

THE HEALTH CARE REFORM SURVEY 2010

 **Diamond**[®]
Management & Technology Consultants

Willis

TABLE OF CONTENTS

HEALTH CARE REFORM SURVEY OVERVIEW

OBJECTIVES3

PURPOSE4

EXECUTIVE SUMMARY5

DETAILED INFORMATION AREAS

SECTION 1: CURRENT BENEFITS PRACTICES6

SECTION 2: REACTIONS TO GROUP HEALTH PLAN

PROVISIONS/REQUIREMENTS13

SECTION 3: GENERAL PERSPECTIVE ON HEALTH CARE REFORM24

APPENDIX

FINAL SAMPLE SPREAD AND RESPONDENT PROFILES27

COMPARISON OF GROUP HEALTH PLAN SOURCES31

OBJECTIVES

The primary objectives of the Health Care Reform 2010 Survey are to determine US Employers' perceptions of the Health Care Reform Law (Patient Protection and Affordable Care Act), as well as to study its potential impact on employers' future benefit strategies.

MORE SPECIFICALLY, THE SURVEY AIMS TO IDENTIFY:

- **Employer perceptions of the Health Care Reform legislation:**
The general perception employers have regarding the impact of Health Care Reform on their benefit plans.
- **The actual impact on employers' medical benefit plans and how that will affect their employees, recruiting and retention:**
What actions employers of various sizes and in different industries are considering to mitigate these effects.
- **Employers' needs:**
Employers' awareness of Health Care Reform details, employer concerns and information needs, current resources for Health Care Reform information and where they expect to find support for Health Care Reform compliance in the future.

This is a combined effort on the part of Willis North America and Diamond. The Diamond/Willis Health Care Reform Survey asked employers what their impressions were regarding the Patient Protection and Affordable Care Act (PPACA) and how the legislation would affect their medical benefit plans, their employees, and recruiting and retention. The survey was designed and executed in strict adherence to the ESOMAR® code of conduct and ethics, and international marketing research guidelines.

Findings from the survey will likely trigger meaningful and informative conversations between employers and their consultants



PURPOSE

TO PROVIDE EMPLOYERS WITH:

- Early and timely support and advice on appropriate short- and long-term solutions
- Education and information to quell any irrational fears, allowing employers to develop plans that address real concerns
- Sharp market insights to help shape future business decisions

Assist **employers** and **insurers** in developing cost-effective and enduring long-term strategies to help them guide **their businesses** through the compliance steps because:

1. As is the case generally, employers don't always have access to all the necessary information to make the best decisions in the long term.
2. Business models and benefit plan structures are likely to change in the future.
3. Health Care Reform has been the subject of much political debate, so it would be easy for decisions to be made on emotional rather than rational grounds. Therefore, employers need more facts to come to a credible solution.

EXECUTIVE SUMMARY

- The survey represented a wide base of employers of different sizes from all industry sectors and regions. Their plans, as represented by the survey, cover over **9 million employees and dependents (including retirees)** – a significant representation of the US employer universe.
- In general, employers support the benefits of expanding the pool of covered individuals with medical coverage and see this as a valuable addition to the US social policy. However, a majority of surveyed employers felt that the Health Care Reform legislation would initially raise the costs for their plans. While employers of all sizes expect to maintain some type of benefit plan for their employees and their families, they nevertheless felt that they would need to take some action to continue to maintain their plans. They determined that those options can include one or more of the following: reducing benefits, reducing the number of eligible employees who have access to the plan, passing on more of the costs to the employees, decreasing ancillary benefits (dental, vision, etc.), or in some extreme cases, considering eliminating benefits altogether.
- In addition, a majority of respondents felt that employers would generally not accept lowered profits on account of the Health Care Reform legislation. This will likely result in employers looking for ways to offset any resulting cost increases.

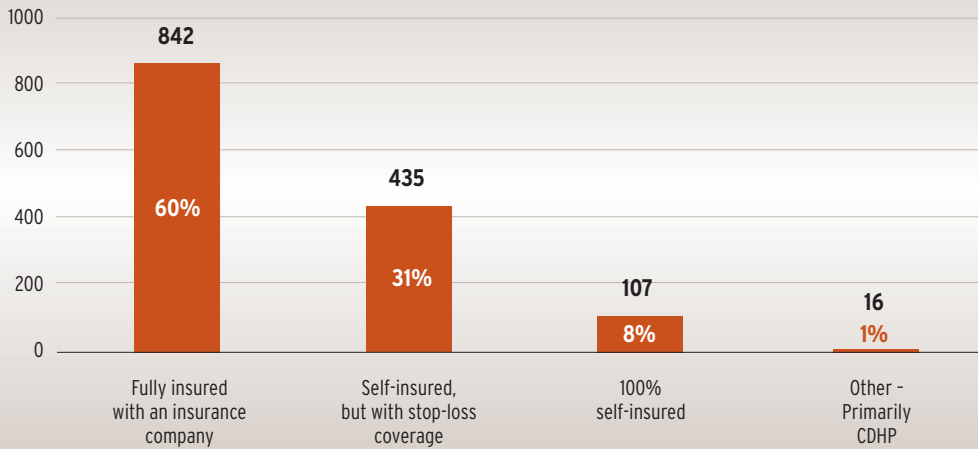
CURRENT BENEFITS PRACTICES: SUMMARY

- The baseline trends regarding current benefits practices validated marketplace expectations
- Review of these practices in detail, particularly by specific segments such as industry sector, employer size, region, etc. helps inform employers and their advisors about the nature of assistance that the employers will require in the very near term regarding the health care reform legislation. A few examples include:
 - Sixty-five percent of responding employers have lifetime benefit limits in place; these employers will need to evaluate their benefits to ensure compliance with the health care reform requirements.
 - Sixty percent of responding employers cover dependent children only until plan-specified limits; these employers will need to comply with the extension of dependent coverage.
 - Eight percent of responding employers have waiting periods in excess of 90 days and will need to reduce their waiting periods.

