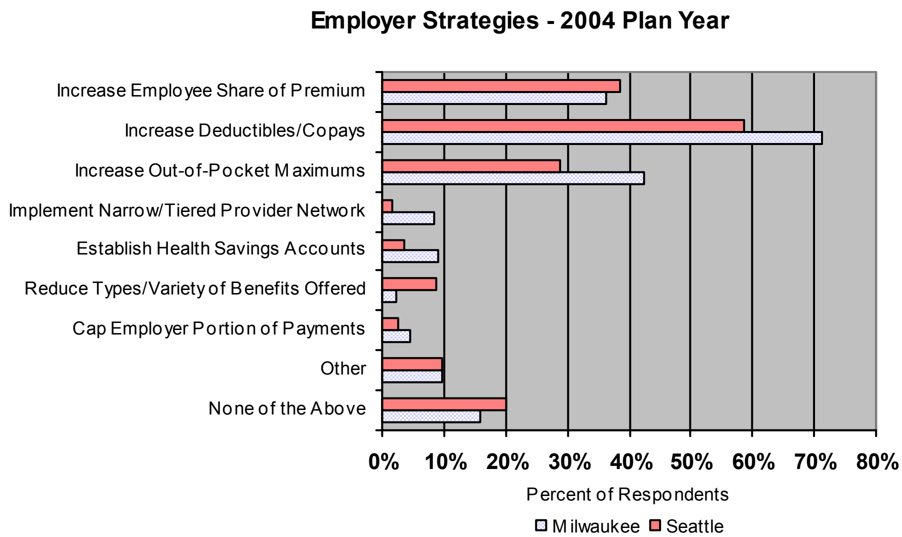


- Even after they had made changes to their health plans, 23% of Puget Sound employers still projected cost increases of at least 20% in 2004. Only 14% of Milwaukee employers could make the same claim.
- After changes were made, 40% of Milwaukee-area employers said they could keep their 2004 cost increases below 10%, slightly better than the 36% of employers who could make the same claim in the Puget Sound area.

Other sections of the survey reinforce the idea that Milwaukee employers were more aggressive in making plan design changes. The number of companies making changes was slightly higher in Milwaukee: 84% of respondents said they had modified their plan design for 2004, compared to 80% of respondents in Seattle. More importantly, the changes made by Milwaukee employers were substantial enough to move the midpoint (average) from 2003 to 2004 for almost all of plan components. Seattle employers moved the midpoint (median average) in only two categories (see table at right).

Average Plan Components – 2003 vs. 2004		
Change in Median	**SEATTLE**	**MILWAUKEE**
Employee Share of Premium – Single	**Increased**	**Increased**
Employee Share of Premium – Family	Same	**Increased**
Deductible – Single	Same	**Increased**
Deductible – Family	**Increased**	**Increased**
Out-of-Pocket Maximum – Single	Same	**Increased**
Out-of-Pocket Maximum – Family	Same	**Increased**
Physician Office Visit Copay	Same	**Increased**

When they did make changes, Milwaukee employers were more likely to increase deductibles and copays, increase out-of-pocket expenses, implement narrow/tiered provider networks and establish health reimbursement accounts or health savings accounts than their Seattle counterparts.



Seattle employers were more likely to increase the employee's share of premium costs or to change insurance plans.

Milwaukee employers were also more aggressive with their three-tier prescription plans, increasing the average copays for both Tier 2 and Tier 3 drugs. Seattle employers increased the average Tier 3 copay to $40, but that was still less than the average $50 Tier 3 copay established by Milwaukee employers.

2004 Plan Designs

The most significant difference between health plans in Seattle and Milwaukee is the treatment of single and family coverage.

While Milwaukee employers tend to contribute the same percentage of premium costs for both single and family coverage (70%-79% of premium or equivalent costs), Seattle employers favor single coverage. They pay 90%-99% of premium costs, while paying only 60%-69% of the premium costs for family coverage.

In fact, almost half (47%) of Seattle-area respondents indicated they paid the entire premium or equivalent costs for single coverage compared to 14% of Milwaukee-area employers. This trend is observed in all employer segments. Forty-one percent of Seattle's larger employers (those with at least 100 employees) said they paid the entire premium costs for single coverage, with only 7% of larger employers making the same claim in the Milwaukee market.

The tables turn when it comes to family coverage. Sixteen percent of Milwaukee employers and 44% of Seattle employers required their employees to pay more than 40% of family coverage costs.

