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For Immediate Release

Consumer-Driven Health Plans Continue to Gain Momentum, as More Employers and Employees Embrace the Concept, Says Aon Consulting

Sixteen percent of organizations offering a CDH plan provide it as the only option

CHICAGO November 19, 2008 – Aon Consulting Worldwide, the global human capital consulting organization of Aon Corporation (NYSE: AOC), and the International Society of Certified Employee Benefit Specialists (ISCEBS), a premier community of employee benefits and compensation professionals, surveyed 336 employers and found that 45 percent have a consumer-driven health (CDH) plan, up from 37 percent last year, which reflects the need to curtail costs and increase consumer involvement in health care.

Of those surveyed with a CDH program, goals range from introducing “consumerism” into the purchasing of health care (36 percent) and controlling rising health care costs (35 percent), to providing a vehicle for retiree medical savings (3 percent) and encouraging better use of health care services (2 percent). As for employee participation, 24 percent of employers have between 11 percent and 35 percent enrollment; 17 percent have between 36 percent and 60 percent enrollment; and 20 percent have more than 60 percent enrollment. Conversely, employers believe workers do not enroll in CDH plans due to concerns of high out-of-pocket costs (59 percent); traditional plan design preference (18 percent); lack of knowledge about CDH plans (9 percent); and a perception that CDH plans are too complex (6 percent).

“Despite this initial success, there’s still a long way to go for CDH programs to realize their full impact,” said John Zern, U.S. Health & Benefits Practice director with Aon Consulting. “Many companies with CDH plans don’t communicate them in the most effective manner to maximize enrollment. Time and again, we’re seeing the highest enrollment among those organizations that invest in a well-constructed communication strategy.”

HRAs and HSAs

The split between Health Reimbursement Arrangements (HRA) and Health Savings Accounts (HSA) is similar to 2007 with 49 percent of employers using the HSA model, 38 percent the HRA model and 12 percent offering both (last year was 48 percent, 42 percent and 10 percent, respectively). Of those, 84 percent offer the HRA or HSA as an optional plan, while the remaining 16 percent have implemented a “total replacement” CDH program where the only plan choices offered to employees are CDH plans.

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Nearly 60 percent of organizations offering an HSA contribute employer money to the plan. This includes a flat dollar amount of less than \$500 per person (10 percent); a flat dollar amount of \$500 or more (44 percent); or a matching employer contribution (4 percent). Meanwhile, employers offering an HRA plan make varying amounts of contributions to the account. The HRA contributions for someone with single coverage are: less than \$300 – 5 percent; \$300 to \$499 – 6 percent; \$500 to \$799 – 62 percent; \$800 to \$999 – 4 percent; and \$1,000 or more – 23 percent.

As for HRA and HSA deductibles, 7 percent of employers have an individual deductible of less than \$1,000; 37 percent have a deductible between \$1,000 and \$1,499; 27 percent have a deductible between \$1,500 and \$1,999; 11 percent have a deductible between \$2,000 and \$2,499; and 18 percent have a deductible of \$2,500 or more. These deductible levels are similar to last year.

“The design of HRA and HSA plans vary considerably, based on an employer’s workforce and health care cost management objectives,” said Bill Sharon, senior vice president with Aon Consulting and director of the study. “An employer exploring a CDH plan should understand that obtaining consumer engagement in healthcare is a long-term process. CDH plans can be very effective but they require the proper account-based plan design, a focus on consumerism, wellness and chronic condition management, and a commitment to employee education.”

Organizations Not Currently Offering CDH/Five-Year Outlook

Fifty-five percent of all employers surveyed are not currently offering a CDH plan. However, of these employers, 11 percent are planning to offer a CDH plan this year or next year and 28 percent are undecided on an effective date. The remaining 61 percent of these employers are not seriously considering a CDH plan in the near future due to satisfaction with their traditional plan designs (27 percent); a belief that not enough employees will enroll in the CDH plan to make it worth offering (17 percent); a feeling that a CDH plan will siphon off healthy employees from their traditional plans, hurting overall plan costs (17 percent); a belief that the CDH concept is too new (17 percent); a concern of exposing their employees to potentially high-claim costs (10 percent); and a belief that consumerism will not change employee purchasing behavior (7 percent).

As for future considerations, 73 percent of all employers surveyed thought they would be offering a CDH plan in the next five years, while 7 percent said they didn’t think that would be the case and 20 percent said they didn’t know. Meanwhile, 45 percent of those surveyed believe that a CDH program will prove to be successful in controlling health care costs in the next five years, 19 percent said no and 36 percent didn’t know.

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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.

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