The survey data confirm that employee group health plan choices are directly correlated with employer size. (1 of 2)

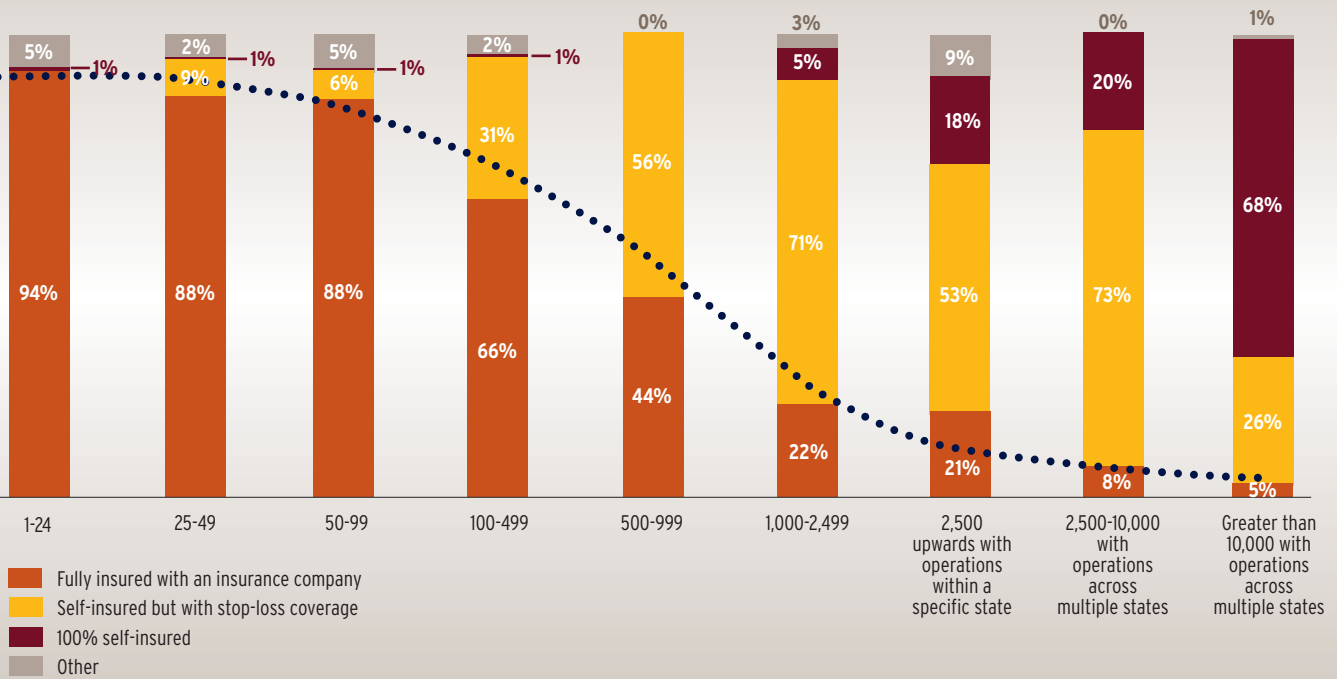
COMPANY'S CURRENT PRIMARY EMPLOYEE GROUP HEALTH PLAN

N=1400



NUMBER OF EMPLOYEES

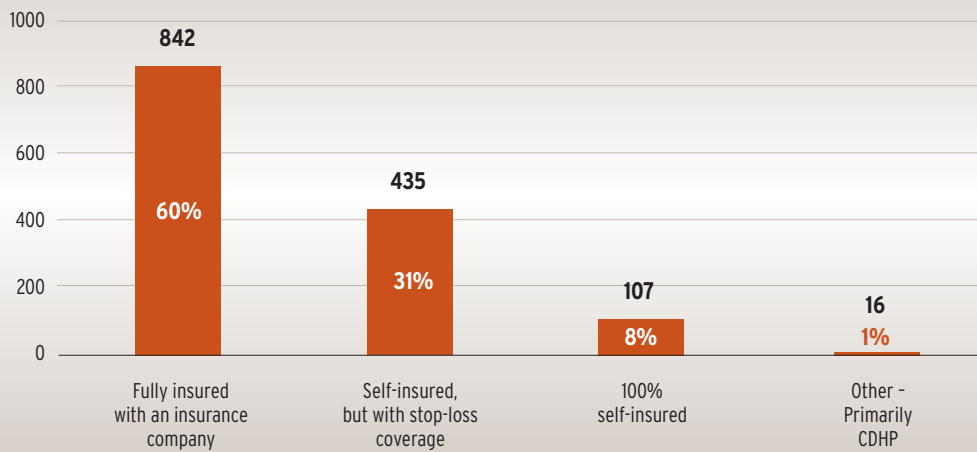
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The survey results show that group health plan choices typically vary by industry.
(2 of 2)

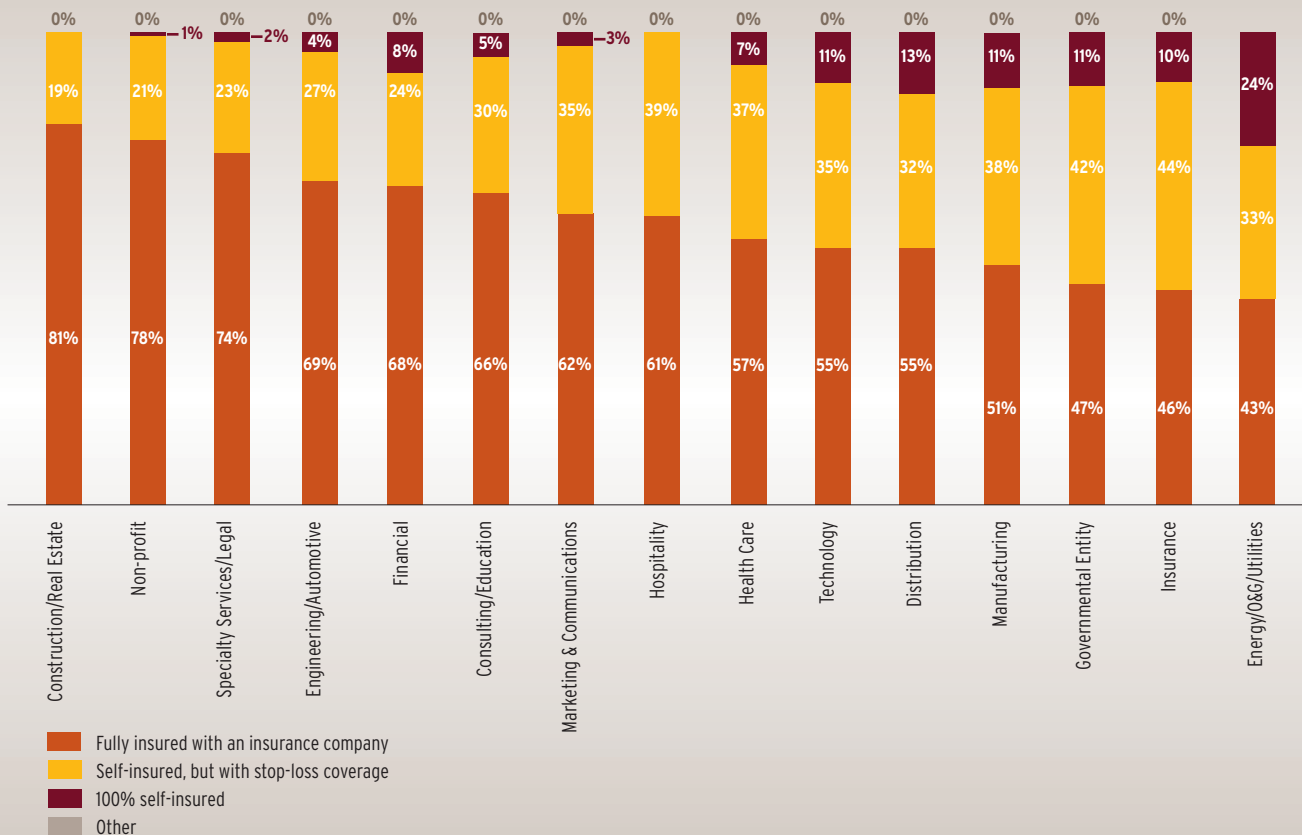
COMPANY'S CURRENT PRIMARY EMPLOYEE GROUP HEALTH PLAN