This difference between contribution strategies is significant. All other things being equal, a Milwaukee employer with a "typical" mix of single and family coverage would have paid 17% more in premium or equivalent costs than a Seattle employer with a similar coverage mix for the 2003 plan year. (In 2003, the average Milwaukee employer paid 80%-89% of premium or equivalent costs for both single and family coverage. The average Seattle employer paid 100% of single coverage and 60%-69% of family coverage).

Aggressive cost-shifting strategies employed by Milwaukee employers for the 2004 plan year (i.e., decreasing the employer share from 80-89% of total costs in 2003 to 70-79% of total costs in 2004) significantly reduced this disparity, but Milwaukee employers still paid about 5% more in premium contributions than their Seattle counterparts.

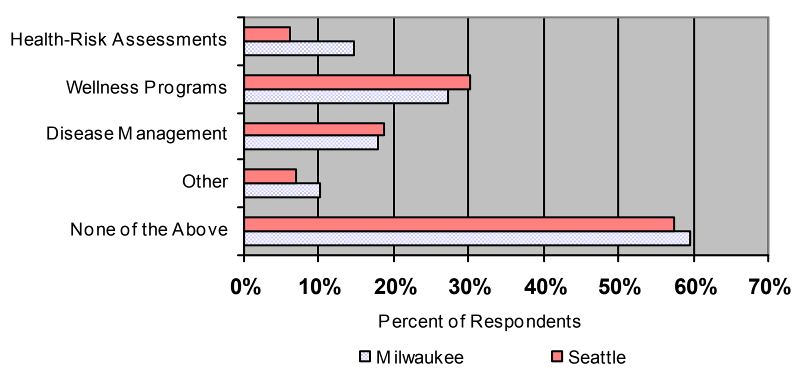
Milwaukee Averages vs. Seattle Averages

	SEATTLE	MILWAUKEE
Respondents	**120**	**138**
Trends		
Rate Increase Before Changes (2004 Plan Year)	**15% - 19%**	**15% - 19%**
Rate Increase After Changes (2004 Plan Year)	**10% - 14%**	**10% - 14%**
Plan Design		
Percent Paid by Employer – Single	**90% - 99%**	**70% - 79%**
Percent Paid by Employer – Family	**60% - 69%**	**70% - 79%**
Deductible – Single	**$200-$299**	**$300-$399**
Deductible – Family	**$600+**	**$600+**
Percent Including Prescriptions in Deductibles	**24%**	**15%**
Physician Office Visit Copay	**$15**	**$20**
Max Out-of-Pocket – Single	**$2,000-$2,499**	**$1,500-$1,999**
Max Out-of-Pocket – Family	**$4,000-$4,999**	**$3,000-$3,999**
Percent Including Deductible in Out-of-Pocket Max	**56%**	**65%**
Prescriptions		
Percent Deductible-Only Plan (No Tiers)	**53%**	**55%**
Percent 3-Tier Plans	**31%**	**36%**
Tier 1 Copay	**$10**	**$10**
Tier 2 Copay	**$20**	**$25**
Tier 3 Copay	**$40**	**$50**

Seattle employers also have higher out-of-pocket maximums than their Milwaukee counterparts. In Seattle, the median out-of-pocket maximum for single coverage is $2,000-$2,499, compared to $1,500-$1,999 in Milwaukee. Likewise, the average family out-of-pocket maximum is $4,000-$4,999 in Seattle, compared to $3,000-$3,999 in Milwaukee. Seattle employers are also less likely to count the deductible toward the employee's out-of-pocket maximum.

Forty percent of Milwaukee employers and 43 percent of Seattle employers have implemented proactive strategies to contain costs. Milwaukee employers are more likely to use health-risk assessments; Seattle employers are more likely to use wellness programs, according to the survey.

Proactive Strategies - 2004 Plan Year



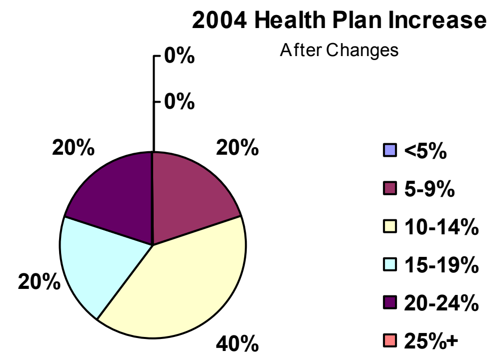
Milwaukee: Fewer than Five Employees

Sample Demographics

The survey included 14 companies with fewer than five employees. Slightly less than 80% of the respondents were service companies. The remaining respondents included a financial firm and two distributors. Approximately 80% of the respondents said they provide health insurance to their employees.

