

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Employers Took Action In 2009 To Minimize Health Benefit Costs

Despite challenging economic conditions, most employers continued to offer health care benefits to employees in 2009 and sought to minimize the cost of coverage, in some cases by moving employees to high-deductible plans, according to the results of an annual survey conducted by human resources consultancy Mercer.

The survey of 2,914 employers found that the average per-employee cost of health benefits rose to \$8,945, or 5.5%, in 2009. Researchers observed that this was the smallest increase in a decade, coming after four years of increases of just over 6%, and growth rates that went as high as 14.7% in 2002 and 10.1% in 2003. However, health benefit cost growth outpaced

inflation in 2009 by a much greater margin than in recent years.

Results showed that employers anticipate the cost of providing health benefits will rise by a similar

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margin in 2010, by approximately 5.6%. While respondents estimated that the cost of benefits would increase by around 9% in 2010 if they simply renewed their current plans without making any changes, they also said they expect the increase will be lower after they make changes to their plan design or move to a different provider.

The survey's findings suggested that smaller employers (10–499 employees) have been able to hold down premium cost increases and premium contributions by employees by sharply raising deductibles for plan participants who use health services. For example, the average preferred provider organization (PPO) deductible among all employers was found to have risen by about \$100 for an individual and



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\$300 for families in 2009, to \$1,096 and \$2,515, respectively.

In addition, findings indicated that smaller employers are starting to join larger employers in adopting high-deductible, account-based consumer-directed health plans (CDHPs). The percentage of smaller employers that offer CDHPs rose to 15% in 2009, up from just 9% in 2008. Driven largely by the adoption of these plans by small businesses, the percentage of all the covered employees at the companies surveyed who were enrolled in CDHPs grew from 7% in 2008 to 9% in 2009.

Over the same period, enrollment in PPOs was found to be flat at 69%, while enrollment in health maintenance organizations (HMOs) declined from 23% to 21%. Researchers noted that HMO enrollment peaked in 2001 at 33% and has been decreasing since then. The survey also found that the average HMO cost per employee was higher than the average PPO cost in 2009, while the average cost of coverage in an HSA-based CDHP was more than 20% lower than the cost of coverage in a PPO.

Although no increase was seen in the number of larger employers offering CDHPs in 2009, researchers noted that high-deductible plans are still more common among larger employers, with a CDHP option being offered by 20% of employers with 500 or more employees and by 43% of companies with 20,000 or more employees. The findings also showed, however, that small employers that offer a CDHP are much more likely to offer the plan as the only health coverage option.

“Small and large employers used different strategies to keep cost growth down in 2009,” said Beth Umland, Mercer’s director of health and benefits research. “Small employers moved employees into low-cost consumer-directed health plans and raised PPO deductibles. We saw relatively little cost-shifting among large employers—what jumped out was a real increase in their use of programs and policies designed to improve workforce health.”

## Suspended Retirement Plan Matches To Be Restored

While the economic downturn has had an impact on the ability of employers to continue to offer the same benefits to workers, most sponsors of 401(k) plans have maintained their matching contributions, and many of those companies that have suspended matches plan to restore them over the coming year, according to a survey conducted by the Profit Sharing/401(k) Council of America (PSCA).

Of the 508 plan sponsors surveyed in late 2009, 406 had offered a matching contribution at the end of 2007. Among this group, 14.8% had since suspended the match, 3.7% had reduced it, 4.7% had increased it, and 76.8% had made no changes to it over the past two years. Some 16% of large plan sponsors (with 5,000 or more participants), but only 6.1% of the smallest companies (with 50 participants or less), reported that they had suspended the match. Of those respondents that had suspended or reduced their matching contributions, 5.4% said they have already restored it. Results also showed that 41.3% of the plan sponsors that had suspended the match plan to restore it within the first quarter of 2010, with significantly more large companies planning to do so.

The survey showed that the decision to suspend matching contributions can have a powerful effect on plan participation: 72.9% of sponsors that had suspended their matching contribution reported a decrease in plan participation, compared with just 14.4% of companies that had not changed their matching contribution. Similarly, 56.7% of companies that had suspended their matching contribution reported a decrease in participant deferral rates, compared with 20.8% of plan sponsors that had not changed their match.

Meanwhile, 17.9% of companies that had increased their match or had made no changes to their match reported an increase in plan participation.

Of the 264 plan sponsors that had offered a non-matching company contribution at the end of 2007, 26.8% reported suspending or reducing the contribution, and 73.2% said they had made no changes to the contribution in 2008 or 2009. More large organizations (34%) said they had suspended or reduced the non-matching company contribution than small businesses (26.1%). Of those organizations that had suspended or reduced a non-matching contribution, 5.5% have already restored it, and 30.6% intend to restore it within the first quarter of 2010.

