

Aon Consulting/ISCEBS Survey

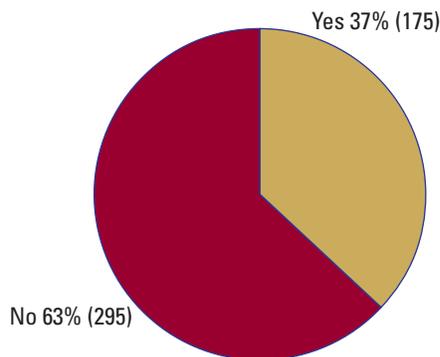
CDH Plans Continue to Grow in Popularity

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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, International Foundation of Employee Benefit Plans corporate plan sponsor members and Aon Consulting clients for their views on consumer-driven health (CDH) plans and their present and

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



future impact on the delivery of employee health benefits. A total of 470 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 third 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) plan 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.

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

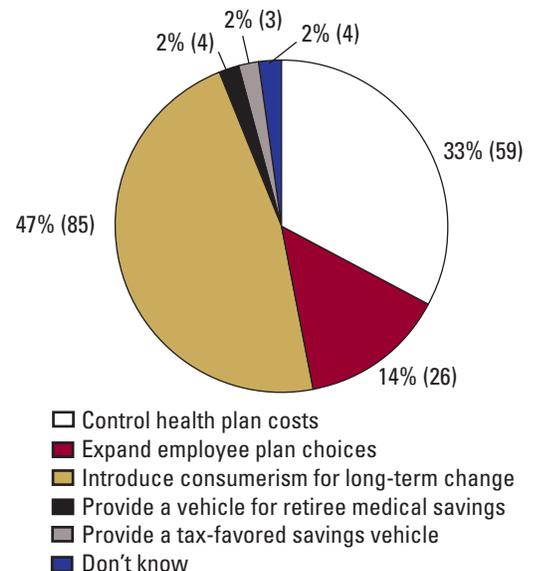
The Survey Results

Of the 470 employers responding to the joint Aon Consulting/ISCEBS survey, 37% currently offer a CDH plan to their employees, up from 28% last year. Reflecting how new this benefit design is, 83% of employers with a CDH plan began offering the plan in 2005, 2006 or 2007. Of the employers not offering a CDH plan, 31% believe the concept is too new to offer one now and will wait to see what the experience of other employers is before deciding on offering one. This was also the main reason given by 30% of employers last year, showing a steady level of reluctance by some employers to commit to a consumer-driven plan just yet.

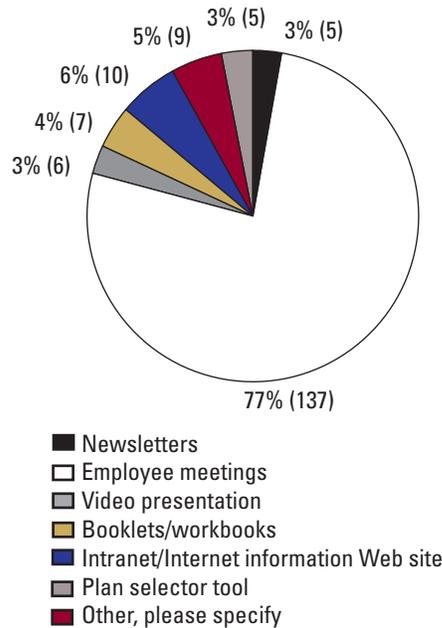
Employers Currently Offering CDH

Similar to last year, employers currently offering a CDH plan are mainly doing so to introduce "consumerism" into the purchasing of health care

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



When implementing your CDH plan, what communication methods proved most effective in educating employees about CDH plan design/operation?



for long-term change (47%) or to control rising health care costs (33%). Only 14% are primarily doing so to expand health plan choices and very few (2%) are doing so primarily to provide a vehicle for retiree medical savings—similar to last year’s responses.

