

# CDH Plans Shift to HSAs

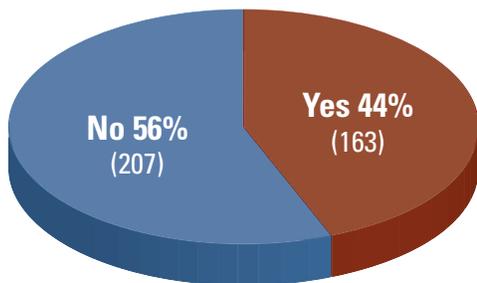
By C. William Sharon, CEBS, Aon Consulting

In a nationwide survey developed by Aon Consulting and conducted in the summer of 2009 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 370 employers of all types and sizes from every region in the country provided us with input on this important benefit issue.

This is the fifth year Aon and ISCEBS have conducted this survey. These account-based plans take two forms—a health reimbursement arrangement (HRA) plan where the account is funded solely by the employer and a health savings account (HSA) with a high-deductible health plan (HDHP) where the account can be funded by both the employee and the 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.

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



## The Survey Results

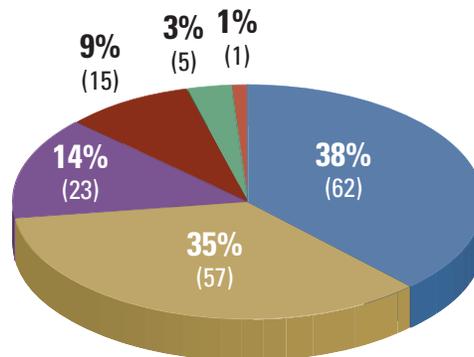
Of the 370 employers responding to the joint Aon Consulting/ISCEBS survey, 44% currently offer a CDH plan to their employees, down slightly from 45% last year. Reflecting how new this benefit design is, 89% of employers with a CDH plan began offering the plan in 2005 or later. Of the employers not offering a CDH plan, 37% say they plan to offer one in the near future.

### Employers Currently Offering CDH Plan

Similar to last year, employers currently offering a CDH plan are mainly doing so to control rising health care costs (38%) or to introduce “consumerism” into the purchasing of health care for long-term change (35%). Other reasons mentioned were expanding employee choices (14%),

encouraging better use of health care services (9%), and providing a vehicle for retiree medical savings (3%).

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



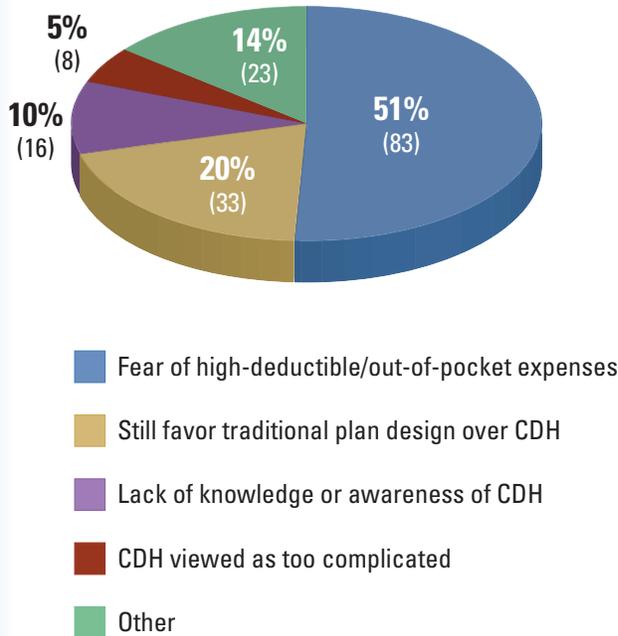
- Control health care costs
- Introduce consumerism for long-term change
- Expand employee plan choices
- Encourage better use of health care services
- Provide a vehicle for retiree medical savings
- Other

The balance between HRAs and HSAs is shifting to the HSA model, with 56% of employers using the HSA model, 35% using the HRA model and 9% 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 plan enrollment levels are similar to last year's. This year, 63% 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, 25% have between 11% and 35%, 21% have between 36% and 60%, and 17% 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 51% of the employers offering a CDH plan. Only 5% of these employers believe employees view CDH plans as too complicated to join, while 20% believe the main reason for not enrolling is that employees still favor the traditional plan design, and 10% 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 (66%) contribute money to the HSA. The breakdown of this group is: a flat dollar amount of less than \$500 per person (15%), a flat dollar amount of \$500 or more (45%), and a matching employer contribution (6%). This result is similar to last year's.

