

# Aon Consulting/ISCEBS Survey

## Employers More Optimistic About CDH Plans

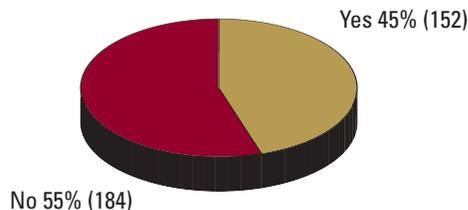
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by C. William Sharon, CEBS, Aon Consulting, Inc.

In a nationwide survey developed by Aon Consulting and conducted in association with the International Society of Certified Employee Benefit Specialists (ISCEBS), we asked ISCEBS members and Aon Consulting clients for their views on consumer-driven health (CDH) plans and their present and future impact on the delivery of employee health benefits. A total of 336 employers of all types and sizes and from every region of the country provided us with input on this important benefit issue.

This is the fourth year Aon and ISCEBS have conducted this survey. This year, a larger percentage of employers are providing their employees the option of choosing an account-based CDH plan. These account-based plans take two forms—a health reimbursement arrangement (HRA) where the account is funded solely by the employer or a health savings account (HSA) with a high-deductible health plan (HDHP) where the account can be funded by both the employee and employer. Both accounts allow unused account balances at year-end to accumulate and carry over from one year to the next.

### Does your employer currently offer a consumer-driven health plan (CDHP) option to employees?



In summarizing the survey results below, we will highlight the differences and similarities between this year's and last year's responses.

### The Survey Results

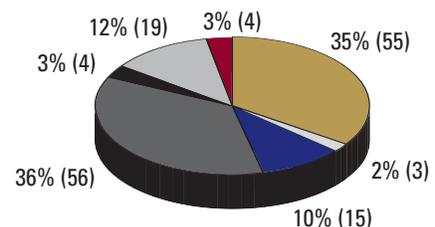
Of the 336 employers responding to the joint Aon Consulting/ISCEBS survey, 45% currently offer a CDH plan to their employees, up from 37% last year. Reflecting how new this benefit design is,

86% of employers with a CDH plan began offering the plan in 2005 or later. Of the employers not offering a CDH plan, almost 40% say they plan to offer one in the near future.

### Employers Currently Offering CDH

Similar to last year, employers currently offering a CDH plan are mainly doing so to introduce "consumerism" into the purchasing of health care for long-term change (36%) or to control rising health care costs (35%). Only 3% are primarily doing so to provide a vehicle for retiree medical savings, and very few (2%) are doing so primarily to improve health and well-being.

### What is the main reason your employer offers a CDH plan to employees?



- Control health plan costs
- Improve health and well-being
- Expand employee plan choices
- Introduce consumerism for long-term change
- Provide a vehicle for retiree medical savings
- Encourage better use of health care services
- Don't know

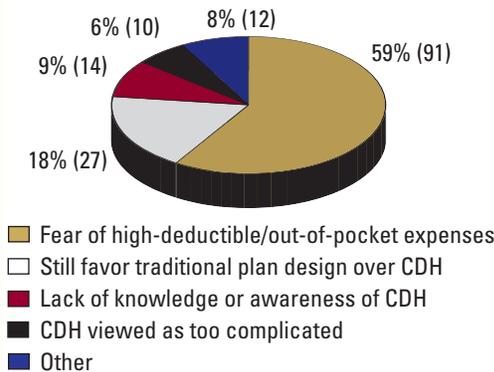
The split between HRAs and HSAs is similar to last year, with 49% of employers using the HSA model, 38% using the HRA model and 12% offering both. The large majority of employers (84%) offer the HRA or HSA as an optional plan. The remaining 16% have implemented a "total replacement" CDH program where the only plan choices offered to employees are CDH plans.

CDH enrollment levels are similar to last year's. This year, 61% of employers have more than 10% of their employees participating in a CDH plan. There is a wide range of CDH enrollment levels: 37% of

employers have 10% or less enrollment, 24% have between 11% and 35%, 17% have between 36% and 60%, and 20% have more than 60% enrollment.