The split between HRAs and HSAs is similar to last year with 48% of employers using the HSA model, 42% using the HRA model and 10% offering both. The large majority of employers (83%) offer the HRA or HSA as an optional plan. The remaining 17% have implemented a “total replacement” CDH program where the only plan choices offered to employees are CDH plans.

CDH enrollment levels are increasing. This year, 60% of employers have more than 10% of their employees participating in a CDH plan. Last year, 53% of employers had more than 10% participation. There is a wide range of CDH enrollment levels: 40% of employers have less than 10% enrollment, 27% have between 11% and 35%, 12% have between 36% and 60%, and 21% 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 according to 54% of the employers offering a CDH plan, down from 66% last year. Only 8% of these employers believe employees view CDH plans as too complicated to keep them from joining, while 16% believe the main reason for not enrolling is that employees still favor the traditional plan design, and 12% lack knowledge about CDH plans.

Of the employers offering an HSA, 67%

contribute either a flat dollar amount of less than \$500 per person (17%), \$500 or more (40%), or match employee contributions (10%). Last year, 62% of employers offering HSAs contributed to these accounts.

Employers offer CDH plans with a wide variety of deductibles: 10% of employers have an individual deductible of less than \$1,000, 40% have a deductible between \$1,000 and \$1,499, 28% have a deductible between \$1,500 and \$1,999, 12% have a deductible between \$2,000 and \$2,499, and 10% have a deductible of \$2,500 or more. Compared to last year, CDH plan deductibles have declined a little with only 22% of employers having a deductible of \$2,000 or more this year compared to 31% last year.

When implementing a CDH plan, the most effective communication method is employee meetings. The large majority of employers (77%) cited this method. This result is similar to last year.

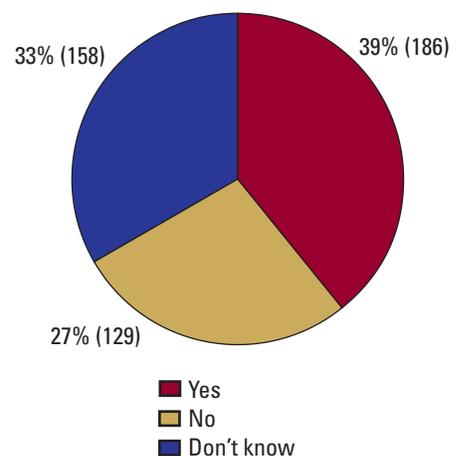
Employers Not Currently Offering CDH

Attitudes of the employers not currently offering a CDH plan are similar to those expressed last year with 42% planning to offer one in the future—11% are planning to offer one this year or next while 31% are undecided on an effective date. The remaining 58% of these employers are not seriously considering a CDH plan as a future plan offering.

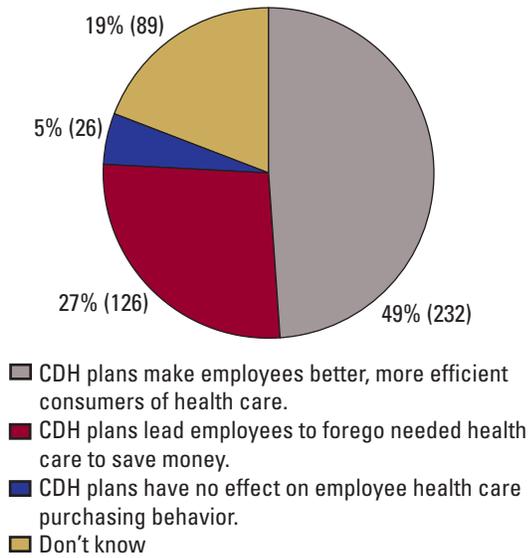
Of the employers not seriously considering a CDH plan, almost a third believe the concept is too new and will wait to see other employers’ experience with CDH before deciding to offer one themselves.