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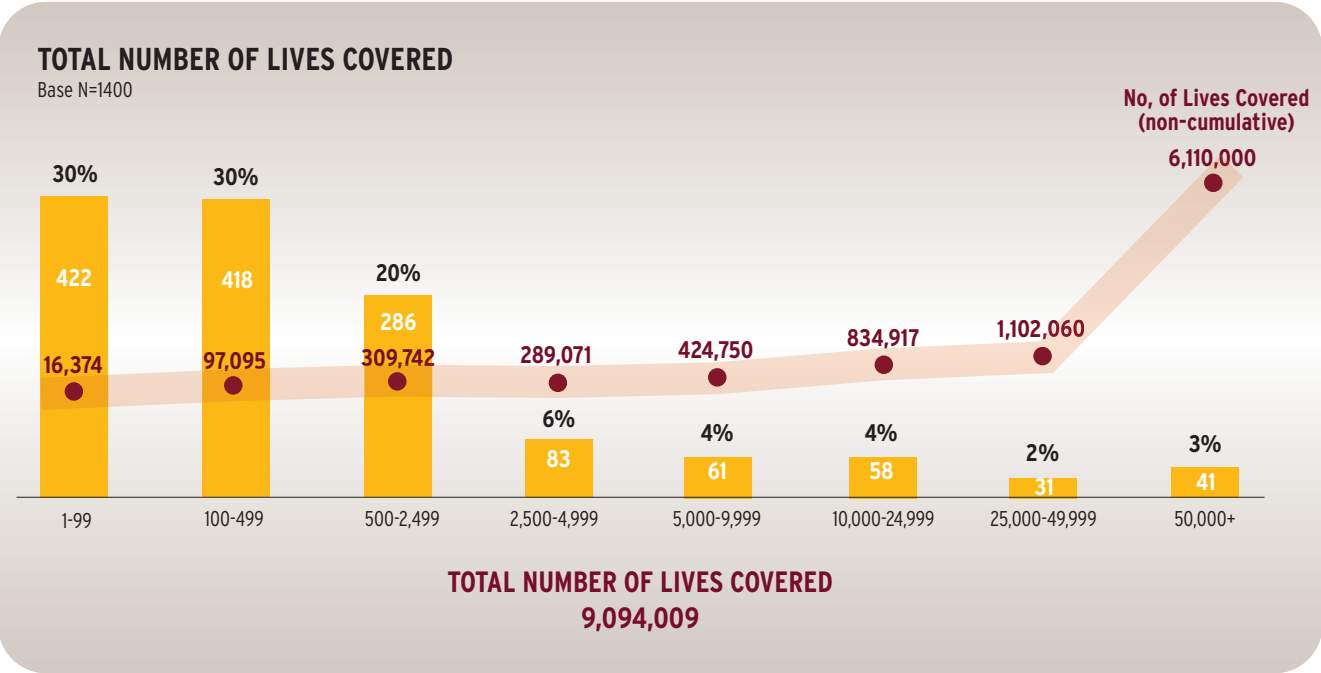


PRIMARY INDUSTRY

N=1400



TOTAL NUMBER OF LIVES COVERED BY CURRENT GROUP HEALTH BENEFIT PLANS



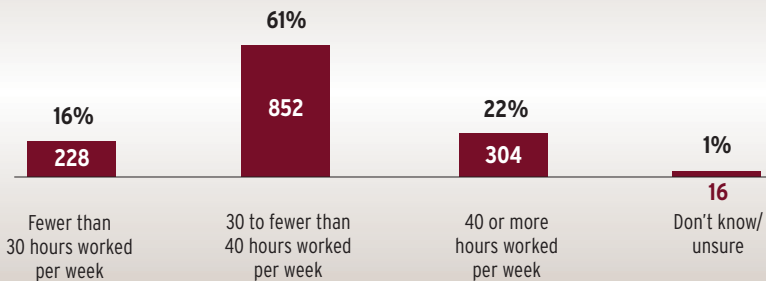
The survey included 1,400 employers with over 9 million employees, dependents, and retirees.

● **Red dots** = Number of covered individuals per employer segment

CURRENT PRIMARY GROUP HEALTH PLAN ELIGIBILITY AND COVERAGE DETAILS OR REQUIREMENTS

CURRENT GROUP PLAN ELIGIBILITY

Base N=1400

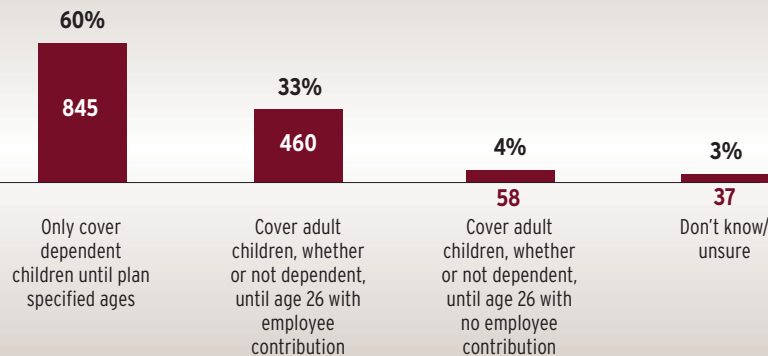


Under Health Care Reform, penalties may apply to employers with at least 50 full-time employees (who work an average of 30 hours per week)* beginning in 2014.

- Currently 83% of employers require at least 30 hours of work per week for benefit eligibility.