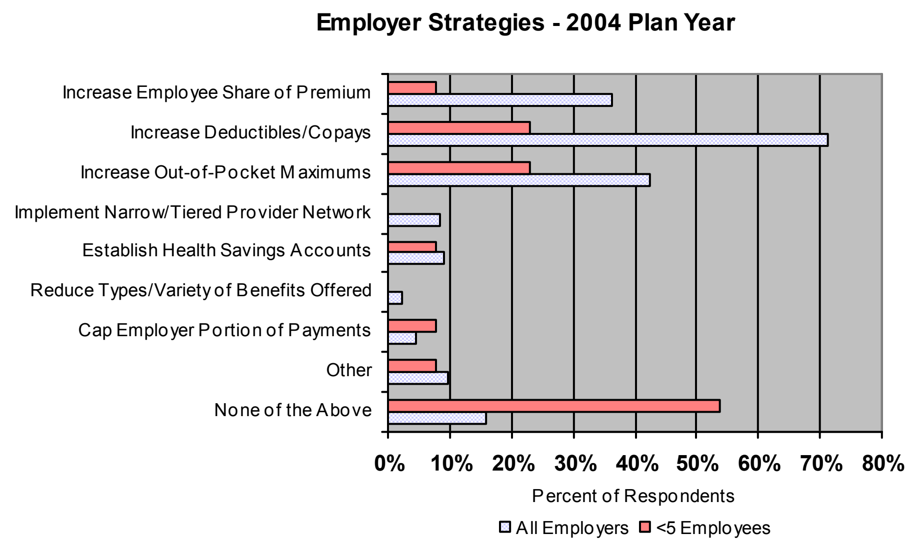
2004 Health-Plan Costs & Strategies

The survey asked participants to estimate their projected health-plan cost increases from 2003 to 2004 both before and after they made changes to their benefit plans. Half of the respondents said they would have seen their health-care costs increase by at least 20% in 2004 if they had not made any changes to their benefit plan. That number dropped to 20% of respondents, however, after benefit plans had been finalized.



Most respondents (60%) reported final increases of less than 15%. None of the respondents said they terminated health plans this year.

This employer segment was the least likely of all segments to implement cost-containment strategies. Less than half (47%) of employers in this category initiated any cost-reduction strategies. For the companies that did implement cost-containment initiatives, increasing deductibles, copays, and out-of-pocket maximums were the most common strategies.



The most significant increases were in deductibles. Employers in this grouping increased the average deductible for both single and family coverage from $300-$399 to $500-$599.

Employers with three-tier prescription plans also increased copays for each tier – from $15 to $25 for Tier 1; from $25 to $35 for Tier 2; and from $45 to $50 for Tier 3.

2004 Health-Plan Characteristics

Eighty percent of respondents in this employer segment offer their employees a preferred provider organization (PPO) network; 10% offer a health maintenance organization and 10% offer an indemnity plan.

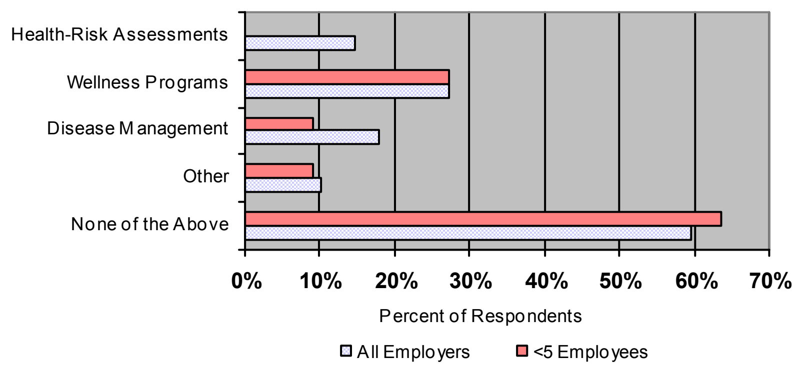
More than 80% of respondents in this category pay the entire premium costs for single coverage; 60% pay the entire premium costs for family coverage.

Close to 90% of respondents indicated they have a deductible-based prescription plan.

Small employers are slightly more likely to have implemented a proactive health program than Milwaukee employers overall. Wellness programs are the most popular strategy, employed by 27% of respondents. Nine percent of respondents said they utilize disease management programs and another 9% indicated they utilize “other” programs, which they specified as educational initiatives.