The main reason employees do not enroll in a CDH plan is that they fear high out-of-pocket costs associated with the high-deductible health plan, according to 59% of the employers offering a CDH plan. Only 6% of these employers believe employees view CDH plans as too complicated to keep them from joining, while 18% believe the main reason for not enrolling is that employees still favor the traditional plan design, and 9% lack knowledge about CDH plans.

### What do you believe is the main reason employees do not enroll in your CDH plan?



Of the employers offering an HSA, the majority (59%) contribute employer money to the HSA. The breakdown of this group is thus: a flat dollar amount of less than \$500 per person (10%), a flat dollar amount of \$500 or more (44%), and a matching employer contribution (4%). This result is similar to last year's.

Employers offer CDH plans with a wide variety of plan designs. Employers offering an HRA plan contribute the following amounts to the health reimbursement account for a single employee: 5% provide less than \$300, 6% provide between \$300 and \$499, 62% provide between \$500 and \$799, 4% provide between \$800 and \$999, and 23% provide \$1,000 or more.

Employers with an HRA or HSA plan have the following deductibles for an individual: 7% of employers have an individual deductible of less than \$1,000, 37% have a deductible between \$1,000 and \$1,499, 27% have a deductible between \$1,500 and \$1,999, 11% have a deductible between \$2,000 and \$2,499, and 18% have a deductible of \$2,500 or more. These deductible levels are similar to last year.

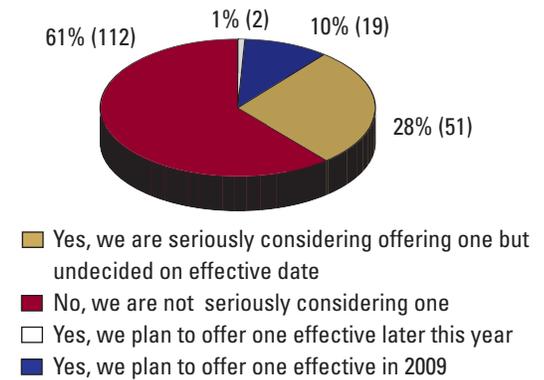
When implementing a CDH plan, the most effective communication method is employee meetings. The large majority of employers (69%) cited this method. This result is similar to last year's.

### Employers Not Currently Offering CDH

Attitudes of the employers not currently offering a CDH plan are similar to those expressed last year

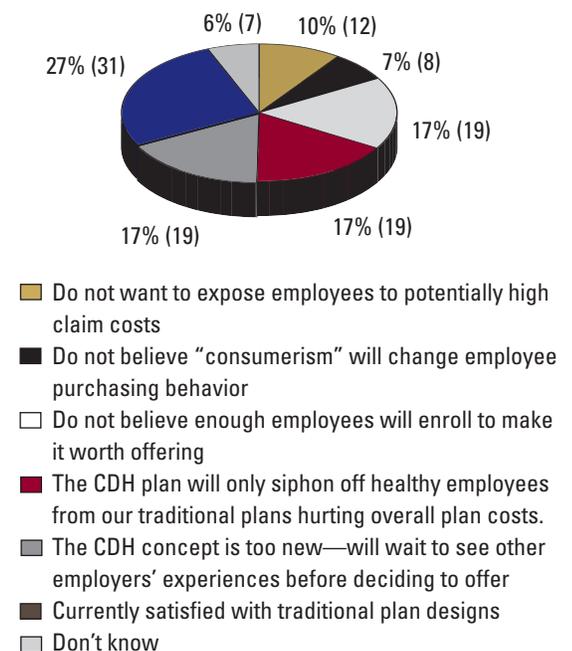
with 39% planning to offer one in the future. Of this group, 11% are planning to offer one this year or next while 28% are undecided on an effective date. The remaining 61% of these employers are not seriously considering a CDH plan as a future plan offering.