Of the employers planning to offer a CDH plan in the near future, 45% anticipate offering an HSA either as an option (39%) or as a total replacement for their existing health plans (6%). Only 12%

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



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



anticipate offering an HRA (10% as an option) with 33% still undecided on either. These results are similar to last year.

All Respondents

Employers' opinions on the effectiveness and

future success of CDH plans are consistent with opinions given in last year's survey. Almost half of respondents in the survey (49%) believe CDH plans make employees better, more efficient consumers of health care, with only 5% believing it has no effect on employee health care purchasing. Still reflecting a hesitance of some employers to embrace the consumer-driven concept, 27% believe CDH plans lead employees to forego needed health care to save money.

Similar to last year, opinions about the future of the CDH concept are split: 39% believe CDH plans will be successful in controlling employers' health care costs in five years, 27% do not believe they will and 33% don't know. Of those with an opinion, 85% believe they will be offering a CDH plan within the next five years.

Conclusions

The survey shows CDH plans continue to grow in popularity with 37% of employers offering a plan this year compared to 28% last year. It also shows the tremendous growth potential of CDH plans with 42% of the employers not currently offering one seriously considering it for the near future and the vast majority (85%) expecting to have one within five years. 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.

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.

About the International Foundation of Employee Benefit Plans



The International Foundation of Employee Benefit Plans is a nonprofit educational association serving the employee benefits and compensation industry. Total membership includes more than 35,000 individuals representing over 8,400 trust funds, corporations, public employee groups and professional advisory firms in the United States and Canada. www.ifebp.org.

Consumer-Driven Health Plans

Responses: 470

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

1. Does your employer currently offer a consumer driven health (CDH) plan option to employees?		
Yes—If you answer “yes,” please complete questions 2 through 9 and 13 through 19.	175	37%
No—If you answer “no,” please skip to question 10 and complete the remaining questions.	295	63%
Total	470	100%
2. What is the main reason your employer offers a CDH plan to employees?		
Control health plan costs	59	33%
Expand employee plan choices	26	14%
Introduce consumerism for long-term change	85	47%
Provide a vehicle for retiree medical savings	4	2%
Provide a tax-favored savings vehicle	3	2%
Don't know	4	2%
Total	181	100%
3. Which type of CDH plan does your employer offer?		
HRA (optional)	59	33%
HRA (total replacement of prior health plans)	16	9%
HSA (optional)	75	42%
HSA (total replacement of prior health plans)	11	6%
HSA and HRA (both optional)	18	10%
Don't know	0	0%
Total	179	100%
4. In what year did your employer first offer a CDH plan?		
2002 or prior	7	4%
2003	8	4%
2004	16	9%
2005	52	29%
2006	68	38%
2007	28	16%
Total	179	100%

5. How many employees participate in your CDH plan?		
10% or less	71	40%
11%-20%	26	15%
21%-35%	22	12%
36%-60%	22	12%
61%-99%	28	16%
100%	9	5%
N/A—no enrollment yet	0	0%
Total	178	100%
6. What do you believe is the main reason employees do not enroll in your CDH plan?		
Fear of high deductible/out-of-pocket expenses	95	54%
Still favor traditional plan design over CDH	28	16%
Lack of knowledge or awareness of CDH	21	12%
CDH viewed as too complicated	15	8%
Other, please specify	18	10%
Total	177	100%
7. If your employer offers an HSA, does the employer contribute money to employees' health savings accounts?		
Yes—flat dollar amount of less than \$500 per person	19	11%
Yes—flat dollar amount of \$500 or more per person	46	26%
Yes—based on employee contribution (matching)	11	6%
No—employee contributory only	38	22%
Do not offer an HSA	61	35%
Total	175	100%
8. What is your HDHP deductible level for an individual?		
Less than \$1,000	17	10%
\$1,000-\$1,499	70	40%
\$1,500-\$1,999	50	28%
\$2,000-\$2,499	22	12%
\$2,500 or more	17	10%
Total	176	100%
9. When implementing your CDH plan, what communication methods proved most effective in educating employees about CDH plan design/operation? After responding, skip to question 13.		
Newsletters	5	3%
Employee meetings	137	77%
Video presentation	6	3%
Booklets/workbooks	7	4%
Intranet/Internet information Web site	10	6%
Plan selector tool	9	5%
Other, please specify	5	3%
Total	179	100%

Only respondents at employers WITHOUT a CDH plan should complete questions 10 through 12.