Employers offer CDH plans in a wide variety of plan designs. Employers offering an HRA plan contribute the following amounts to the health reimbursement account for a single employee: 4% provide less than \$300, 11% provide between \$300 and \$499, 49% provide between \$500 and \$799, 1% provide between \$800 and \$999, and 34% provide \$1,000 or more.

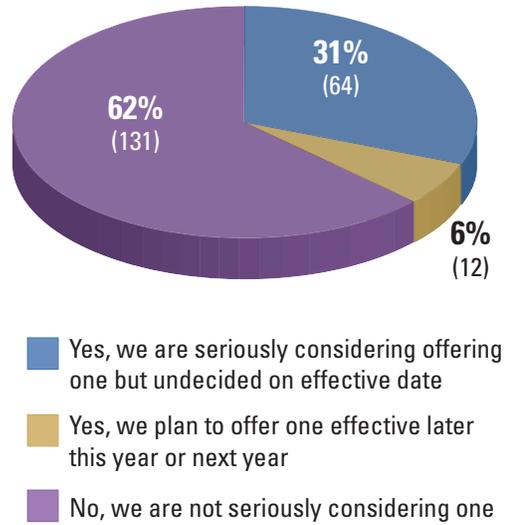
Employers with an HRA or HSA plan have the following deductibles for an individual: 4% of employers have an individual deductible of less than \$1,000, 33% have a deductible of between \$1,000 and \$1,499, 31% have a deductible of between \$1,500 and \$1,999, 13% have a deductible of between \$2,000 and \$2,499, and 19% have a deductible of \$2,500 or more. These deductible levels are similar to last year's.

When implementing a CDH plan, the most effective way of communicating it is employee meetings. The large majority of employers (75%) cited this method. This result is similar to last year's.

**Employers Not Currently Offering CDH Plan**

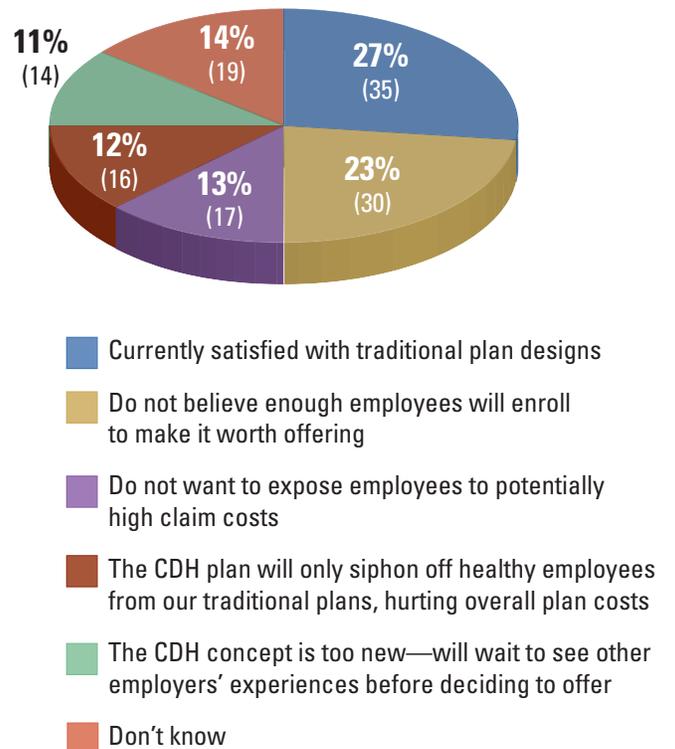
Attitudes of the employers not currently offering a CDH plan are similar to those expressed last year, with 37% planning to offer one in the future. Of this group, 6% are planning to offer one this year or next, while 31% are undecided on an effective date. The remaining 62% of these employers are not 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 131 employers not seriously considering a CDH plan, there are a variety of reasons: 27% are satisfied with their traditional plan designs, 23% do not believe enough employees will enroll in the CDH plan to make it worth offering, 13% do not want to expose employees to potentially high out-of-pocket costs, 12% think the CDH plan will siphon off healthy employees from their traditional plans hurting overall plan costs, and 11% think the CDH concept is too new and will wait to see other employers' experiences with CDH plans before deciding to offer one themselves.