### Does your employer plan to offer a CDH plan in the near future?



Of the 112 employers not seriously considering a CDH plan, there are a variety of reasons: 27% are satisfied with their traditional plan designs, 17% do not believe enough employees will enroll in the CDH plan to make it worth offering, 17% think the CDH plan will siphon off healthy employees from their traditional plans hurting overall plan costs, and 17% think the CDH concept is too new and will wait to see other employers' experiences with CDH before deciding to offer one themselves.

### What do you think is the main reason your employer is not planning to offer a CDH plan to employees?

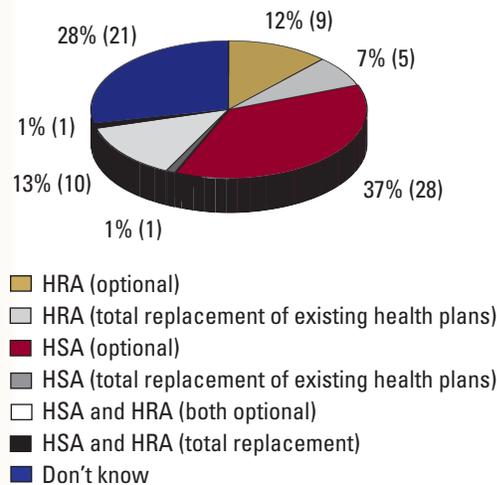


Of the 75 employers planning to offer a CDH plan in the near future:

- 38% plan to offer an HSA; the large majority plan to offer the HSA as an option (37%).
- 19% plan to offer an HRA—12% as an option and 7% as a total replacement for their existing health plans.
- 14% plan to offer both an HRA and an HSA; the large majority plan to offer these two plans as an option (13%).
- 28% are undecided.

These results are similar to last year's.

### What type of CDH plan does your employer anticipate offering?



### All Respondents

Employers are somewhat more optimistic about the effectiveness of CDH plans this year. More than half of respondents in the survey (61%) believe CDH plans make employees better, more efficient consumers of health care, with only 4% believing it has no effect on employee health care purchasing. Still reflecting a hesitance of some employers to embrace the consumer-driven concept, 19% believe CDH plans lead employees to forego needed health care to save money.

Regarding the future of the CDH concept, opinions are split: 45% believe CDH plans will be successful in controlling employers' health care costs in five years, 19% do not believe they will and 36% don't have an opinion either way.

### Conclusions

The survey shows that more employers are embracing CDH plans with 45% of employers offering a plan this year compared to 37% last year. It also shows the continuing growth potential of CDH plans with almost 40% of the employers not currently offering one seriously considering it for the near future. The main drivers for the introduction of a CDH plan are to introduce consumerism for long-term change and to manage health plan costs.

### About Aon Consulting

Aon Consulting Worldwide, the human capital consulting organization of Aon Corporation, is reshaping the workplace of the future through benefits, talent management, and rewards strategies and solutions. We support organizations of all sizes with distinctive consulting and outsourcing solutions that fit with their broader financial and business goals. Visit [www.aon.com](http://www.aon.com).

The survey development and analysis was provided by C. William Sharon, CEBS, senior vice president.

### About ISCEBS



The International Society of Certified Employee Benefit Specialists is a nonprofit educational association providing continuing education opportunities for those who hold the Certified Employee Benefit Specialist (CEBS), Compensation Management Specialist (CMS), Group Benefits Associate (GBA) or Retirement Plans Associate (RPA) designations offered through the CEBS® program. Visit the Society Web site at [www.iscebs.org](http://www.iscebs.org).

### About the International Foundation of Employee Benefit Plans



The International Foundation of Employee Benefit Plans is a nonprofit organization, dedicated to being a leading objective and independent global source of employee benefits, compensation, and financial literacy education and information. With 35,000 members representing multiemployer, public sector, corporate and Canadian organizations, it is the largest association of its kind. Services include the CEBS designation, online training, the world's largest employee benefits library, publications, educational programs, and jobs and resumé service.

For more information, please visit the International Foundation Web site at [www.ifebp.org](http://www.ifebp.org).

