

MERCER



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2007 Mercer National Survey of Employer-Sponsored Health Plans

Special report for
Leon County Government



A special report from the 2007 Mercer National Survey of Employer-Sponsored Health Plans

Total health benefit cost rose by 6.1 percent in 2007, to an average of \$7,983 per employee. Cost increases have held steady for three years (after spiking to nearly 15 percent in 2002) and are likely to slow a bit further in 2008, to 5.7 percent. However, that's still well above the rate of inflation.

One factor behind the stable trend is continued cost shifting. Among large employers (those with 500 or more employees), average in-network PPO deductibles rose by about 11 percent. Higher enrollment in consumer-directed health plans, the type of medical plan with the lowest cost by far, also helped to slow cost growth. In 2007, the percentage of all covered employees enrolled in a CDHP (based on either a Health Savings Account or a Health Reimbursement Account) rose from 3 percent to 5 percent. These plans are offered by 14 percent of all large employers (up from 11 percent) and 41 percent of those with 20,000 or more employees (up from 37 percent).

We may also be seeing the impact of longer-term strategies aimed at lowering cost by improving employee health. The survey found that 80 percent of large employers use health management programs as a way to control cost and improve productivity, while 52 percent are actively promoting employee consumerism – and that the majority of employers using these strategies say they have been successful. In addition, other survey results suggest that health benefit utilization may be slowing: Employers predicted that if they made no changes at all in their largest medical plan, cost would rise by about 8 percent in 2008. In the two prior surveys, they predicted that if they made no changes cost would rise by 9 percent in 2007 and by 10 percent in 2006.

Using a scientific random sample and supplemental convenience sample, we collected data from 2,945 employers with 10 or more employees. The national and regional results are based on the random sample only and are weighted to be projectable. However, results from city, state and other special employer groups include the convenience sample and are unweighted.

NUMBER OF PARTICIPANTS

National 500+	1832
South 500+	597
Government 500+	221
County 500+	103

(Note that Counties are a subset of the Government grouping.)

GEOGRAPHIC REGIONS USED IN THIS SURVEY



EMPLOYER PROFILE

Demographics

	National		Government	
	500+	South 500+	500+	County 500+
Average employee age	41	40	42	43
Percentage of female employees	55%	52%	48%	55%
Percentage of union employees	15%	6%	46%	36%

MEDICAL PLAN PREVALENCE

Type of medical plan offered

Percentage of employers offering each type of medical plan

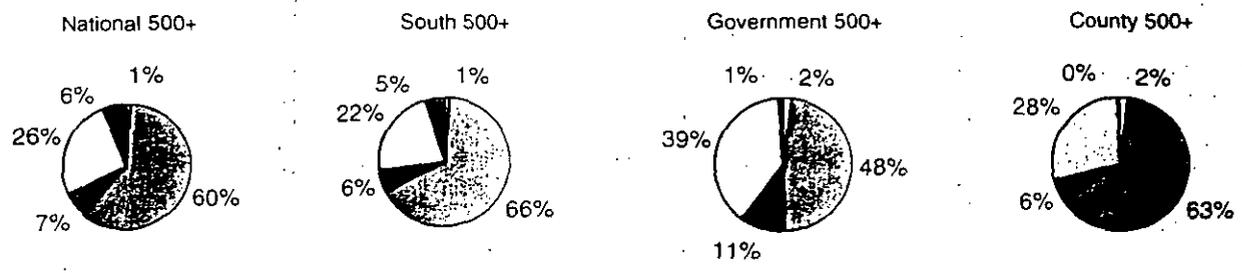
	National		Government	
	500+	South 500+	500+	County 500+
Indemnity	10%	7%	7%	11%
PPO	86%	89%	91%	88%
POS	14%	11%	9%	15%
HMO	39%	28%	37%	51%
Consumer-directed health plan (CDHP)*	14%	15%	6%	9%

*Includes both HRA- and HSA-based CDHPs.

Employee enrollment

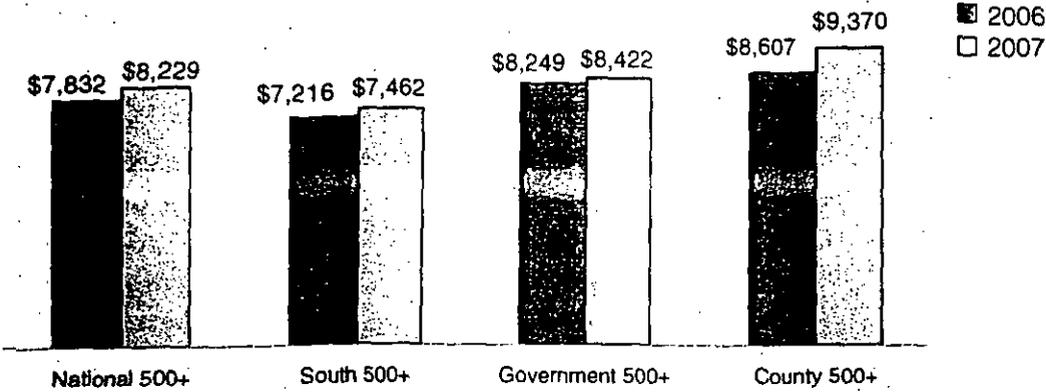
Percentage of all covered employees enrolled in each type of medical plan

Legend: Indemnity (white), PPO (light gray), POS (medium gray), HMO (dark gray), CDHP (black)