CURRENT DEPENDENT COVERAGE

Base N=1400

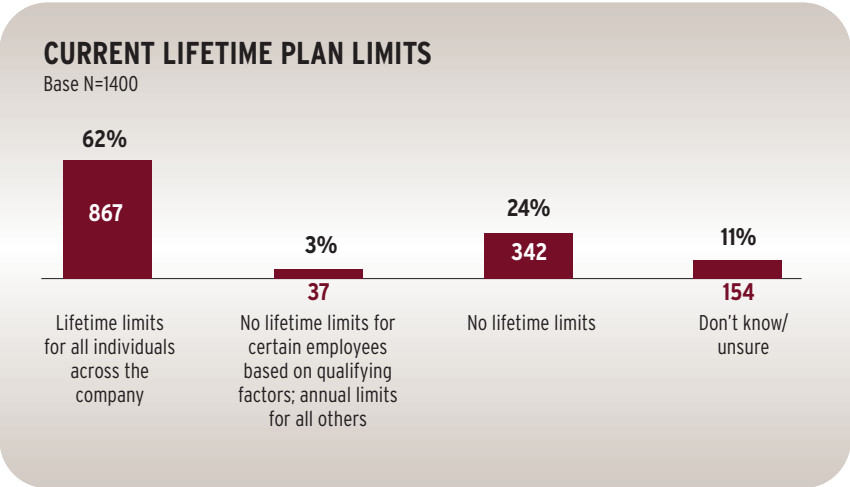


To the extent that a plan provides dependent coverage, effective for plan years beginning on or after September 23, 2010, dependent coverage must be provided for adult children until they turn 26.

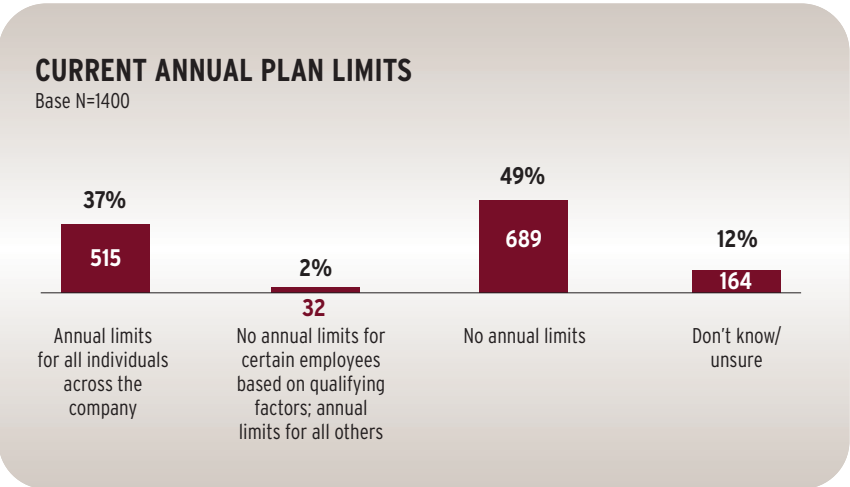
- Currently 60% of responding employers cover dependent children, but only up to certain ages, typically lower than age 26.

*If the employer does not provide health coverage to full-time employees in any month and at the same time, at least one full-time employee enrolls in an exchange and qualifies for a premium tax credit or cost sharing reduction for that month.

HEALTH CARE REFORM WILL PROHIBIT PLANS FROM HAVING ANNUAL OR LIFETIME LIMITS



Sixty-five percent of responding employers have lifetime limits in place for benefits.

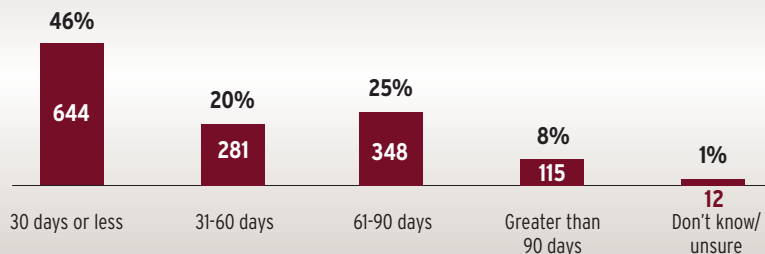


Thirty-nine percent of responding employers have annual limits in their benefit plans.

HEALTH CARE REFORM MANDATES INCLUDE LIMITS ON WAITING PERIODS AND MINIMUM LEVELS OF COST TO BE COVERED BY PLANS

CURRENT WAITING PERIOD FOR NEW HIRES

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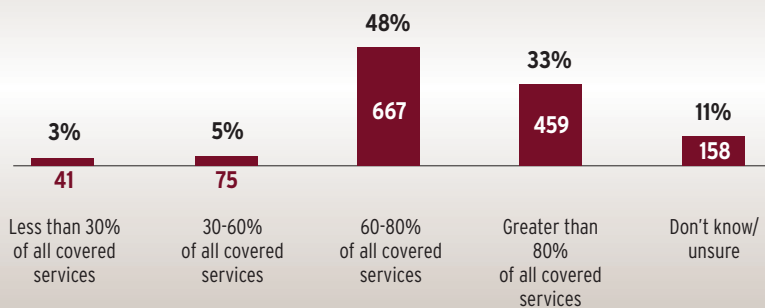


Beginning in 2014, group health plans will not be permitted to impose any waiting period in excess of 90 days.

Eight percent of responding employers have waiting periods in excess of 90 days and will need to reduce their waiting periods.