Typical Plan Characteristics (Median) - 2004			
Percent Paid by Employer		Single	Family
		100%	**100%**
Deductible		Single	Family
		$500-$599	**$500-$599**
Maximum Out-of-Pocket		Single	Family
		$1,000-$1,499	**$2,000-$2,999**
Physician Office Copay		**$15**	
Prescription Copays	Tier 1	Tier 2	Tier 3
	$25	**$35**	**$50**

Proactive Strategies - 2004 Plan Year



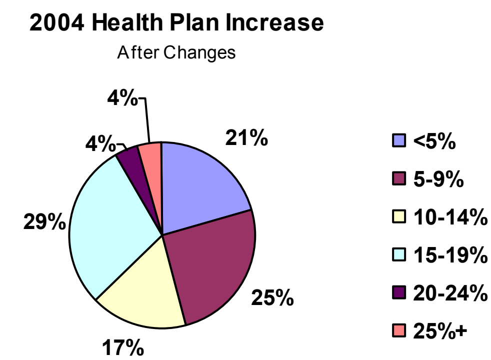
5-24 Employees

Sample Demographics

The survey included 36 companies with between 5 and 24 employees. Most of the respondents were service companies (70%), followed by manufacturing (11%) and financial (5%). Eleven percent of companies identified themselves as "other," including two non-profits, a wholesaler and a distributor. Only one respondent in this segment indicated that at least some of their employees are represented by organized labor.

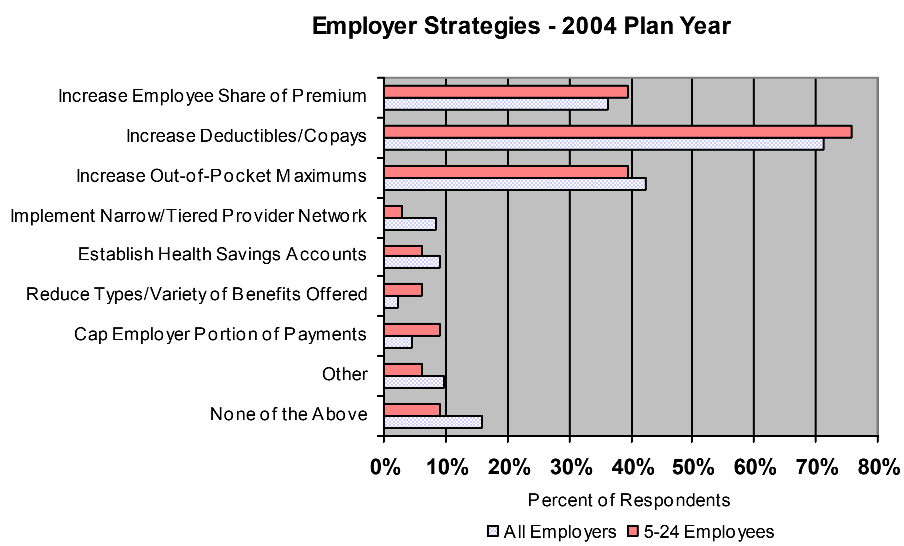
2004 Health-Plan Costs & Strategies

Almost half (48%) of the survey participants in this employer grouping said they would have had at least a 20% increase in their health-care costs this year had they not made changes to their benefit plans. After changes, however, only 8% of respondents said their health-care cost increase for 2004 would be more than 20%.



Approximately 46% of the respondents reported final increases below 10%, including 21% of respondents who kept their increases below 5%. Only one employer in this segment indicated it had terminated its health plan in 2004.

Principal cost-reduction strategies included increases in deductibles and copays (76% of respondents), increases in the out-of-pocket maximums (39% of respondents) and increasing the employee share of the premium (39%).



The average employee's share of premium costs remained the same for single coverage, but increased from 11% -20% of total premium costs to 21%-30% of total premium costs for family coverage. Median deductibles also increased – from $200-$299 to $300-$399 for single coverage and from $500-$599 to $600+ for family coverage.

For employers with three-tier prescription plans, the median Tier 3 copay increased from $40 to $50, while the median Tier 1 and Tier 2 copays remained the same.

2004 Health-Plan Characteristics

Slightly more than 8% of the respondents do not provide health insurance to their employees. Sixty-nine percent offer one health plan, 17% offer two plans and 6% offer three or more plans.

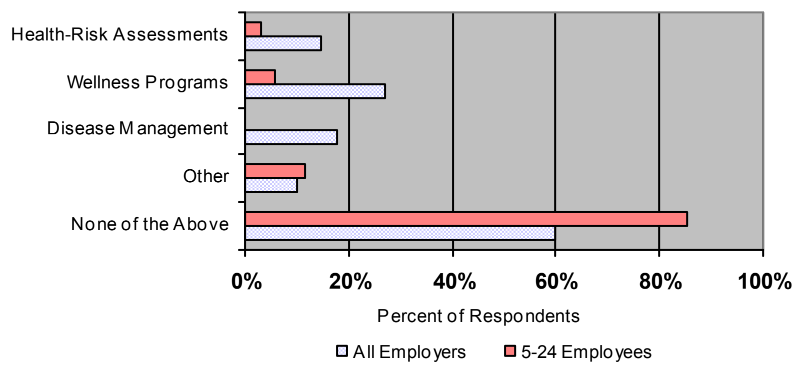
Almost all of the respondents (94%) offer their employees a PPO network. HMOs are offered by 9% of the respondents.