TOTAL HEALTH BENEFIT COST

Average total health benefit cost* per employee



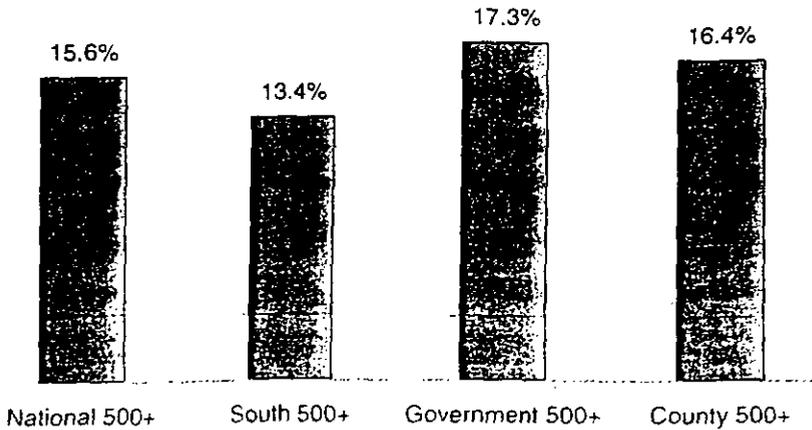
*Total health benefit cost includes medical, dental, Rx, and specialty benefits

Expected average increase in total health benefit cost for 2008:

	National 500+	South 500+	Government 500+	County 500+
Before making changes*	8.0%	8.3%	8.4%	9.2%
After making changes*	5.9%	5.7%	6.8%	5.8%

*Based on plan design or health plan vendor

Average total health benefit cost as a percentage of payroll for 2006



EMPLOYEE CONTRIBUTIONS

Individual coverage

Average monthly contribution for individual coverage (\$)

	National		Government	
	500+	South 500+	500+	County 500+
PPO	\$89	\$88	\$59	\$54
POS	\$106	\$115	ID	\$37
HMO	\$86	\$91	\$62	\$46
CDHP	\$69	\$75	ID	\$24
Dental	\$17	\$18	\$17	\$15

Average contribution for individual coverage (% of premium)

	National		Government	
	500+	South 500+	500+	County 500+
PPO	23%	24%	14%	12%
POS	25%	29%	ID	12%
HMO	23%	24%	17%	17%
CDHP	25%	27%	ID	8%
Dental	56%	64%	57%	53%

Family coverage*

Average monthly contribution for family coverage (\$)

	National		Government	
	500+	South 500+	500+	County 500+
PPO	\$331	\$359	\$256	\$234
POS	\$347	\$442	\$268	\$179
HMO	\$333	\$401	\$321	\$249
CDHP	\$274	\$337	ID	\$202
Dental	\$51	\$56	\$51	\$47

Average contribution for family coverage (% of premium)

	National		Government	
	500+	South 500+	500+	County 500+
PPO	34%	39%	29%	28%
POS	33%	40%	21%	17%
HMO	34%	40%	38%	30%
CDHP	33%	40%	ID	30%
Dental	59%	67%	70%	66%

*Family coverage is defined as coverage for employee, spouse, and two children

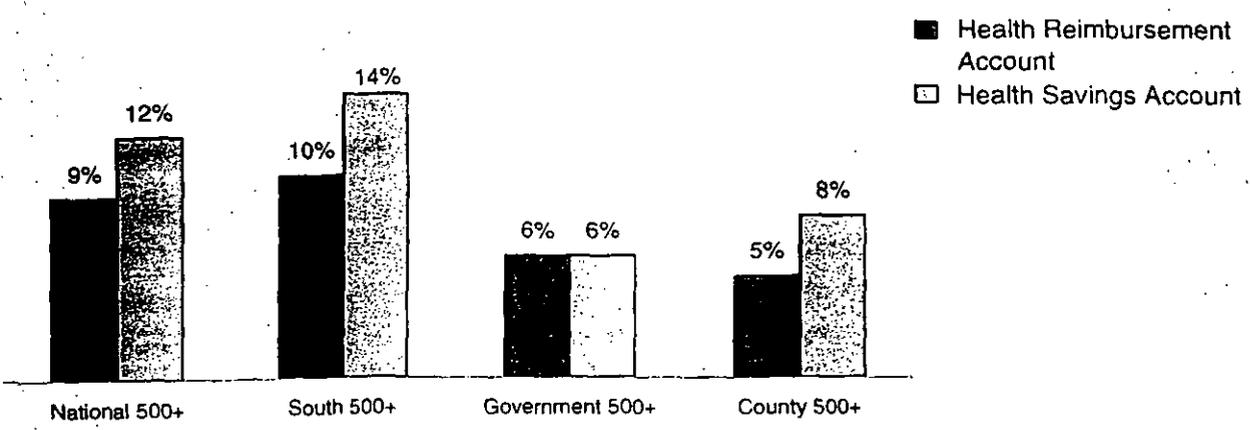
AVERAGE ELIGIBILITY, ELECTION

	National 500+	South 500+	Government 500+	County 500+
of employees waiving own coverage	17%	19%	5%	9%
of employers offering incentive to waive coverage	21%	13%	17%	29%
for part-time employees				
of coverage to part-time employees*	62%	55%	45%	59%
Average number of hours/week needed to qualify	23	24	23	23
of benefits, contributions are same for PTEs, FTEs (when PTE coverage is provided)	49%	57%	58%	51%
of dependent coverage				
that include spousal coverage provisions	10%	11%	9%	11%
for same-sex domestic partner coverage	34%	18%	21%	18%
of employees electing dependent coverage	56%	53%	55%	50%

among employers that have part-time employees

STRATEGIC PLANNING

How likely to offer account-based CDHP in 2008



Will offer an account-based CDHP in next five years

	National 500+	South 500+	Government 500+	County 500+
as the only type of plan offered	6%	6%	2%	2%
alongside other medical plan choices	51%	47%	58%	51%