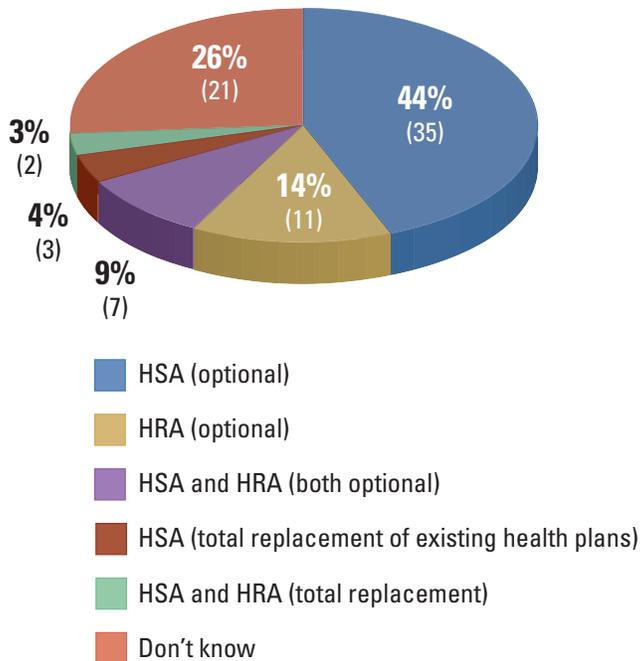
**What do you think is the main reason your employer is not planning to offer a CDH plan to employees?**



Of the 79 employers planning to offer a CDH plan in the near future:

- 44% plan to offer an optional HSA
  - 14% plan to offer an optional HRA
  - 9% plan to offer both an optional HRA and an HSA
  - 4% plan to offer a total replacement HSA
  - 3% plan to offer both an HRA and an HSA on a full-replacement basis
  - 26% are undecided.
- These results are similar to last year's.

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



### All Respondents

The majority of respondents are optimistic about the effectiveness of CDH plans this year. 57% of respondents 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 hesitancy on the part of some employers to embrace the consumer-driven concept, 25% 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, 26% do not believe they will and 29% don't know.

### Conclusion

The survey shows that the number of employers offering a CDH plan in 2009 is comparable to the number of employers that offered a CDH plan in 2008 but that the CDH plan type is shifting to the HSA. While there is a fair amount of interest in adding a CDH plan in the future (37% of those without a CDH plan say they plan to offer one in the near future), there are a substantial number of employers that are not convinced that CDH plans will be effective in their organization. The majority of employers that hold a negative view of CDH plans see these plans as a way of shifting the cost of health care services to employees rather than encouraging employees to be better health care consumers.

### About Aon Consulting

Aon Consulting Worldwide is among the top global human capital consulting firms, with 2008 revenues of \$1.358 billion and more than 6,300 professionals in 229 offices worldwide. Aon Consulting works with organizations to improve business performance and shape the workplace of the future through employee benefits, talent management and rewards strategies and solutions. Aon Consulting was named the best employee benefit consulting firm by the readers of *Business Insurance* magazine in 2006, 2007 and 2008. For more information on Aon, please visit [www.aon.mediaroom.com](http://www.aon.mediaroom.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 36,000 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: 373

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

## 1. Does your employer currently offer a consumer driven health plan (CDH) to employees?

Yes—If you answer “yes,” please complete questions 2 through 10 and 14 through 20	162	44%
No—If you answer “no,” please skip to question 11 and complete the remaining questions	208	56%
<b>Total</b>	<b>370</b>	<b>100%</b>

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

Control health plan costs	63	38%
Expand employee plan choices	24	14%
Introduce consumerism for long-term change	58	35%
Provide a vehicle for retiree medical savings	5	3%
Encourage better use of health care services	15	9%
Improve health and well-being	0	0%
Don't know	3	2%
<b>Total</b>	<b>168</b>	<b>100%</b>

## 3. Which type of CDH plan does your employer offer?

HRA (optional)	40	24%
HRA (total replacement of prior health plans)	16	10%
HSA (optional)	81	49%
HSA (total replacement of prior health plans)	10	6%
HSA and HRA (both optional)	13	8%
HSA and HRA (total replacement)	2	1%
Don't know	3	2%
<b>Total</b>	<b>165</b>	<b>100%</b>

## 4. In what year did your employer first offer a CDH plan?

2003 or prior	9	5%
2004	10	6%
2005	26	16%
2006	41	25%
2007	49	30%
2008	19	12%
2009	10	6%
<b>Total</b>	<b>164</b>	<b>100%</b>

**5. How many employees participate in your CDH plan?**

10% or less	59	36%
11%-20%	23	14%
21%-35%	17	10%
36%-60%	34	21%
61%-99%	20	12%
100%	8	5%
N/A—no enrollment yet	4	2%
<b>Total</b>	<b>165</b>	<b>100%</b>

