

Small Employers Lead CDHP Adoption in 2009

2010 Study of Consumer-Directed Health Plan (CDHP) Growth Commissioned by the American Association of Preferred Provider Organizations (AAPPO)

OVERVIEW OF FINDINGS: CONTINUED GROWTH



Once again, Consumer-directed health plans (CDHP) were the only type of health insurance plan that grew in 2009, according to an American Association of Preferred Provider Organizations (AAPPO)-sponsored analysis of the Mercer National Survey of Employer-Sponsored Health Plans. Using Census Bureau estimates of the number of Americans with private health insurance and Mercer data on CDHP enrollment in employer-sponsored plans, AAPPO estimates that 18 million people were enrolled in CDHPs in 2009, up from 14 million in 2008 – an increase of more than 28 percent.

Small employers were the major driver for the rise in CDHP enrollment in 2009, from 9% in 2008 to 15% in 2009. This increase was a direct result of smaller employers seeking the cost savings inherent in CDHPs to reduce their overall health care costs.

From a regional perspective, CDHPs grew most strongly in the Midwest (from 9% in 2008 to 20% in 2009) and the South (from 8% in 2008 to 18% in 2009).

Given that CDHP growth was flat for large employers, the growth seen among small employers drove the overall CDHP growth for 2009. Small employer CDHP enrollments have now surpassed those of large employers as a percentage of all covered employees.

Particularly notable this year is data showing that while employers prefer to offer health savings accounts (HSAs) versus health reimbursement accounts (HRAs), employees prefer HRA-based plans. CDHPs typically include a high-deductible medical insurance plan and an employer-sponsored HRA or an HSA. In 2009, 14% of large employers offered HSAs and 8% offered HRAs. Yet 27% of eligible employees at large employers enrolled in HRA-based plans in 2009 as opposed to 16% who enrolled in HSA-based plans. This is likely due to the fact that not all HSA sponsored plans provide a contribution to the employee account.

Percent of employers offering a CDHP:	Very Likely to Offer in 2010		
	2008	2009	
All employers (10+ employees)	10%	15%	18%
Small employers (10-499 employees)	9%	15%	18%
Large employers (500+ employees)	20%	20%	24%
Very large employers (20,000+ employees)	45%	43%	47%

Source: Mercer National Survey of Employer-Sponsored Health Plans

Employees Prefer HRAs

Average CDHP Enrollment when Offered as an Option



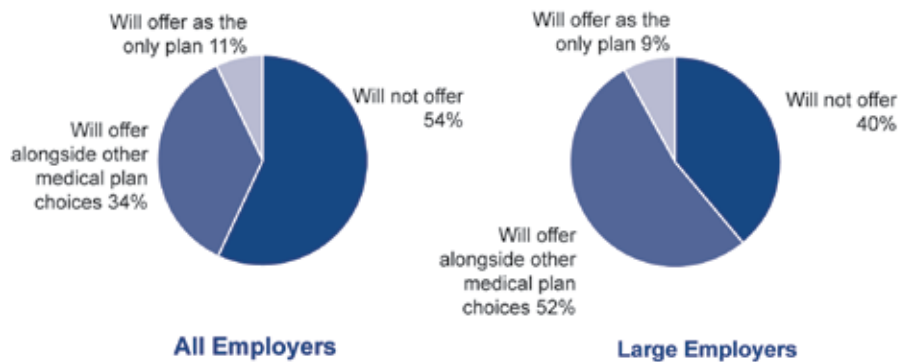
Final results from Mercer's National Survey of Employer-Sponsored Health Plans 2009

Employers Prefer to Offer HSA-Based CDHPs

	Offered in 2009			Very Likely to Offer in 2010		
	HSA	HRA	Either	HSA	HRA	Either
Small employers	13%	3%	15%	13%	8%	18%
Large employers	14%	8%	20%	17%	10%	24%
Very large employers	33%	20%	43%	36%	23%	47%

Source: Mercer National Survey of Employer-Sponsored Health Plans

Majority of Employers Expect to Offer CDHPs Five Years from Now



Source: Mercer National Survey of Employer-Sponsored Health Plans

KEY LEARNINGS

Growth in CDHPs Forecast to Continue

- Again, CDHPs were the only type of health insurance plan to show enrollment growth in 2009 as a percentage of all employees covered by health insurance, from 7% to 9%.
- Small employers moved into CDHPs in a significant way in 2009, with offerings rising from 9% to 15%.
- Adoption of CDHPs by large employers stalled in 2009.
- Among all employers, 46% expected to offer a CDHP in the next five years either as the only plan offered or alongside other medical plans.