Employee premium contribution varies based on:

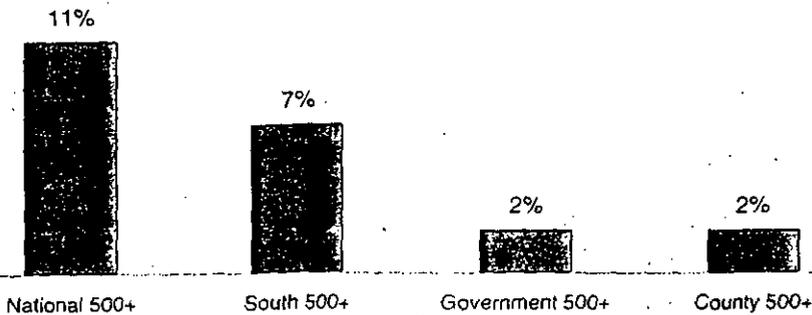
	National 500+	South 500+	Government 500+	County 500+
Smoker status	5%	8%	2%	5%
Weight category	<1%	1%	0%	0%
Participation in smoking or weight-loss program	2%	2%	2%	1%

STRATEGIC PLANNING, LARGE EMPLOYERS**Types of health information provided to employees***

	National 500+	South 500+	Government	
			500+	County 500+
Information on health conditions	61%	67%	57%	68%
Information on provider quality	22%	25%	20%	23%
Ability to help members select plan based on expected utilization	21%	26%	15%	18%
Individual provider cost	30%	29%	26%	32%

Mini-med plans for part-time employees / employees not eligible for health plan*

	National 500+	South 500+	Government	
			500+	County 500+
Currently offer	7%	9%	1%	1%
Do not offer, but considering for 2008 or 2009	6%	5%	2%	4%

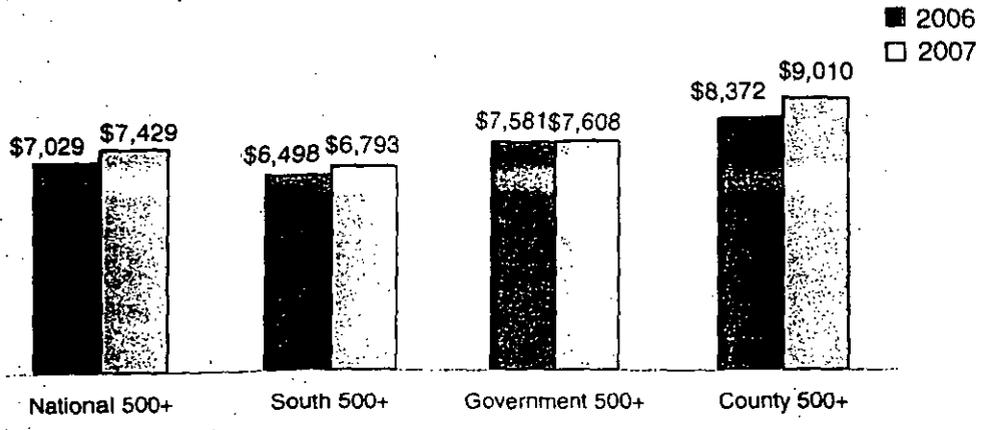
Use salary-based cost-sharing***Use strategy to control cost / improve workforce health & productivity***

	National 500+	South 500+	Government	
			500+	County 500+
Consumerism	52%	49%	46%	55%
Health management	80%	83%	84%	84%
Evidence-based plan design	20%	20%	21%	21%
Performance transparency	12%	12%	9%	12%
High-performance networks	11%	15%	12%	17%
Collective purchasing for medical or Rx	21%	16%	33%	22%
Making workforce health a core value	29%	27%	26%	30%
Using a data warehouse	24%	24%	20%	29%

*Based on employers with 500 or more employees.

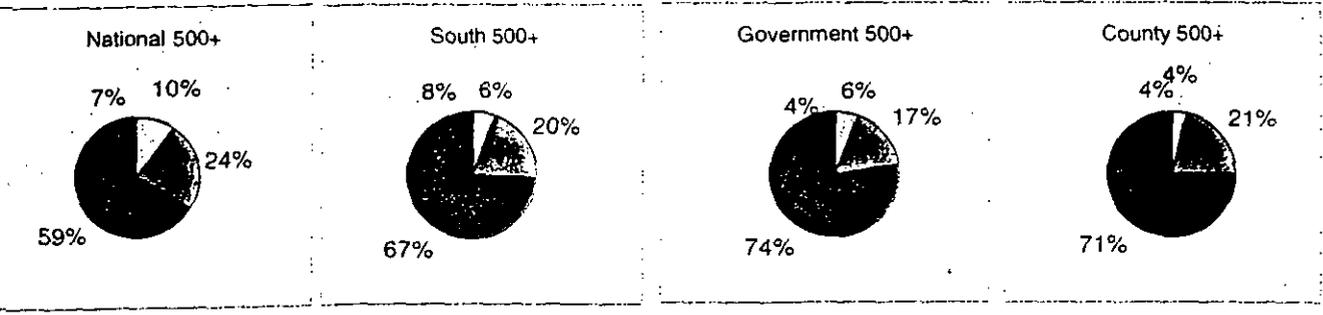
DEFERRED PROVIDER ORGANIZATION (PPO) – COST AND FUNDING

Average PPO cost per employee, for active employees



PPO funding method

- Conventionally insured
- Experience-rated
- Self-funded with stop-loss
- Self-funded without stop-loss