# Consumer-Driven Health Plans

Responses: 336

**Note:** Percentages may not always equal 100% due to rounding.

<b>1. Does your employer currently offer a consumer-driven health (CDH) plan option to employees?</b>		
Yes—If you answer “yes,” please complete questions 2 through 9 and 13 through 19.	152	45%
No—If you answer “no,” please skip to question 10 and complete the remaining questions.	184	55%
<b>Total</b>	<b>336</b>	<b>100%</b>
<b>2. What is the main reason your employer offers a CDH plan to employees?</b>		
Control health plan costs	55	35%
Expand employee plan choices	15	10%
Introduce consumerism for long-term change	56	36%
Provide a vehicle for retiree medical savings	4	3%
Encourage better use of health care services	19	12%
Improve health and well-being	4	3%
Don't know	3	2%
<b>Total</b>	<b>156</b>	<b>100%</b>
<b>3. Which type of CDH plan does your employer offer?</b>		
HRA (optional)	48	31%
HRA (total replacement of prior health plans)	11	7%
HSA (optional)	66	43%
HSA (total replacement of prior health plans)	9	6%
HSA and HRA (both optional)	14	9%
HSA and HRA (total replacement)	4	3%
Don't know	3	2%
<b>Total</b>	<b>155</b>	<b>100%</b>
<b>4. In what year did your employer first offer a CDH plan?</b>		
2002 or prior	6	4%
2003	8	5%
2004	8	5%
2005	28	18%
2006	50	33%
2007	27	18%
2008	26	17%
<b>Total</b>	<b>179</b>	<b>100%</b>

<b>5. How many employees participate in your CDH plan?</b>		
10% or less	58	37%
11%-20%	25	16%
21%-35%	13	8%
36%-60%	26	17%
61%-99%	30	19%
100%	2	1%
N/A—no enrollment yet	2	1%
<b>Total</b>	<b>156</b>	<b>100%</b>
<b>6. What do you believe is the main reason employees do not enroll in your CDH plan?</b>		
Fear of high-deductible/out-of-pocket expenses	91	59%
Still favor traditional plan design over CDH	27	18%
Lack of knowledge or awareness of CDH	14	9%
CDH viewed as too complicated	10	6%
Other, please specify	12	8%
<b>Total</b>	<b>154</b>	<b>100%</b>
<b>7. If your employer offers an HSA, does the employer contribute money to employees' health savings accounts?</b>		
Yes—flat dollar amount of less than \$500 per person	10	10%
Yes—flat dollar amount of \$500 or more per person	43	44%
Yes—based on employee contribution (matching)	4	4%
No—employee contributory only	40	42%
<b>Total</b>	<b>97</b>	<b>100%</b>
<b>8. If your employer offers an HRA, how much money is in the health reimbursement account for a single employer?</b>		
Less than \$300	4	5%
\$300-\$499	5	6%
\$500-\$799	50	62%
\$800-\$999	3	4%
\$1,000 or more	19	23%
<b>Total</b>	<b>81</b>	<b>100%</b>
<b>9. What is your HDHP deductible level for an individual?</b>		
Less than \$1,000	10	7%
\$1,000-\$1,499	55	37%
\$1,500-\$1,999	40	27%
\$2,000-\$2,499	17	11%
\$2,500 or more	27	18%
<b>Total</b>	<b>149</b>	<b>100%</b>

**10. When implementing your CDH plan, what communication methods proved most effective in educating employees about CDH plan design/operation? After responding, skip to question 14.**

Newsletters	15	10%
Employee meetings	106	69%
Video presentation	2	1%
Booklets/workbooks	7	5%
Intranet/Internet information Web site	8	5%
Plan selector tool	6	4%
Other, please specify	10	6%
<b>Total</b>	<b>154</b>	<b>100%</b>

*Only respondents at employers WITHOUT a CDH plan should complete questions 11 through 13.*

**11. Does your employer plan to offer a CDH plan in the near future? (If "yes," go to question 13; if "no," go on to question 12 and skip question 13.)**