CURRENT PERCENT OF COSTS COVERED

Base N=1400

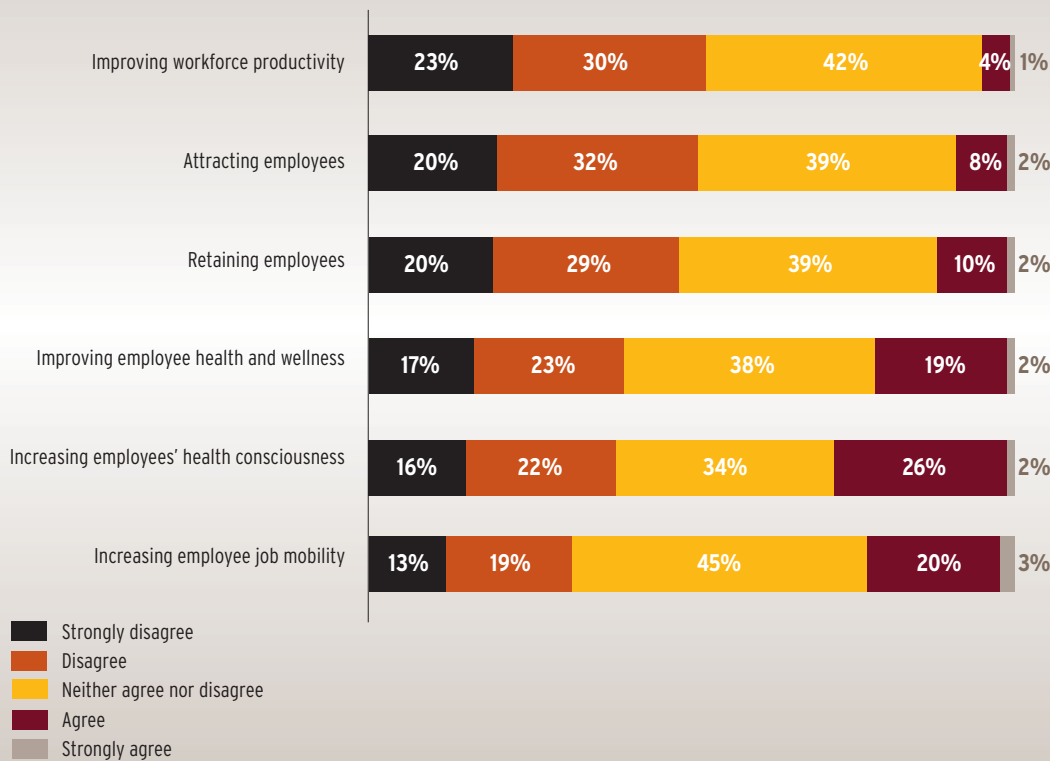


Beginning in 2012, group health plans will be required to provide notice to employees regarding whether the plan provides minimum essential coverage and pays less than 60% of the total cost of benefits under the plan. Eighty-one percent of respondents' plans cover the minimum necessary to comply with the Health Care Reform mandate.

SOME EMPLOYERS RESPONDED THAT HEALTH CARE REFORM IS EXPECTED TO POSITIVELY AFFECT EMPLOYEES' PHYSICAL WELLBEING AND JOB MOBILITY, BUT HAVE AN ADVERSE IMPACT ON THEIR PRODUCTIVITY

LIKELY POSITIVE EFFECTS ON WORKFORCE AFTER THE ENACTMENT OF THE HEALTH CARE REFORM LAW

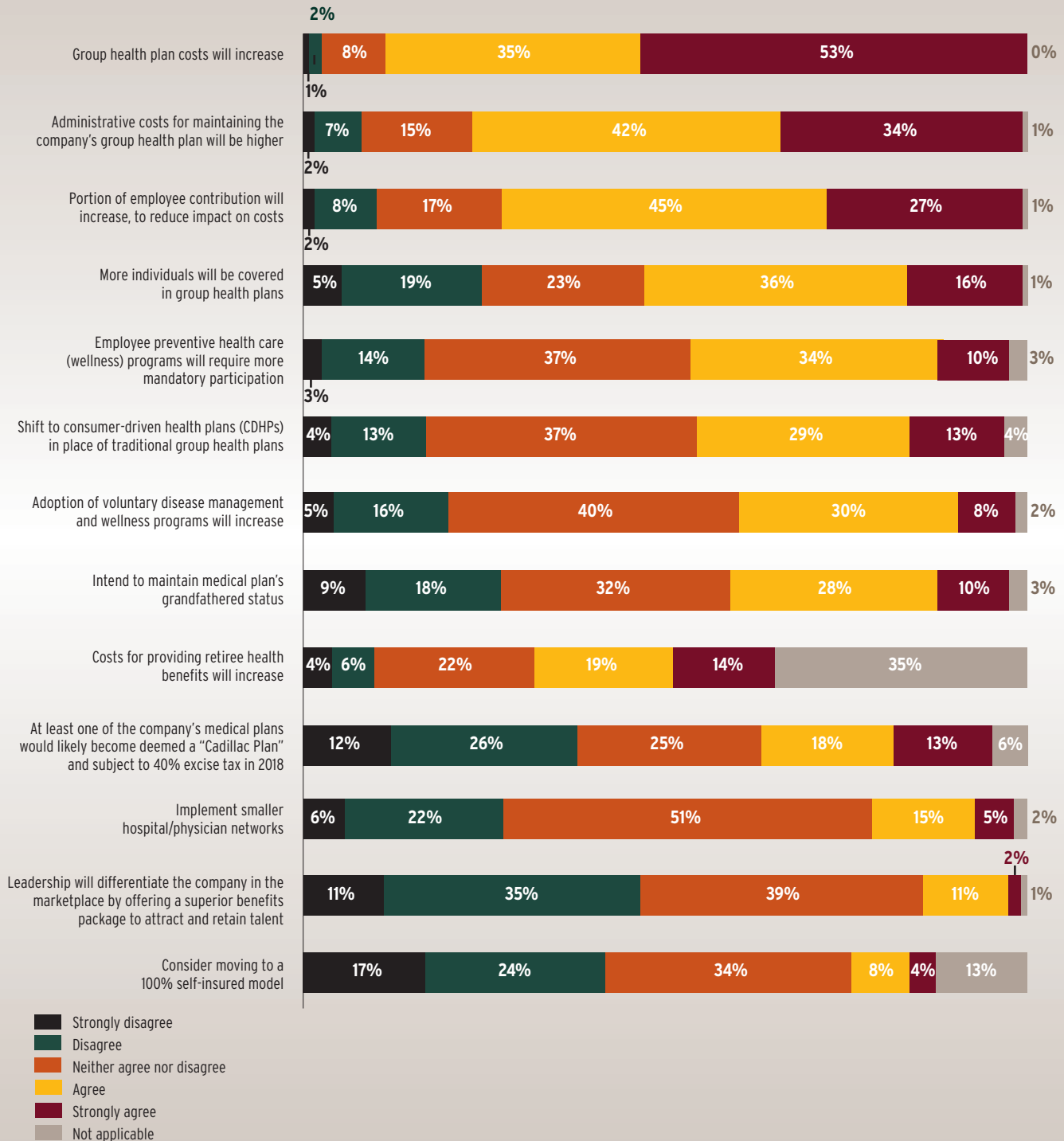
(Base N=1400)



A MAJORITY OF EMPLOYERS EXPECT THE LEGISLATION TO RAISE THE COSTS OF THEIR HEALTH PLANS, ADMINISTRATIVE COSTS AND EMPLOYEE CONTRIBUTIONS (1 OF 2)

EXPECTED INFLUENCE OF HEALTH CARE REFORM LAW ON THE COMPANY'S GROUP HEALTH PLAN IN THE FOLLOWING AREAS

(Base N=1400)



A MAJORITY OF EMPLOYERS EXPECT THE LEGISLATION TO RAISE THE COSTS OF THEIR HEALTH PLANS, ADMINISTRATIVE COSTS AND EMPLOYEE CONTRIBUTIONS (2 OF 2)