DEFERRED PROVIDER ORGANIZATION (PPO) - PLAN DESIGN

Physician visit cost-sharing

In-network physician visit cost-sharing

	National		Government	
	500+	South 500+	500+	County 500+
% requiring copay	81%	82%	82%	81%
% requiring coinsurance	20%	20%	19%	22%
% cost-sharing is required	3%	3%	2%	2%
Median copay amount	\$20	\$20	\$20	\$20

Out-of-network physician visit cost-sharing

	National		Government	
	500+	South 500+	500+	County 500+
% requiring copay	14%	11%	10%	16%
% requiring coinsurance	86%	90%	95%	86%
% cost-sharing is required	3%	2%	1%	2%
Median coinsurance amount	30%	35%	30%	30%

Deductibles

Individual deductible

	National		Government	
	500+	South 500+	500+	County 500+
% requiring for in-network services	77%	85%	69%	73%
Median in-network deductible	\$300	\$300	\$300	\$300
% requiring for out-of-network services	95%	97%	96%	92%
Median out-of-network deductible	\$500	\$500	\$500	\$500

Family deductible

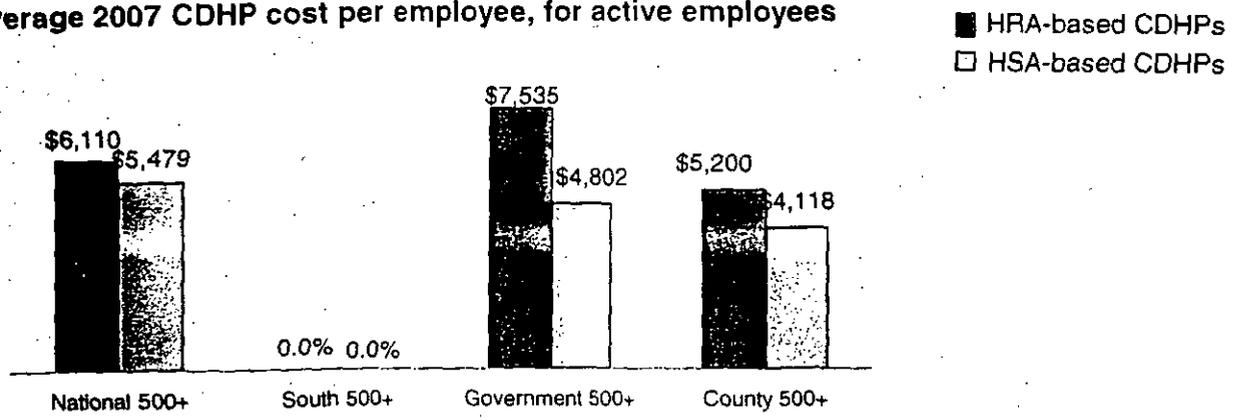
	National		Government	
	500+	South 500+	500+	County 500+
% requiring for in-network services	76%	85%	67%	72%
Median in-network deductible	\$800	\$900	\$600	\$700
% requiring for out-of-network services	94%	95%	94%	91%
Median out-of-network deductible	\$1,200	\$1,500	\$1,500	\$1,000

Out-of-pocket maximums for individuals

	National		Government	
	500+	South 500+	500+	County 500+
Median for in-network services	\$2,000	\$2,000	\$1,500	\$1,550
Median for out-of-network services	\$3,250	\$4,000	\$2,500	\$3,000

EMPLOYEE-DIRECTED HEALTH PLANS (EDHP)

Average 2007 CDHP cost per employee, for active employees



Average % of eligible employees enrolled*

	National 500+	South 500+	Government 500+	County 500+
HRA-based CDHP	25%	25%	ID	3%
HSA-based CDHP	16%	23%	ID	8%

*when CDHP is offered as an option

Plan design

HRA-based CDHP

Employee-only coverage

	National 500+	South 500+	Government 500+	County 500+
Median employer contribution to account	\$500	\$500	ID	\$775
Median deductible for overlaying insurance	\$1,250	\$1,250	ID	\$1,250
Median out-of-pocket maximum	\$2,500	\$2,799	ID	\$2,750

Family coverage

	National 500+	South 500+	Government 500+	County 500+
Median employer contribution to account	\$1,150	\$1,000	ID	\$1,150
Median deductible for overlaying insurance	\$2,500	\$2,500	ID	\$3,000
Median out-of-pocket maximum	\$5,000	\$5,500	ID	\$7,250

HSA-based CDHP

Employee-only coverage

	National 500+	South 500+	Government 500+	County 500+
% of employers making an account contribution	65%	66%	ID	75%
Median employer contribution to account*	\$500	\$750	ID	\$600
Median deductible for overlaying insurance	\$1,500	\$1,500	ID	\$1,350
Median out-of-pocket maximum	\$3,000	\$3,000	ID	\$3,485

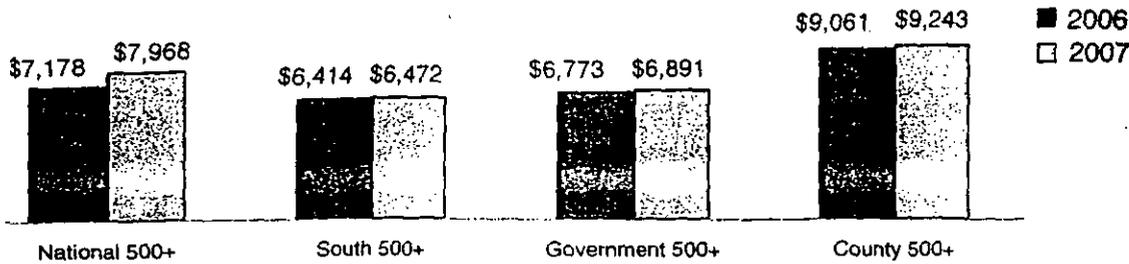
Family coverage

	National 500+	South 500+	Government 500+	County 500+
Median employer contribution to account*	\$1,000	\$1,500	ID	\$1,100
Median deductible for overlaying insurance	\$3,000	\$3,600	ID	\$2,500
Median out-of-pocket maximum	\$5,600	\$6,000	ID	\$6,970