More than half (59%) of respondents utilize a deductible-only prescription plan; 34% offer three-tier plans and 6% offer two-tier plans.

Few employers (15%) in this grouping employ any proactive strategies (health-risk assessments, wellness programs, disease management) to control their health-care costs. For those that did, the initiatives are evenly divided between health-risk assessments, wellness programs, health-club memberships, help lines and educational initiatives.

Typical Plan Characteristics (Median) - 2004			
Percent Paid by Employer		Single	Family
		80%-89%	**70%-79%**
Deductible		Single	Family
		$300-$399	**$600+**
Maximum Out-of-Pocket		Single	Family
		$1,500-$1,900	**$3,000-$3,999**
Physician Office Copay		**$20**	
Prescription Copays	Tier 1	Tier 2	Tier 3
	$10	**$25**	**$50**

Proactive Strategies - 2004 Plan Year



25-99 Employees

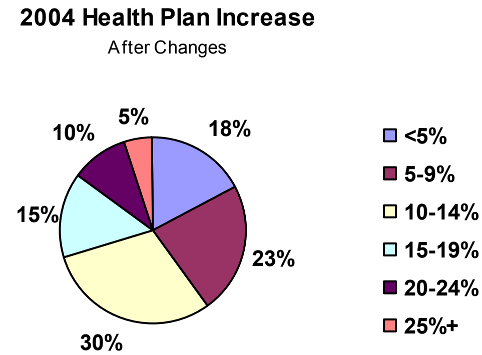
Sample Demographics

The survey included 43 companies with between 25 and 99 employees. Most of the respondents were manufacturing companies (56%), although there was also a good representation of service firms (37%). The remaining 7% of respondents identified themselves as retail, wholesale and non-profit organizations. Twelve percent of employers in this segment indicated that at least some of their employees were represented by organized labor.

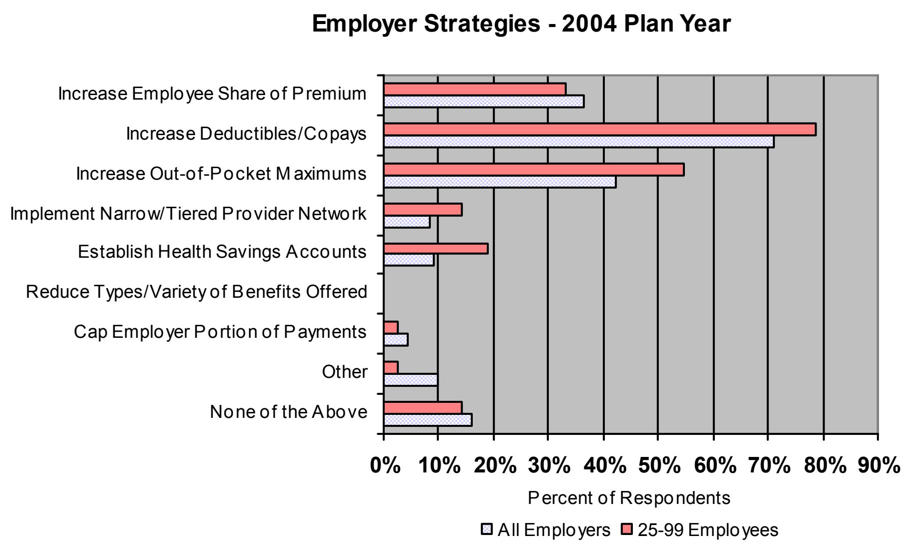
2004 Health-Plan Costs & Strategies

Almost 40 percent of the respondents in this employer group said they would have experienced at least a 20% increase in their health-care costs had they not made any changes to their health plans. Once changes had been made, however, 15% of the respondents could make a similar claim.

More than two-thirds (70%) of the respondents reported that they kept their final increase below 15%, including 18% of respondents who kept their increases below 5%.



Principal cost-reduction strategies included increases in deductibles and copays, increases in out-of-pocket maximums and increases in the employee's share of premium costs. This segment had the highest percentage of employers increasing deductibles/copays, increasing out-of-pocket maximums, implementing narrow/tiered provider networks and establishing health reimbursement accounts or health savings accounts.