Yes, we plan to offer one effective later this year.	2	1%
Yes, we plan to offer one effective in 2009.	19	10%
Yes, we are seriously considering offering one but undecided on effective date.	51	28%
No, we are not seriously considering one.	112	61%
<b>Total</b>	<b>184</b>	<b>100%</b>

**12. If you answered "no" to question 11, what do you think is the main reason your employer is not planning to offer a CDH plan to employees?**

Do not want to expose employees to potentially high claim costs.	12	10%
Do not believe "consumerism" will change employee purchasing behavior.	8	7%
Do not believe enough employees will enroll to make it worth offering.	19	17%
The CDH plan will only siphon off healthy employees from our traditional plans hurting overall plan costs.	19	17%
The CDH concept is too new—will wait to see other employers' experiences before deciding to offer.	19	17%
Currently satisfied with traditional plan designs	31	27%
Don't know	7	6%
<b>Total</b>	<b>115</b>	<b>100%</b>

**13. If you answered "yes" to question 11, what type of CDH plan does your employer anticipate offering?**

HRA (optional)	9	12%
HRA (total replacement of existing health plans)	5	7%
HSA (optional)	28	37%
HSA (total replacement of existing health plans)	1	1%
HSA and HRA (both optional)	10	13%
HSA and HRA (total replacement)	1	1%
Don't know	21	28%
<b>Total</b>	<b>75</b>	<b>100%</b>

*All respondents should complete questions 14 through 20.*

**14. Which statement most accurately reflects your belief about how CDH plans affect employee health care purchasing behavior?**

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CDH plans make employees better, more efficient consumers of health care.	205	61%
CDH plans lead employees to forego needed health care to save money.	63	19%
CDH plans have no effect on employee health care purchasing behavior.	14	4%
Don't know	55	16%
<b>Total</b>	<b>337</b>	<b>100%</b>

**15. In five years, how do you believe CDH will fit into your employer's benefits package?**

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Will cover more than 50% of employees	98	29%
Will cover 25%-49% of employees	67	20%
Will cover less than 25% of employees	80	24%
Will not be offered	25	7%
Don't know	66	20%
<b>Total</b>	<b>336</b>	<b>100%</b>

**16. In five years, do you believe CDH will prove to be successful in controlling health costs for employers that sponsor such programs?"**

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Yes	153	45%
No	63	19%
Don't know	121	36%
<b>Total</b>	<b>337</b>	<b>100%</b>

**Demographics**

**17. What is the size of your organization?**

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500 or fewer employees	84	25%
501-2,000 employees	86	26%
2,001-10,000 employees	111	33%
More than 10,000 employees	55	16%
<b>Total</b>	<b>336</b>	<b>100%</b>

**18. Where do most of your employees work?**

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Pacific (WA, OR, CA, HI, AK)	37	11%
Mountain (MT, ID, WY, NV, UT, CO, AZ, NM)	25	7%
North Central (ND, SD, NE, KS, MN, IA, MO, WI, IL, IN, MI, OH)	124	37%
South Central (OK, TX, AR, LA, KY, TN, MS, AL)	26	8%
North Atlantic (ME, NH, VT, MA, RI, CT, NY, PA, NJ)	63	19%
South Atlantic (FL, GA, SC, NC, VA, WV, MD, DE, DC)	59	18%
<b>Total</b>	<b>334</b>	<b>100%</b>

**19. In what type of industry does your employer primarily operate?**

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Manufacturing	106	32%
Wholesale/Retail Trade	26	8%
Transportation	4	1%
Utility	7	2%
Insurance/Finance/Real Estate	35	10%
Professional/Management Services	21	6%
Technology/Media/Telecom	27	8%
Other, please specify	109	33%
<b>Total</b>	<b>335</b>	<b>100%</b>

**20. Are you (check all that apply)**

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A member of ISCEBS?	137	43%
A member of the International Foundation?	151	47%
A client of Aon Consulting?	122	38%