*among employers making an account contribution

NET-OF-SERVICE PLANS (POS)

Average POS plan cost per employee, for active employees

**Physician visit cost-sharing****In-network physician visit cost-sharing**

	National 500+	South 500+	Government 500+	County 500+
requiring copay	94%	99%	74%	91%
requiring coinsurance	4%	1%	9%	18%
no cost-sharing is required	4%	1%	21%	0%
Median copay amount	\$15	\$20	\$15	\$15

Out-of-network physician visit cost-sharing

	National 500+	South 500+	Government 500+	County 500+
requiring copay	25%	10%	18%	33%
requiring coinsurance	80%	96%	85%	78%
no cost-sharing is required	2%	1%	4%	0%
Median coinsurance amount	30%	40%	30%	30%

Deductibles**Individual deductible**

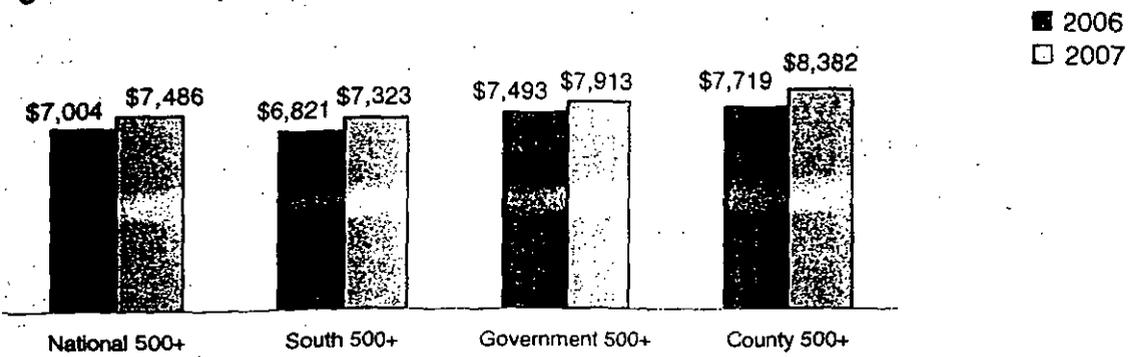
	National 500+	South 500+	Government 500+	County 500+
% requiring for in-network services	37%	73%	45%	27%
Median in-network deductible	\$400	ID	ID	\$150
% requiring for out-of-network services	93%	96%	91%	91%
Median out-of-network deductible	\$500	\$500	\$250	\$350

Family deductible

	National 500+	South 500+	Government 500+	County 500+
% requiring for in-network services	35%	62%	45%	27%
Median in-network deductible	\$800	ID	ID	\$450
% requiring for out-of-network services	93%	96%	91%	91%
Median out-of-network deductible	\$1,000	\$1,000	\$600	\$775

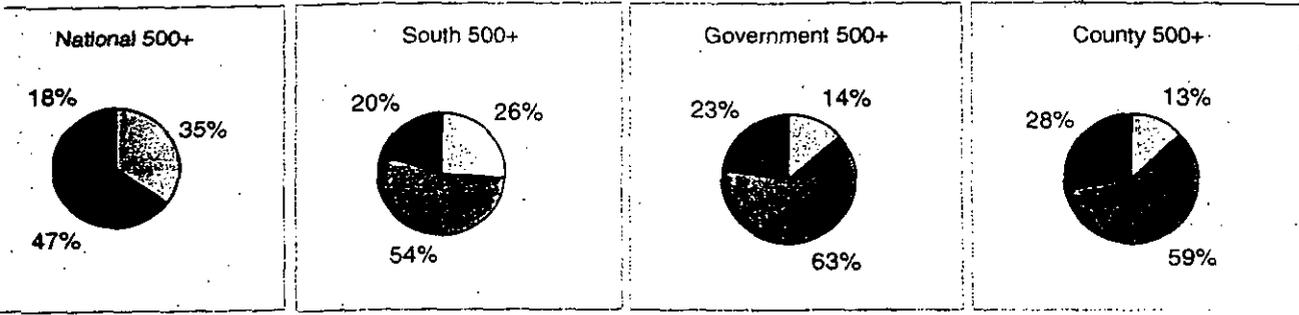
LTH MAINTENANCE ORGANIZATION (HMO)

verage HMO cost per employee, for active employees



unding method

Insured – community-rated
 Insured – experience-rated
 Self-funded



verage % of employees enrolled in HMO*

	National 500+	South 500+	Government 500+	County 500+
Percentage	54%	48%	52%	55%

ong employers offering HMO(s)

MO copays and deductibles

hysician copay

requiring physician copay
edian copay amount

	National 500+	South 500+	Government 500+	County 500+
Percentage requiring copay	98%	99%	96%	96%
Median copay amount	\$15	\$20	\$15	\$15

mergency room visit copay

requiring emergency room visit copay
edian copay amount

	National 500+	South 500+	Government 500+	County 500+
Percentage requiring copay	95%	99%	99%	98%
Median copay amount	\$75	\$75	\$75	\$75