The average employee share of premiums increased from 11%-20% in 2003 to 21%-30% in 2004. The average deductible increased from $200-$299 to $400-$499 for single coverage, and from $500-$599 to $600+ for family coverage.

The average copay for a physician office visit increased from $20 to $25, while the average copays for tiered prescription plans remained unchanged.

2004 Health-Plan Characteristics

Approximately 2% of the respondents do not provide health insurance to their employees. Seventy-seven percent offer one health plan, 19% offer two plans and 2% offer three or more plans.

Almost all respondents (93%) offer their employees a PPO plan. HMOs are offered by 12% of the employers. None of the respondents indicated they offer a traditional indemnity plan. (Because some employers offer multiple options, these percentages exceed 100% when added together.)

More than half (56%) of employers in this group offer a deductible-only prescription plan; 36% offer a three-tier plan.

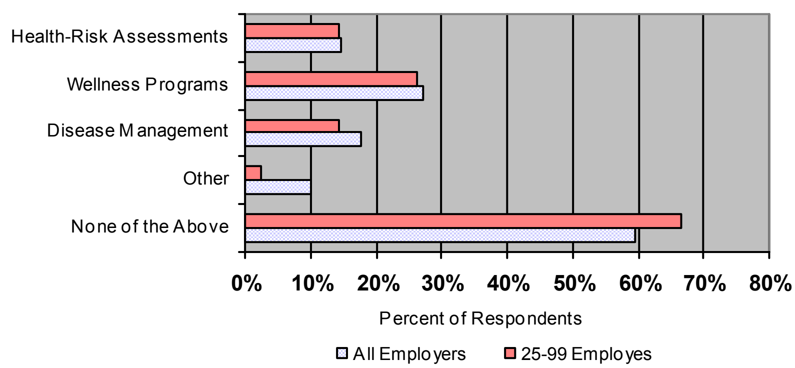
More than two-thirds of employers in this segment did not implement any proactive strategies (health-risk assessments, wellness programs, etc.). Of the proactive strategies utilized, wellness programs are the most popular (implemented by 26% of respondents), followed by health-risk assessments and disease management programs (each utilized by 14% of respondents).

Approximately 31% of employers in this segment said they are at least partially self-funded.

Typical Plan Characteristics (Median) - 2004

Percent Paid by Employer		Single	Family
		70%-79%	**70%-79%**
Deductible		Single	Family
		$400-$499	**$600+**
Maximum Out-of-Pocket		Single	Family
		$1,500-$1,999	**$3,000-$3,999**
Physician Office Copay		**$25**	
Prescription Copays	Tier 1	Tier 2	Tier 3
	$10	**$25**	**$45**

Proactive Strategies - 2004 Plan Year



100-499 Employees

Sample Demographics

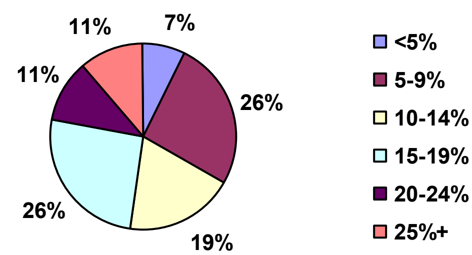
The survey included 29 companies with between 100 and 499 employees. Most of the respondents (66%) were service companies, followed by financial firms (10%) and manufacturers (7%). Other respondents included non-profit, construction and transportation firms. Twenty-four percent of employers in this segment indicated that at least some of their employees are represented by organized labor.

2004 Health-Plan Costs & Strategies

More than half (56%) of respondents in this employer group said they would have seen their health-care costs increase by at least 20% this year if they had not changed their health plans. Only 22% of the respondents could make a similar claim after they had implemented their changes.

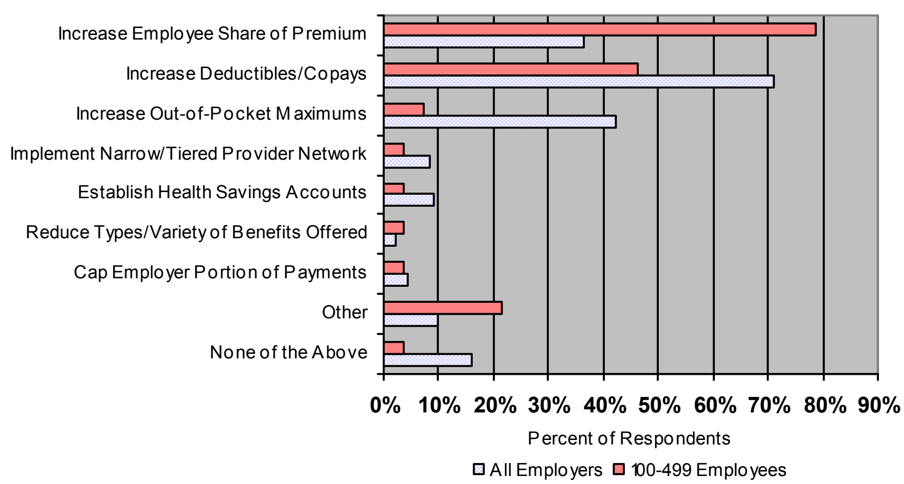
One-third of respondents kept their final increase below 10%; one respondent in this segment indicated it terminated its health-care coverage in 2004.