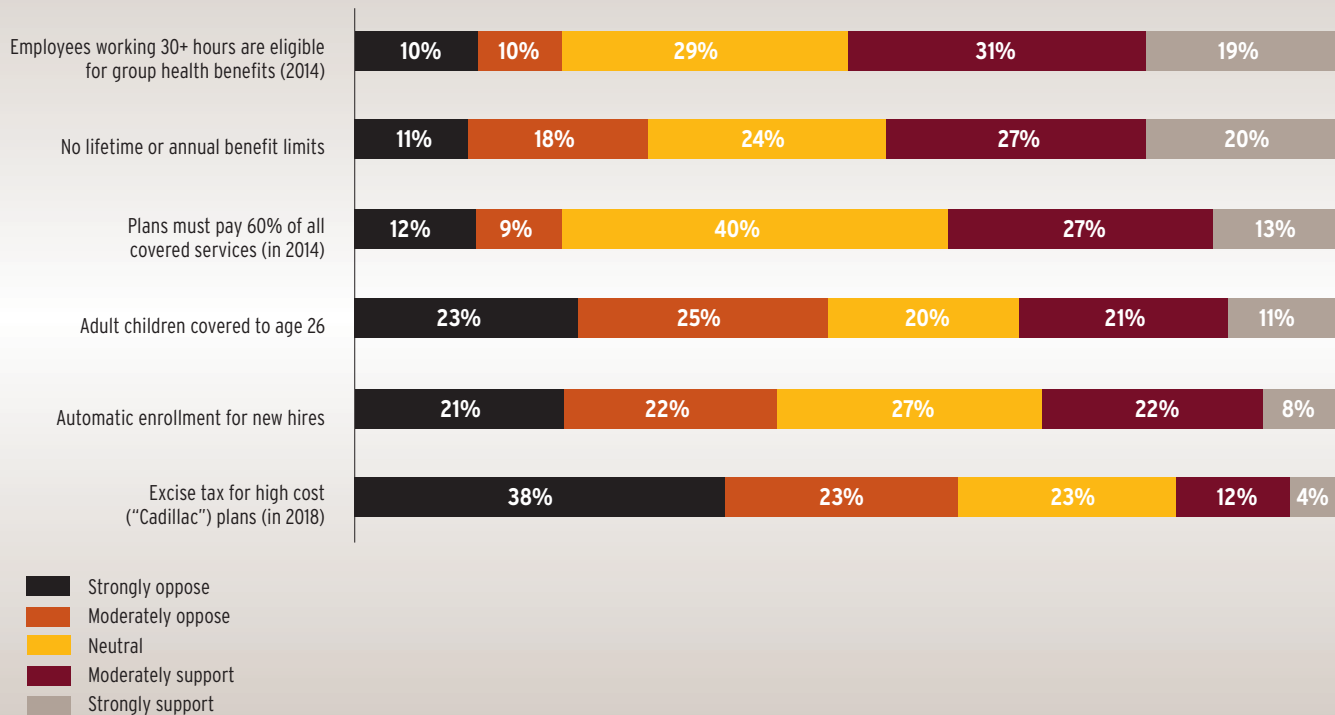
Eighty-eight percent of surveyed employers believe that group health plan costs will increase. Seventy-six percent of surveyed employers expect that administrative compliance costs will rise, and 72% of employers plan to increase employee contributions in an attempt to offset the impact of higher administrative and premium cost increases.

However, the survey respondents also expressed a reassuring assumption – 52% of respondents anticipated that there would be an increase in the number of employees covered under employer-sponsored benefits.

EMPLOYERS WERE DIVIDED IN THEIR OVERALL SUPPORT OF THE FOLLOWING HEALTH CARE REFORM GOALS

COMPANY'S GENERAL RESPONSE TO THE FOLLOWING HEALTH CARE REFORM PROVISIONS

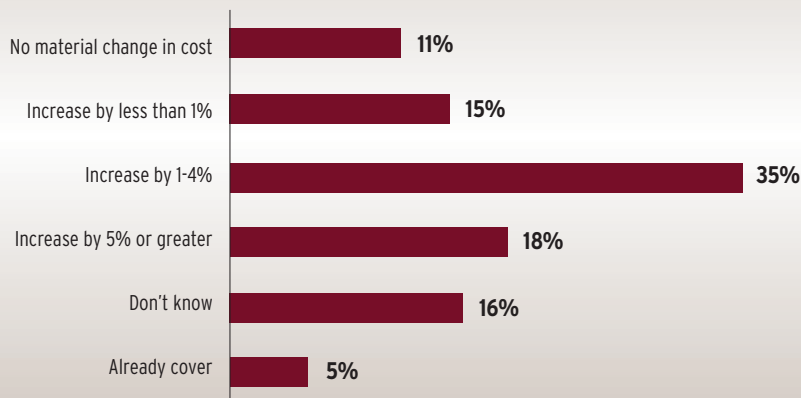
(Base N=1400)



RESPONDENTS GENERALLY EXPECT THE ADULT CHILD COVERAGE MANDATE WILL INCREASE COSTS

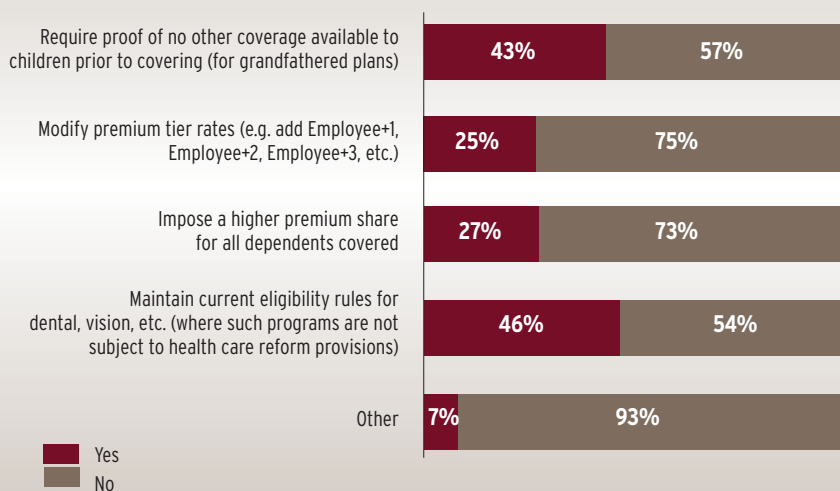
ESTIMATE OF HEALTH CARE PLAN'S CHANGE OF COST AS A RESULT OF COVERING ADULT CHILDREN THROUGH AGE 26

(Base N=1400)



INTENTION TO IMPLEMENT THE FOLLOWING WITH REGARDS TO DEPENDENT ELIGIBILITY

(Base N=1400)

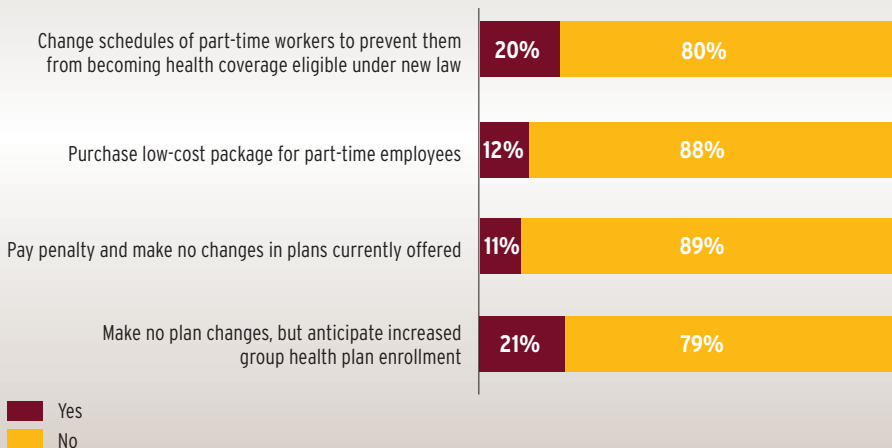


Employers are divided in how aggressively they will implement plan design changes in order to mitigate the impact of the adult child coverage mandate.