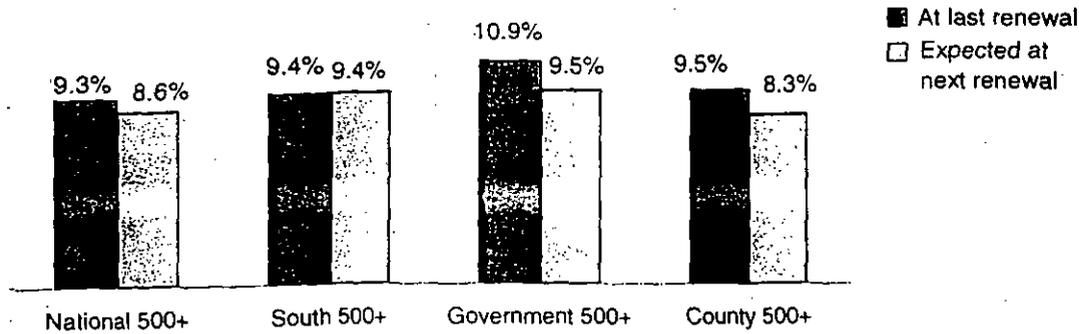
ospital deductible

requiring hospital deductible
edian deductible amount

	National 500+	South 500+	Government 500+	County 500+
Percentage requiring deductible	55%	66%	51%	43%
Median deductible amount	\$250	\$250	\$300	\$250

PRESCRIPTION DRUG (RX) BENEFITS*

Percentage change for prescription drug benefit



Percentage of employers offering a prescription drug plan

Retail card
Mail-order

	National 500+	South 500+	Government 500+	County 500+
Retail card	63%	65%	63%	71%
Mail-order	91%	89%	93%	95%

Percentage of employers with employee cost-sharing requirements for prescription drug plans

Retail card
Same level for all drugs
Two levels: generic, brand
Three levels: generic, formulary, non-formulary
Four or more levels
Use coinsurance for 1 or more drug categories

	National 500+	South 500+	Government 500+	County 500+
Same level for all drugs	3%	4%	1%	1%
Two levels: generic, brand	17%	16%	13%	14%
Three levels: generic, formulary, non-formulary	72%	74%	83%	74%
Four or more levels	5%	5%	2%	7%
Use coinsurance for 1 or more drug categories	20%	19%	15%	20%

Mail-order
Same level for all drugs
Two levels: generic, brand
Three levels: generic, formulary, non-formulary
Four or more levels
Use coinsurance for 1 or more drug categories

	National 500+	South 500+	Government 500+	County 500+
Same level for all drugs	8%	5%	25%	3%
Two levels: generic, brand	17%	14%	13%	20%
Three levels: generic, formulary, non-formulary	68%	72%	53%	67%
Four or more levels	4%	6%	6%	7%
Use coinsurance for 1 or more drug categories	15%	14%	20%	14%

Average copayments in prescription drug plans

Average copayment among employers with three-tier plans

Retail card
Generic
Brand-name formulary
Brand-name non-formulary

	National 500+	South 500+	Government 500+	County 500+
Generic	\$10	\$10	\$7	\$9
Brand-name formulary	\$25	\$29	\$24	\$23
Brand-name non-formulary	\$42	\$45	\$39	\$38

Mail-order
Generic
Brand-name formulary
Brand-name non-formulary

	National 500+	South 500+	Government 500+	County 500+
Generic	\$19	\$21	\$16	\$16
Brand-name formulary	\$48	\$57	\$44	\$41
Brand-name non-formulary	\$79	\$87	\$71	\$70

*Offered to employees enrolled in the largest medical plan of any type

SPECIALTY MEDICAL BENEFITS*

Fertility coverage provided

	National		Government	
	500+	South 500+	500+	County 500+
Evaluation by a specialist	54%	43%	46%	57%
Infertility therapy	35%	28%	26%	33%
In vivo fertilization	22%	13%	15%	27%
In vitro fertilization	21%	12%	15%	21%
Advanced reproductive procedures	9%	6%	5%	6%
Fertility services are not covered	41%	52%	52%	39%

Alternative medicine therapies coverage provided

	National		Government	
	500+	South 500+	500+	County 500+
Chiropractic/Acupuncture	33%	27%	22%	27%
Biofeedback	9%	7%	15%	11%
Chiropractic	85%	84%	95%	92%
Herbal medicine	12%	8%	15%	16%
Massage therapy	19%	12%	16%	14%
Alternative therapies are not covered	13%	15%	5%	7%

Disease management programs offered

	National		Government	
	500+	South 500+	500+	County 500+
Asthma/COPD	49%	51%	42%	61%
Cancer	43%	49%	37%	52%
Depression	34%	35%	34%	52%
Diabetes	63%	65%	71%	68%
Heart disease/Hypertension	55%	60%	50%	69%
Low-back pain	29%	30%	27%	41%
Obesity	32%	33%	29%	49%
Rare disease	23%	23%	18%	35%
Renal disease	32%	33%	33%	47%
Any disease management program	67%	71%	76%	75%

