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For immediate release

Majority of Employers with Consumer-Driven Health Plans Prefer Health Savings Accounts, Says Aon Consulting

CHICAGO, Nov. 16, 2009 – Of employers who offer a consumer-driven health plan, Health Savings Accounts¹ continue to be the preferred funding choice among organizations, according to a survey released today by [Aon Consulting](#), the global human capital consulting organization of [Aon Corporation](#) (NYSE: AOC), and the International [Society of Certified Employee Benefit Specialists](#), a premier community of employee benefits and compensation professionals.

Of the 370 survey respondents, 44 percent of employers currently offer a consumer-driven health (CDH) plan to employees, which is similar to last year but significantly higher than in 2006 when only 28 percent of employers offered this type of plan to their workforce. Of those offering CDH plans this year, 56 percent are now using the HSA model, 35 percent of organizations are using the Health Reimbursement Arrangements² (HRA) model, and 9 percent use both. Over the last three years, the gap has widened between HSAs and HRAs, as the number of employers offering HSAs has gone from 48 percent to 56 percent, and the number offering HRAs has dropped from 43 percent to 35 percent. The following chart reflects this trend:

Percentage of employers offering HSA and HRA plans		
Year	HSA	HRA
2009	56%	35%
2008	49%	38%
2007	48%	42%
2006	48%	43%

“HSAs have grown in popularity relative to HRAs since HSAs are considered more advantageous to the employee than an HRA,” said John Zern, U.S. [Health & Benefits Practice](#) Director with Aon Consulting. “With an HSA, employees can contribute their own money, the account is owned by the employee and is portable at termination of employment. HSAs also have great tax advantages.”

¹An HSA is a plan that is owned by the employee and funded either by the employee or with contributions from the employer.

² An HRA is a plan with an account that is owned and funded by the employer.

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Additionally, the survey found the majority of employers (83 percent) offer the HSA or HRA as an optional plan, while the remaining 17 percent have implemented a total replacement CDH program where the only plan choices offered to employees are CDH plans.

“Although only 17 percent of employers offer a total replacement CDH program, we expect that number to increase next year,” said Bill Sharon, National Consumer Driven Health Care Practice leader with Aon Consulting. “In response to the economic downturn and double digit health care cost increases, employers are becoming more aggressive in managing their health care costs. Implementing a total replacement CDH program is one of the leading health care strategies available to employers.”

The survey also found that more employers who offer the HSA plan are contributing money to the plan (66 percent versus 60 percent last year). The breakdown of this group is as follows: a flat dollar amount of less than \$500 per person (15 percent), a flat dollar amount of \$500 or more (45 percent), and a matching employer contribution (6 percent).

Meanwhile, employers offering an HRA plan make a wide variety of contributions to the account for a single employee: 4 percent provide less than \$300; 11 percent provide between \$300 and \$499; 49 percent provide between \$500 and \$799; 1 percent provide between \$800 and \$999; and 34 percent provide \$1,000 or more.

Employers Currently Offering a CDH Plan

Similar to last year, employers currently offering a CDH plan are mainly doing so to control health plan costs (38 percent) or to introduce “consumer engagement” into the purchasing of health care for long-term change (35 percent). Other reasons include: expanding employee choices (14 percent), encouraging better use of health care services (9 percent), and providing a vehicle for retiree medical savings (3 percent).

Regarding employee enrollment in CDH plans, the survey found 63 percent of employers have more than 10 percent of their employees participating in a CDH plan, which is similar to last year, but higher than three years ago when 53 percent of employers had more than 10 percent or more participating in a CDH plan.

For employees who are not enrolled in a CDH plan, employers still mainly believe workers choose not to because they are concerned about high out-of-pocket costs (51 percent). Other reasons for not enrolling include: traditional plan design preference (20 percent); lack of knowledge about CDH plans (10 percent); and a perception that CDH plans are too complex (5 percent).

“In our 2006 study, 66 percent of employers believed their employees did not enroll in the plan because they feared out-of-pocket expenses associated with high deductibles, and while this perception is lower this year, there is still room for improvement,” Sharon said. “Employers who have higher enrollment have designed their CDH plan to have similar out-of-pocket maximums and deductibles as traditional health plans such as an HMO and PPO.”

The levels of HRA and HSA deductibles break down as follows:

- 4 percent of employers have an individual deductible of less than \$1,000;

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- 33 percent have a deductible between \$1,000 and \$1,499;
- 31 percent have a deductible between \$1,500 and \$1,999;
- 13 percent have a deductible between \$2,000 and \$2,499; and
- 19 percent have a deductible of \$2,500 or more.

Employers Not Currently Offering CDH Plan

While 56 percent of all employers surveyed are not currently offering a CDH plan, 37 percent say they plan to offer one in the near future. Of this group, 6 percent are planning to offer one this year or next; 31 percent are undecided on an effective date; and 62 percent are not seriously considering a CDH plan as a future plan offering.

There are a variety of reasons employers indicated why they are not seriously considering a CDH plan. Twenty-seven percent of employers said they are satisfied with their traditional plan designs and 23 percent do not believe enough employees will enroll in the CDH plan to make it worth offering. The following are other reasons why employers aren't considering implementing a CDH plan:

- 13 percent do not want to expose employees to potentially high claim costs;
- 12 percent think the CDH plan will siphon off healthy employees from their traditional plans hurting overall plan costs; and
- 11 percent think the CDH concept is too new and will wait to see other employers' experiences with CDH plans before deciding to offer one themselves.

All Respondents

The majority of respondents continue to be optimistic about the effectiveness of CDH plans, as 57 percent believe CDH plans make employees better, more efficient consumers of health care. But there are still concerns, as 25 percent believe CDH plans lead employees to forego needed health care to save money, and 5 percent believe the plans have no effect on employee health care purchasing.

Employer opinions on the future of the CDH concept are still spilt, but opinions have improved in the past three years. The survey found 45 percent believe CDH plans will be successful in controlling employers' health care costs in five years, compared to 39 percent of employers in 2006; 26 percent do not believe they will be successful, down from 30 percent in 2006; and 29 percent don't know the impact it will have on health care costs, down from 31 percent who had that perception three years ago.

"The outcome of [national health reform](#) could influence the future of CDH plans," said Tom Lerche, U.S. Health Care Practice Leader with Aon Consulting. "In particular, the proposed minimum plan design requirements could impact CDH plans offered through the proposed Insurance Exchanges, and could over time, impact CDH plans offered outside the Exchanges.

"Unless constrained by national health reform, we do expect CDH plans to continue to grow in popularity, as they have proven to be an effective strategy for lowering health care cost increases by creating informed and knowledgeable consumers who effectively manage their health risks," Lerche added.

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About Aon Consulting

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Aon Corporation (NYSE: AOC) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Through its more than 37,000 colleagues worldwide, Aon readily delivers distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally through more than 500 offices in more than 120 countries. Named the world's best broker by Euromoney magazine's 2008 and 2009 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's largest insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008. A.M. Best deemed Aon the number one insurance broker based on brokerage revenues in 2007 and 2008, and Aon was voted best insurance intermediary, best reinsurance intermediary and best employee benefits consulting firm in 2007 and 2008 by the readers of Business Insurance. For more information on Aon, log onto <http://www.aon.com/>.