CURRENTLY, EMPLOYERS ARE NOT SEEKING TO IMPLEMENT WHOLESALE CHANGES TO THEIR WORKFORCE IN ORDER TO MINIMIZE, DELAY OR REDUCE COSTS DIRECTLY OR INDIRECTLY

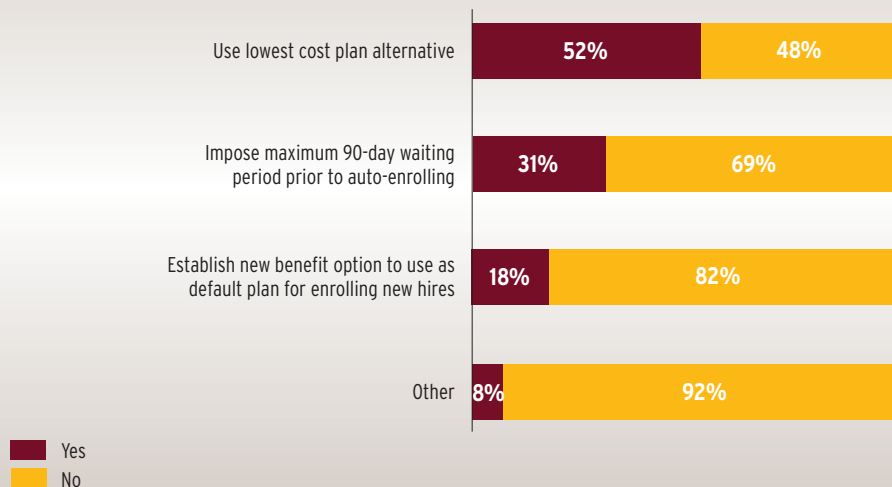
ACTIONS BEING CONSIDERED FOR HEALTH PLAN ELIGIBILITY (for employers currently requiring more than 30 work hours per week to maintain health plan eligibility)

(Base N=1400)



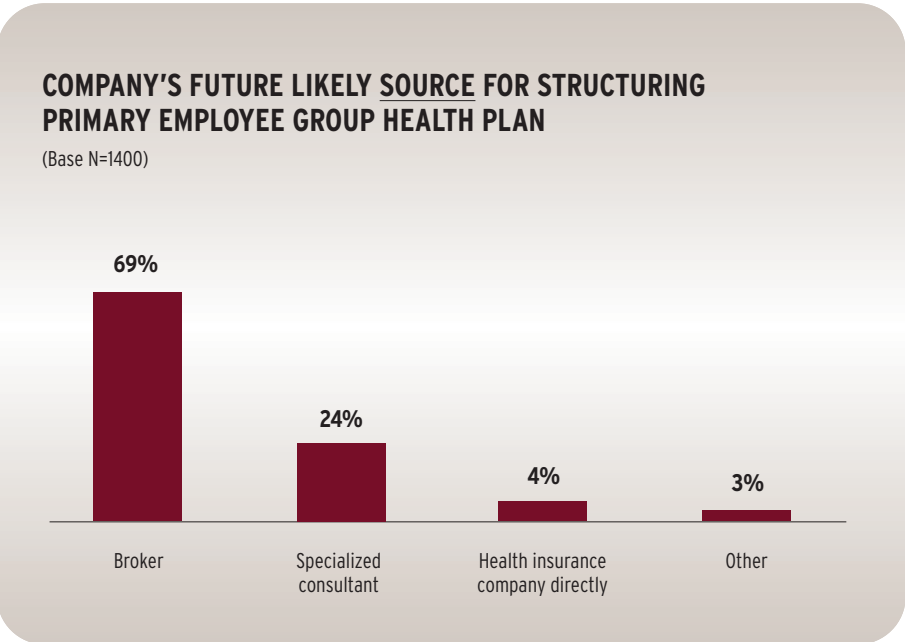
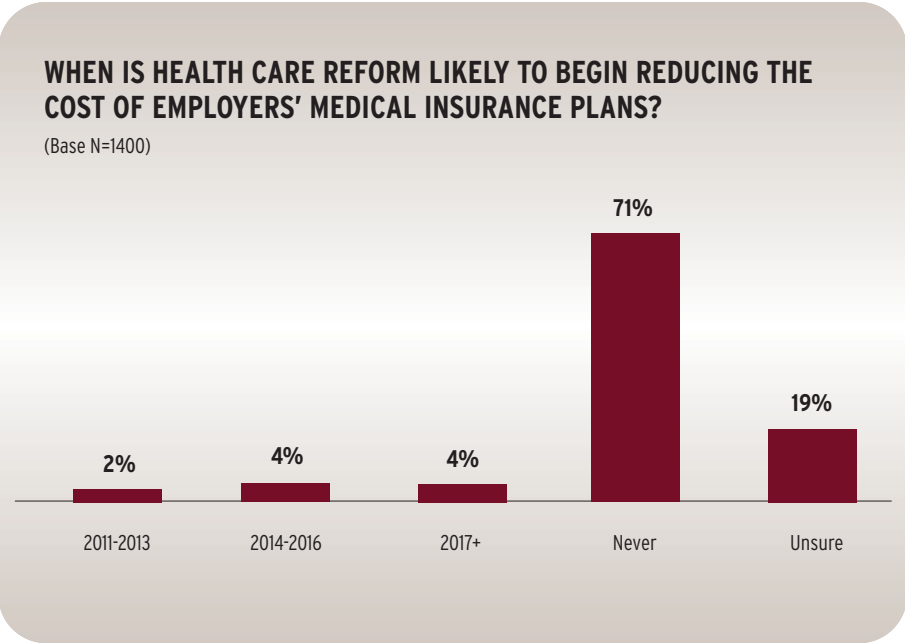
HEALTH CARE REFORM AUTOMATIC ENROLLMENT PROVISION OPTIONS LIKELY TO BE OFFERED

(Base N=1400)



In order to effectuate the automatic plan enrollment requirement, employers are considering using the lowest cost plan alternative.