*Offered to employees enrolled in the largest medical plan of any type

QUALITY MEDICAL BENEFITS, CONTINUED

Case management programs offered

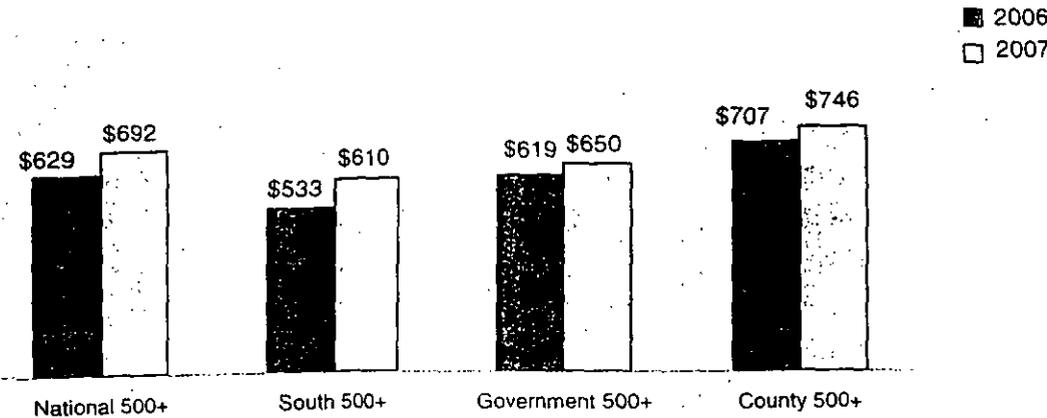
	National		Government	
	500+	South 500+	500+	County 500+
Case management	76%	80%	86%	90%
Out-of-life case management	42%	45%	46%	60%
With advocate services	38%	38%	43%	51%
With risk assessment (HRA)	56%	58%	64%	78%
With website	78%	80%	68%	87%
24-hour advice line	67%	65%	59%	74%
Targeted behavior modification	30%	31%	36%	52%

Incentives to encourage participation in care management program(s)

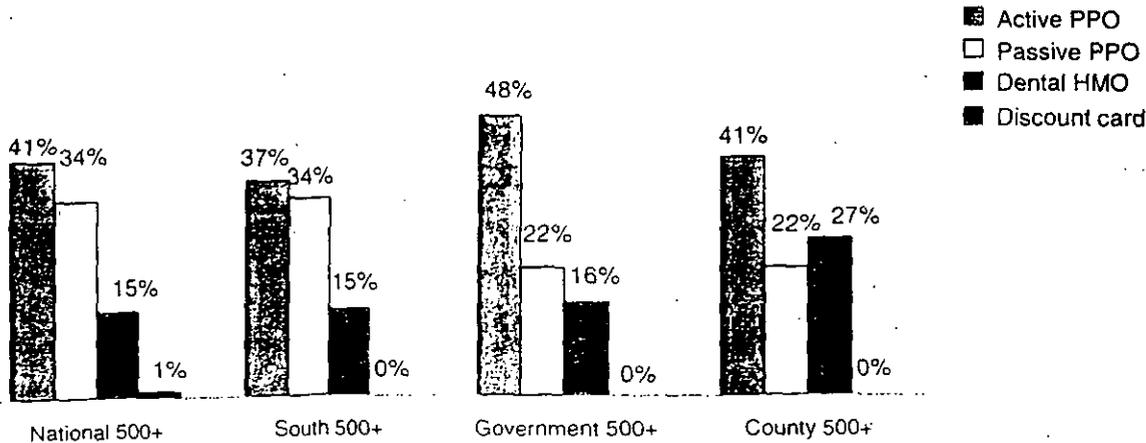
	National		Government	
	500+	South 500+	500+	County 500+
Incentives to encourage participation in care management program(s)	23%	23%	28%	28%

FINANCIAL BENEFITS

Average cost of dental coverage, per employee



Type of dental plan offered



TAL BENEFITS, CONTINUED

er dental coverage is provided

	National		Government	
	500+	South 500+	500+	County 500+
of medical plan	13%	15%	11%	12%
standing plan	88%	85%	91%	91%

ntal plan design

	National		Government	
	500+	South 500+	500+	County 500+
dian deductible	\$50	\$50	\$50	\$50
dian maximum, annual benefit	\$1,250	\$1,250	\$1,000	\$1,500

HER BENEFITS

vide employee assistance program

	National		Government	
	500+	South 500+	500+	County 500+
	76%	73%	75%	87%

ffer vision coverage

	National		Government	
	500+	South 500+	500+	County 500+
	66%	68%	72%	63%

ong-term care coverage

	National		Government	
	500+	South 500+	500+	County 500+
mployee pays full cost	24%	27%	33%	20%
mployer contributes to the cost	4%	4%	3%	3%
to LTC coverage offered	72%	69%	64%	77%

lexible spending accounts (FSA)

health care FSA

	National		Government	
	500+	South 500+	500+	County 500+
% offering health care FSA	79%	77%	68%	79%
Average employee participation	21%	17%	22%	17%

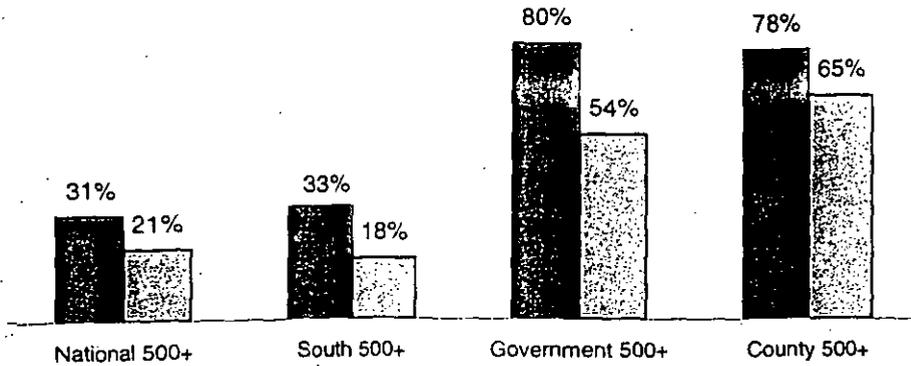
Dependent care FSA

	National		Government	
	500+	South 500+	500+	County 500+
% offering dependent care FSA	80%	79%	68%	82%
Average employee participation	6%	4%	6%	4%