2004 Health Plan Increase
After Changes



Principal cost-reduction strategies included increasing the employee's share of premium costs, which was reported by 79% of respondents. This was the highest percentage of all employer segments. Even though this was the most popular approach, changes appear to have been minor. The average employee share of premium costs remained unchanged between 2003 and 2004 at 21% to 29% of total premium costs for both single and family coverage.

Employer Strategies - 2004 Plan Year



Increasing deductibles and copays was the second most-popular approach, utilized by 46% of respondents. Approximately 21% said they used "other" strategies, including changing health plans, changing prescription plans and implementing consumer-driven initiatives.

Employers with three-tier prescription plans left the Tier 1 copays alone, but increased the Tier 2 copay from $20 to $25, and the Tier 3 copay from $35 to $40.

2004 Health-Plan Characteristics

All but one of the respondents provide health-care coverage to their employees. Approximately 59% offer one health plan, 17% offer two plans and 21% offer three or more plans. All but one of the participants in this employer group offer their employees a PPO plan; 7% also offer HMO coverage and 7% offer indemnity coverage.

More than 60% of companies in this employer group at least partially self-fund their health plans, with 50% of respondents completely self-funding their plans.

Employers in this segment typically require employees to pay 21% to $30% of premium costs.

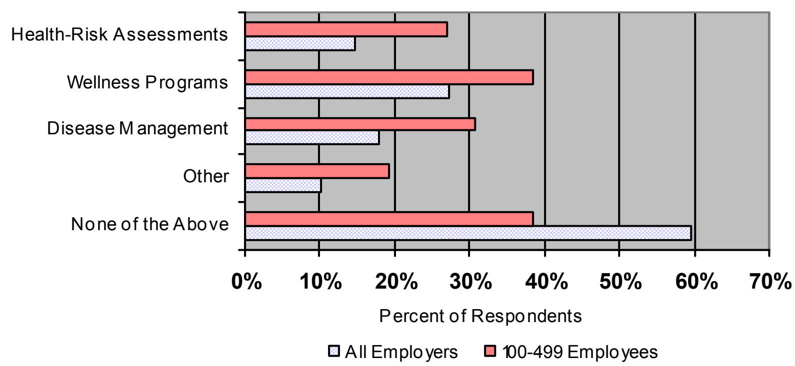
For pharmacy plans, deductible designs are utilized by 46% of respondents. Three-tier plans are utilized by 39% of employers in this group. Eleven percent utilize two-tier plans and 4% utilize four-tier plans.

Most employers in this segment (62%) have implemented at least one proactive program to help contain costs. Wellness programs are the most popular, utilized by 38% of respondents, followed by disease management programs (31%) and health-risk assessments (27%). Nineteen percent of respondents utilize "other" approaches, which include on-site fitness centers, flu shots, screenings and nurse lines.

Typical Plan Characteristics (Median) - 2004

Percent Paid by Employer		Single	Family
		70%-79%	**70%-79%**
Deductible		Single	Family
		\$300-\$399	**\$600+**
Maximum Out-of-Pocket		Single	Family
		\$1,500-\$1,999	**\$3,000-\$3,999**
Physician Office Copay		**\$20**	
Prescription Copays	Tier 1	Tier 2	Tier 3
	\$10	**\$25**	**\$40**

Proactive Strategies - 2004 Plan Year



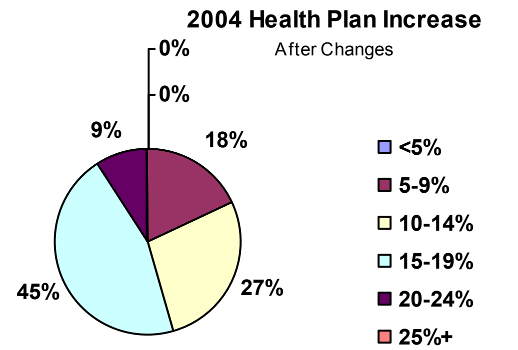
500+ Employees

Sample Demographics

The survey included 14 companies with 500 or more employees. Half of the respondents were service firms, another 36% were manufacturing firms. Fifteen percent of companies said "most" of their employees are represented by organized labor.