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## Companies Unprepared For Remote Work

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While most employers are aware that a flu pandemic is possible this winter and have business continuity plans in place, too many businesses have yet to adequately prepare for the possibility that large numbers of employees might have to work remotely for extended periods of time, according to a study by the Telework Exchange<sup>SM</sup>, a public-private partnership focused on expanding telework adoption.

The findings are based on a survey of 301 IT decision makers in both the public and the private sectors. Researchers noted that, according to the Centers for Disease Control and Prevention, up to 40% of the workforce may not make it into the office this flu season. In recognition of this possibility, the survey found that 81% of IT decision makers have written business continuity plans. But the findings also revealed potential problems that have not yet been addressed, particularly surrounding security issues and the ability of employees to work effectively from remote locations.

Results indicated, for example, that nearly one-third of employers experienced management challenges while testing their business continuity plans, and that 44% of government agencies and 22% of businesses do not provide remote network access to all their employees. And, while 61% of government agencies and 78% of businesses reported choosing business-class quality when purchasing laptops, one in seven of the laptops currently in use lacks built-in security. Moreover, 46% of public-sector and 39% of private-sector organizations reported that they do not provide mobile tech support to employees.

Given these problems, researchers recommended that organizations consider taking steps to improve their readiness to handle the large number of absences that may occur in the event of a flu pandemic. These include encouraging managers to telecommute, implementing performance-based management processes that can help management accept a more mobile workforce, empowering remote access clients, and anticipating peak bandwidth requirements.

In addition, the report's authors advised employers to assess whether their current mobile equipment inventory would meet emergency requirements, to purchase laptops with encryption and other integrated security features, to establish written policies and require comprehensive security training for all employees, to prepare for increased call volumes during an emergency situation, and, finally, to ensure that employees are aware of remote procedures.

Most of the IT decision makers (84%) said they believe the need for mobility in their organization has increased over the past year, and telework is the leading driver. The public-sector IT decision makers predicted that telecommuting will increase by nearly two-thirds over the next three years, while their private-sector counterparts anticipate growth of around one-third (33%).




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## CDHP Participants Are More Active In Health Management

People who are enrolled in consumer-driven health plans (CDHPs) are more likely than enrollees in traditional plans to engage in cost-conscious behaviors and to participate in wellness programs, according to a report on consumer engagement in health care published by the nonpartisan Employee Benefit Research Institute (EBRI).

The report's findings are based on an annual survey of 4,226 privately insured adults aged 21–64 that is designed to provide nationally representative data on the growth of CDHPs and high-deductible health plans (HDHPs), as well as the effects these plans have on the behavior and attitudes of enrollees. An analysis of the survey results showed that, in 2009, 4% of the U.S. population was enrolled in a CDHP, up from 3% in 2008. Meanwhile, enrollment in HDHPs increased from 11% in 2008 to 13% in 2009. Compared with enrollees in HDHPs or traditional plans, CDHP participants were found to be significantly less likely to suffer from health problems or to smoke, and to be substantially more likely to have a high household income and to be highly educated.

The 2009 survey showed that 61% of participants in CDHPs, compared with 50% of enrollees in traditional plans, had asked if the plan would cover care. In addition, 56% of CDHP enrollees, compared with 46% of participants in traditional plans, had asked for a generic drug instead of a brand name. The poll further revealed that a larger share of individuals with CDHP coverage had talked to their

doctor about prescription drug options and costs (44% CDHP vs. 35% traditional), had talked to their doctor about other treatment options and costs (40% CDHP vs. 33% traditional), had asked their doctor to recommend a less costly prescription drug (39% CDHP vs. 34% traditional), had developed a budget to manage health care expenses (32% CDHP vs. 15% traditional), and had checked the price of service before getting care (35% CDHP vs. 25% traditional).

Findings also indicated that CDHP enrollees were more likely than traditional plan participants to take advantage of a wellness program. Just over 70% of CDHP enrollees reported undergoing a health risk assessment, compared with 56% of traditional plan enrollees, and 53% of CDHP enrollees said they had taken part in a health promotion program, compared with 42% of traditional plan enrollees. In addition, 41% of CDHP participants reported that their employer offered a health risk assessment, compared with 31% of traditional plan enrollees and 22% of HDHP enrollees. The survey also showed that about 60% of CDHP enrollees, compared with 50% of traditional plans enrollees, would consider moving to physicians who use potentially cost-saving health information technology.

At the same time, however, the 2009 survey, in line with previous surveys, found that traditional plan enrollees were more likely than CDHP and HDHP enrollees to report feeling extremely or very satisfied with the overall plan. The study's authors speculated that the greater out-of-pocket costs associated with high-deductible plans may explain the differences in overall satisfaction levels between traditional plan, HDHP, and CDHP participants.



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