**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	84	51%
Still favor traditional plan design over CDH	33	20%
Lack of knowledge or awareness of CDH	16	10%
CDH viewed as too complicated	8	5%
Other, Please Specify	24	15%
<b>Total</b>	<b>165</b>	<b>100%</b>

**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	16	10%
Yes—Flat dollar amount of \$500 or more per person	49	30%
Yes—Based on employee contribution (matching)	7	4%
No—Employee contributory only	37	23%
Do not offer an HSA	54	33%
<b>Total</b>	<b>163</b>	<b>100%</b>

**8. If your employer offers an HRA, how much money is in the health reimbursement account for a single employee?**

Less than \$300	3	2%
\$300-\$499	8	5%
\$500-\$799	36	23%
\$800-\$999	1	1%
\$1,000 or more	25	16%
Do not offer an HRA	86	54%
<b>Total</b>	<b>159</b>	<b>100%</b>

**9. What is your HDHP deductible level for an individual?**

Less than \$1,000	7	4%
\$1,000-\$1,499	53	33%
\$1,500-\$1,999	51	31%
\$2,000-\$2,499	21	13%
\$2,500 or more	30	19%
<b>Total</b>	<b>162</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	10	6%
Employee meetings	123	75%
Video presentation	3	2%
Booklets/Workbooks	10	6%
Intranet/internet information website	7	4%
Plan selector tool	3	2%
Other, Please Specify	7	4%
<b>Total</b>	<b>163</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	1	0%
Yes, we plan to offer one effective in 2010	12	6%
Yes, we are seriously considering offering one but undecided on effective date	66	31%
No, we are not seriously considering one	131	62%
<b>Total</b>	<b>210</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	18	13%
Do not believe “consumerism” will change employee purchasing behavior	8	6%
Do not believe enough employees will enroll to make it worth offering	31	23%
The CDH plan will only siphon off healthy employees from our traditional plans hurting overall plan costs	16	12%
The CDH concept is too new—will wait to see other employers’ experience before deciding to offer	15	11%
Currently satisfied with traditional plan designs	37	27%
Don’t know	11	8%
<b>Total</b>	<b>136</b>	<b>100%</b>

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

HRA (optional)	11	13%
HRA (total replacement of existing health plans)	0	0%
HSA (optional)	35	42%
HSA (total replacement of existing health plans)	3	4%
HSA and HRA (both optional)	7	8%
HSA and HRA (total replacement)	2	2%
Don’t know	26	31%
<b>Total</b>	<b>84</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.**

CDH plans make employees better, more efficient consumers of health care	212	57%
CDH plans lead employees to forego needed health care to save money	94	25%
CDH plans have no effect on employee health care purchasing behavior	20	5%
Don't know	44	12%
<b>Total</b>	<b>370</b>	<b>100%</b>

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

Will cover more than 50% of employees	91	25%
Will cover 25%-49% of employees	71	19%
Will cover less than 25% of employees	84	23%
Will not be offered	48	13%
Don't know	76	21%
<b>Total</b>	<b>370</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?**

Yes	166	45%
No	96	26%
Don't know	108	29%
<b>Total</b>	<b>370</b>	<b>100%</b>

## Demographics

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

500 or fewer employees	101	27%
501-2,000 employees	126	34%
2,001-10,000 employees	103	28%
More than 10,000 employees	42	11%
<b>Total</b>	<b>372</b>	<b>100%</b>

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

Pacific (WA, OR, CA, HI, AK)	38	10%
Mountain (MT, ID, WY, NV, UT, CO, AZ, NM)	12	3%
North Central (ND, SD, NE, KS, MN, IA, MO, WI, IL, IN, MI, OH)	166	45%
South Central (OK, TX, AR, LA, KY, TN, MS, AL)	26	7%
North Atlantic (ME, NH, VT, MA, RI, CT, NY, PA, NJ)	59	16%
South Atlantic (FL, GA, SC, NC, VA, WV, MD, DE, DC)	68	18%
<b>Total</b>	<b>369</b>	<b>100%</b>

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

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Manufacturing	103	28%
Wholesale/Retail Trade	30	8%
Transportation	10	3%
Utility	14	4%
Insurance/Finance/Real Estate	47	13%
Professional/Management Services	31	8%
Technology/Media/Telecom	23	6%
Other, Please Specify	114	31%
<b>Total</b>	<b>372</b>	<b>100%</b>

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

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A member of ISCEBS?	164	46%
A member of IFEBP?	156	44%
A client of Aon Consulting?	137	39%