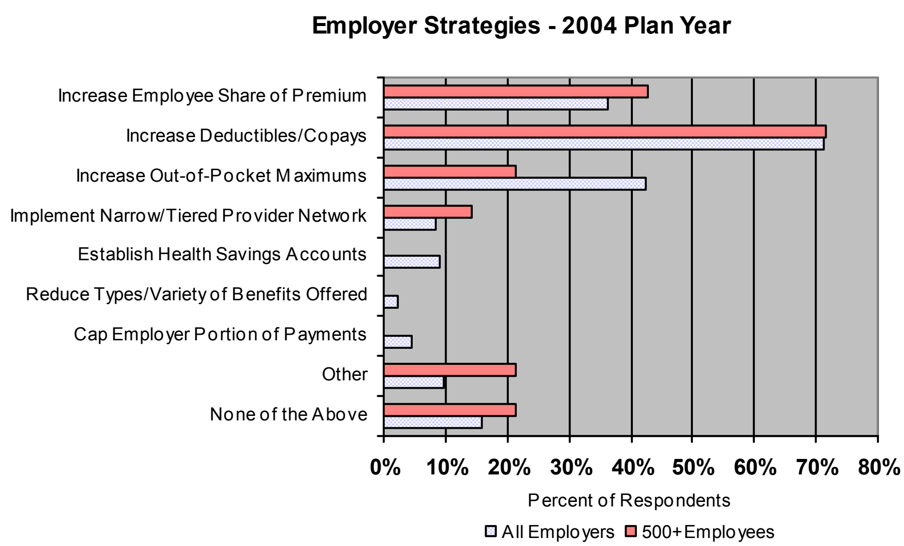
2004 Health-Plan Costs & Strategies

Only 15% of respondents in this segment indicated their health-plan costs would have increased by at least 20% this year if they had not made any changes to their health plan. That dropped to 9% after 2004 plans had been finalized.



Many companies (45%) said they were able to keep their projected 2004 plan increases below 15% after making changes; another 45% expected increases to be in the 15%-19% range.

Principal cost-reduction strategies included increases in deductibles and copays, followed by increases in the employee's share of premium costs. Several employers indicated they shifted away from "first-dollar" coverage in 2004. As a result, the median deductible for this employer segment increased from $0 to $100-$199 for single coverage and from $0 to $200-$299 for family coverage. The average physician visit copay remained unchanged at $20, but 43% of respondents indicated they had instituted a $25 copay.



While only 21% of employers indicated they changed their out-of-pocket maximums in 2004, it was enough to boost the average for single coverage from $1,000-$1,499 in 2003 to $1,500-$1,999 in 2004; the average for family coverage increased from $2,000-$2,999 to $3,000-$3,999.

Employers with three-tier prescription plans also increased their copays for Tier 2 (from $20 to $25) and Tier 3 (from $30 to $40) prescriptions.

2004 Health-Plan Characteristics

All of the respondents in this employer segment said they offer a health plan to their employees. Half of the respondents offer three or more plans; 29% offer one plan and 21% offer two plans.

Typical Plan Characteristics (Median) - 2004			
Percent Paid by Employer		Single	Family
		80%-89%	**80%-89%**
Deductible		Single	Family
		$100-$199	**$200-$299**
Maximum Out-of-Pocket		Single	Family
		$1,500-$1,999	**$3,000-$3,999**
Physician Office Copay		**$20**	
Prescription Copays	Tier 1	Tier 2	Tier 3
	$10	**$25**	**$40**

Ninety-three percent of respondents offer their employees a PPO plan; 57% offer an HMO option. None of the respondents indicated they offer traditional indemnity coverage. (Because some employers offer multiple options, these percentages exceed 100% when added together.)

More than two-thirds (71%) of respondents said they at least partially self-fund their health plan, with 43% of respondents they self-fund only.

Almost half (46%) of employers in this segment have a three-tier prescription plan; 38% have deductible-based plans.

Slightly more than 85 percent of employers in this segment have implemented pro-active programs to contain costs. Wellness programs are the most popular, cited by 64% of all respondents, followed by disease management programs (50%) and health-risk assessments (29%). This segment has the highest percentage of employers utilizing wellness and disease management programs.

Slightly more than 21% of respondents utilize "other" programs, including educational initiatives and community-based case management.