10. Does your employer plan to offer a CDH plan in the near future? (If "yes," go to question 12; if "no," go on to question 11 and skip question 12.)		
Yes, we plan to offer one effective later this year.	5	2%
Yes, we plan to offer one effective in 2008.	27	9%
Yes, we are seriously considering offering one but undecided on effective date.	93	31%
No, we are not seriously considering one.	172	58%
Total	297	100%
11. If you answered "no" to question 10, 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	21	12%
Do not believe "consumerism" will change employee purchasing behavior	12	7%
Do not believe enough employees will enroll to make it worth offering	26	15%
The CDH plan will only siphon off healthy employees from our traditional plans hurting overall plan costs.	14	8%
The CDH concept is too new—will wait to see other employers' experience before deciding to offer.	54	31%
Currently satisfied with traditional plan designs	37	21%
Don't know	12	7%
Total	176	100%
12. If you answered "yes" to question 10, what type of CDH plan does your employer anticipate offering?		
HRA (optional)	13	10%
HRA (total replacement of existing health plans)	3	2%
HSA (optional)	50	39%
HSA (total replacement of existing health plans)	8	6%
HSA and HRA (both optional)	13	10%
Don't know	42	33%
Total	129	100%

All respondents should complete questions 13 through 19.

13. Which statement most accurately reflects your belief about how CDH plans affect employee health care purchasing behavior?		
CDH plans make employees better, more efficient consumers of health care.	232	49%
CDH plans lead employees to forego needed health care to save money.	126	27%
CDH plans have no effect on employee health care purchasing behavior.	26	5%
Don't know	89	19%
Total	473	100%

14. In five years, how do you believe CDH will fit into your employer's benefits package?		
Will cover more than 50% of employees	119	25%
Will cover 25%-49% of employees	83	18%
Will cover less than 25% of employees	114	24%
Will not be offered	55	12%
Don't know	101	21%
Total	472	100%

15. In five years, do you believe CDH will prove to be successful in controlling health costs for employers that sponsor such programs?"		
Yes	186	39%
No	129	27%
Don't know	158	33%
Total	473	100%

Demographics

16. What is the size of your organization?		
500 or fewer employees	115	24%
501-2,000 employees	129	27%
2,001-10,000 employees	137	29%
More than 10,000 employees	91	19%
Total	472	100%

17. Where do most of your employees work?		
Pacific (WA, OR, CA, HI, AK)	37	8%
Mountain (MT, ID, WY, NV, UT, CO, AZ, NM)	28	6%
North Central (ND, SD, NE, KS, MN, IA, MO, WI, IL, IN, MI, OH)	177	38%
South Central (OK, TX, AR, LA, KY, TN, MS, AL)	46	10%
North Atlantic (ME, NH, VT, MA, RI, CT, NY, PA, NJ)	85	18%
South Atlantic (FL, GA, SC, NC, VA, WV, MD, DE, DC)	96	20%
Total	469	100%

18. In what type of industry does your employer primarily operate?		
Manufacturing	155	33%
Wholesale/Retail Trade	31	7%
Transportation	14	3%
Utility	16	3%
Insurance/Finance/Real Estate	43	9%
Professional/Management Services	36	8%
Technology/Media/Telecom	37	8%
Other, please specify	136	29%
Total	468	100%

19. Are you (check all that apply)		
A member of ISCEBS?	195	44%
A member of the International Foundation?	243	54%
A client of Aon Consulting?	168	38%