FREE HEALTH CARE

Free retiree coverage*

■ To pre-Medicare-eligible retirees
□ To Medicare-eligible retirees

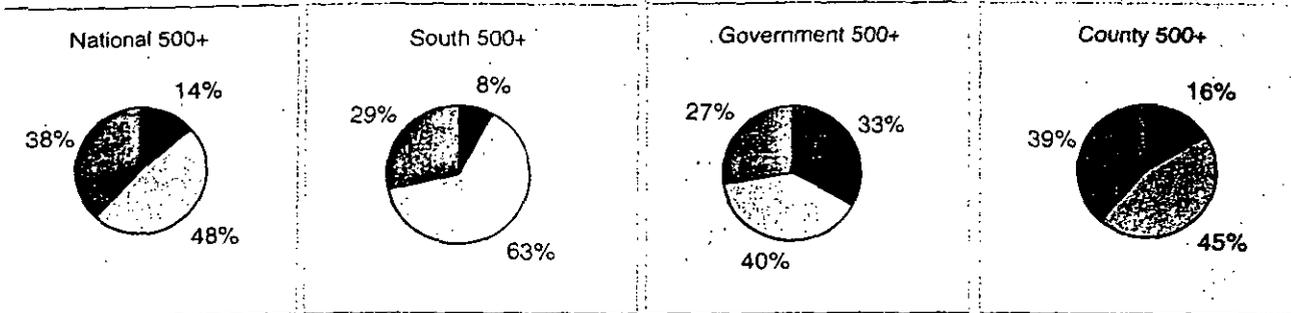


most retirees, on an ongoing basis (new hires will be eligible)

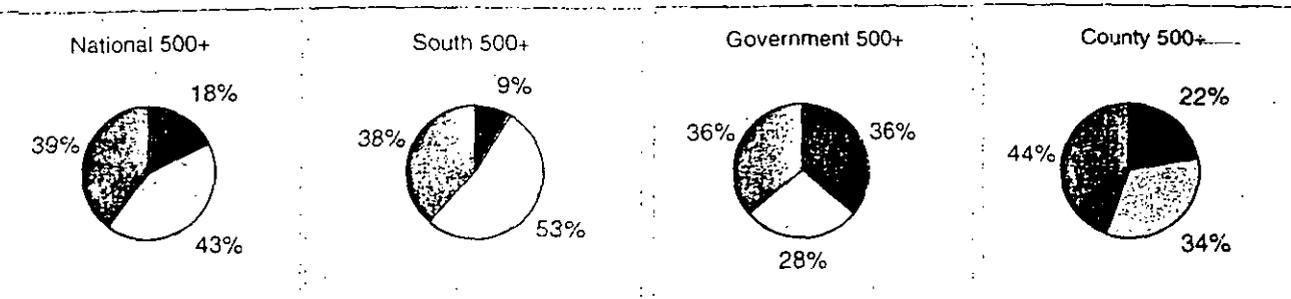
Contribution requirements for retiree-only coverage

■ Employer pays all
□ Cost is shared
■ Retiree pays all

Pre-Medicare-eligible retirees



Medicare-eligible retirees



FREE HEALTH CARE, CONTINUED

average contribution* as a percent of premium, when cost is shared

	National		Government	
	500+	South 500+	500+	County 500+
Medicare-eligible retirees	33%	35%	32%	33%
Medicare-eligible retirees	31%	28%	33%	30%

Medicare-only coverage

Average services provided

	National		Government	
	500+	South 500+	500+	County 500+
Outpatient prescription drug – pre-Medicare-eligible	96%	96%	98%	98%
Outpatient – pre-Medicare-eligible	54%	58%	55%	73%
Outpatient – Medicare-eligible	45%	53%	51%	71%
Inpatient – pre-Medicare-eligible	38%	46%	45%	61%
Inpatient – Medicare-eligible	31%	45%	38%	56%

Current approach to Medicare Part D Prescription Drug Benefit

	National		Government	
	500+	South 500+	500+	County 500+
Do not receive 28% subsidy for all/most covered retirees	42%	42%	36%	38%
Offer a plan that wraps around a PDP	14%	8%	17%	15%
Contract with vendor to offer PDP or MA-PD plan	3%	3%	5%	3%
Contract with CMS to become a PDP	<1%	0%	2%	3%
Discontinue drug coverage, continue to offer medical	9%	15%	1%	0%
Continue to provide drug coverage through standard plan and do not receive subsidy	17%	19%	24%	31%

DEFINITIONS

Total health benefit cost per employee is the total gross cost for all medical, dental, prescription drug, HSA, vision and hearing benefits for all active employees and their covered dependents, divided by the total number of covered employees only. Total gross annual cost includes employee contributions but not employee out-of-pocket expenses.

Medical plan cost per employee is the total gross cost for medical plans, divided by the total number of covered employees. Prescription drug, mental health, vision and hearing benefits for all active employees and their covered dependents are included if part of the plan. Dental benefits, even if a part of the plan, are not included in these costs.

Consumer-Directed Health Plan, employees use spending accounts (a Health Reimbursement Account or Health Savings Account) to purchase routine health care services directly. Non-routine expenses covered by traditional insurance after members meet a generally high deductible. Online health and financial tools are generally provided. In this report, unless otherwise specified, CDHP results include both HRA- and HSA-based CDHPs.