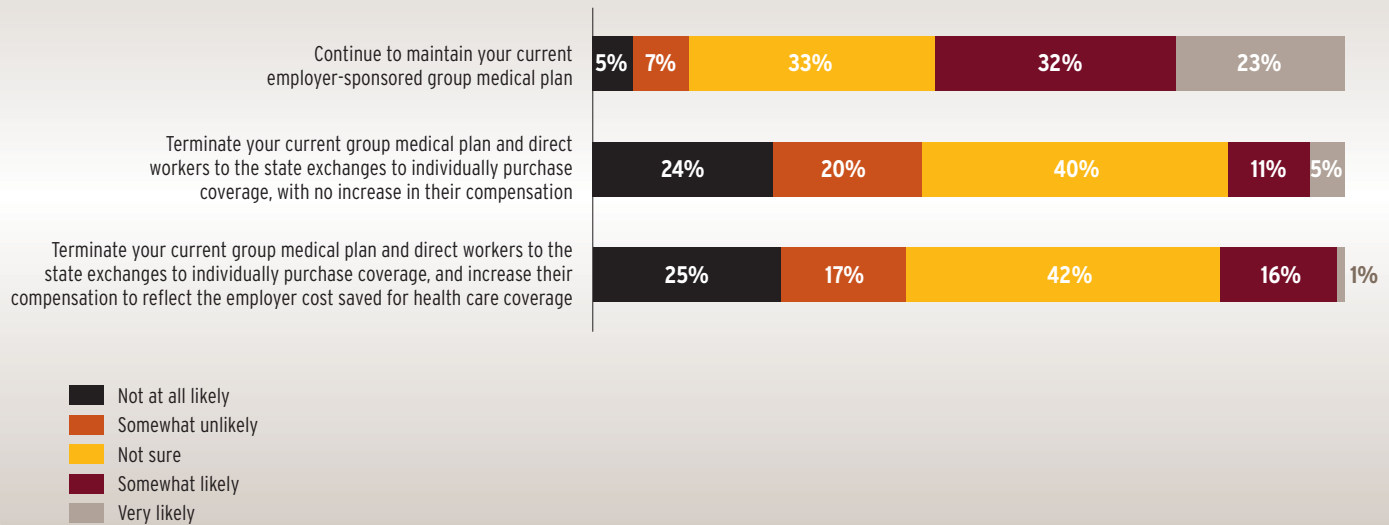
GENERALLY EMPLOYERS DO NOT BELIEVE THAT THE HEALTH CARE REFORM LEGISLATION WILL REDUCE THE PACE OF RISING HEALTH CARE COSTS. THEREFORE, THEY ARE LIKELY TO SEEK SPECIALIZED ADVISORS TO ASSIST THEM WITH MITIGATING THE COST TRENDS



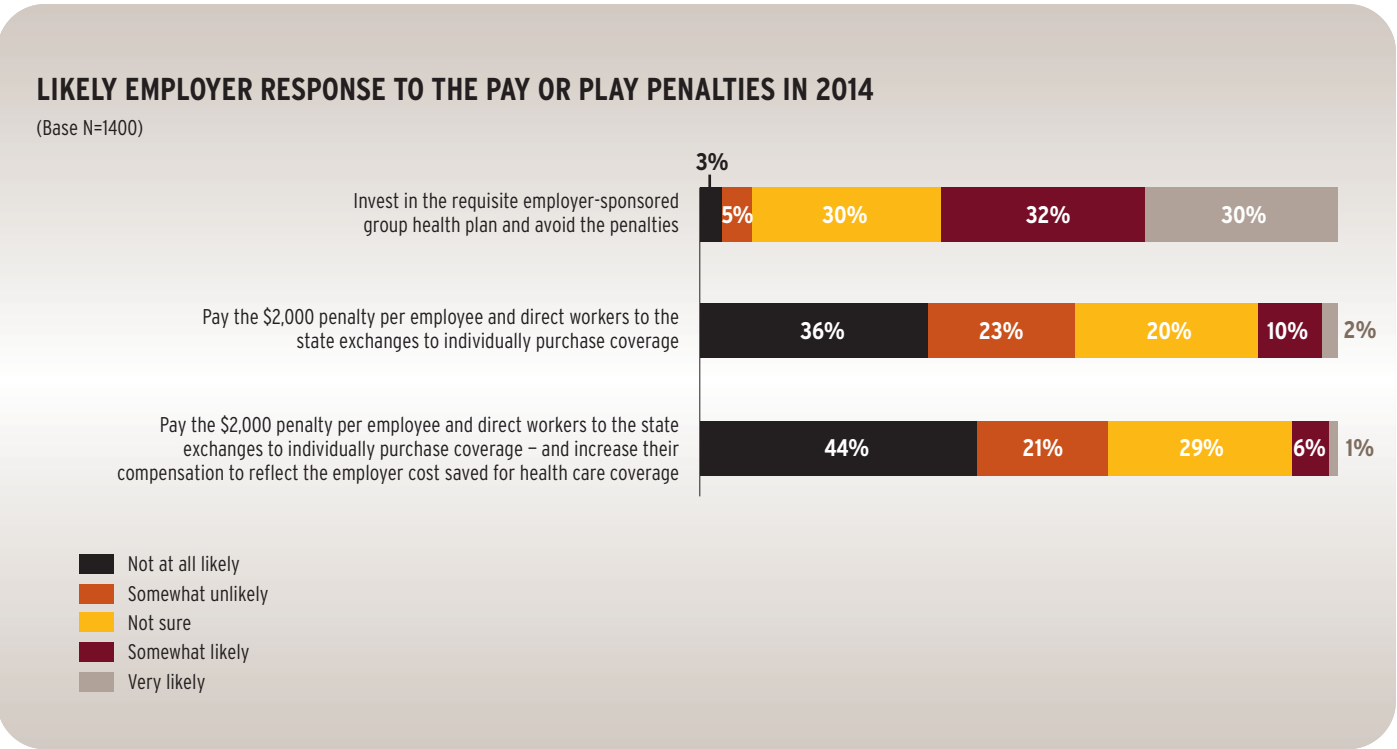
A MAJORITY OF EMPLOYERS EXPECT TO MAINTAIN THEIR PLANS RATHER THAN ENCOURAGE EMPLOYEES TO USE STATE EXCHANGES

IN 2014, IF THE NEW STATE EXCHANGES OFFER COMPETITIVELY PRICED RATES FOR INDIVIDUAL EMPLOYEE HEALTH COVERAGE, HOW LIKELY IS YOUR ORGANIZATION TO CONSIDER THE FOLLOWING ACTIONS?

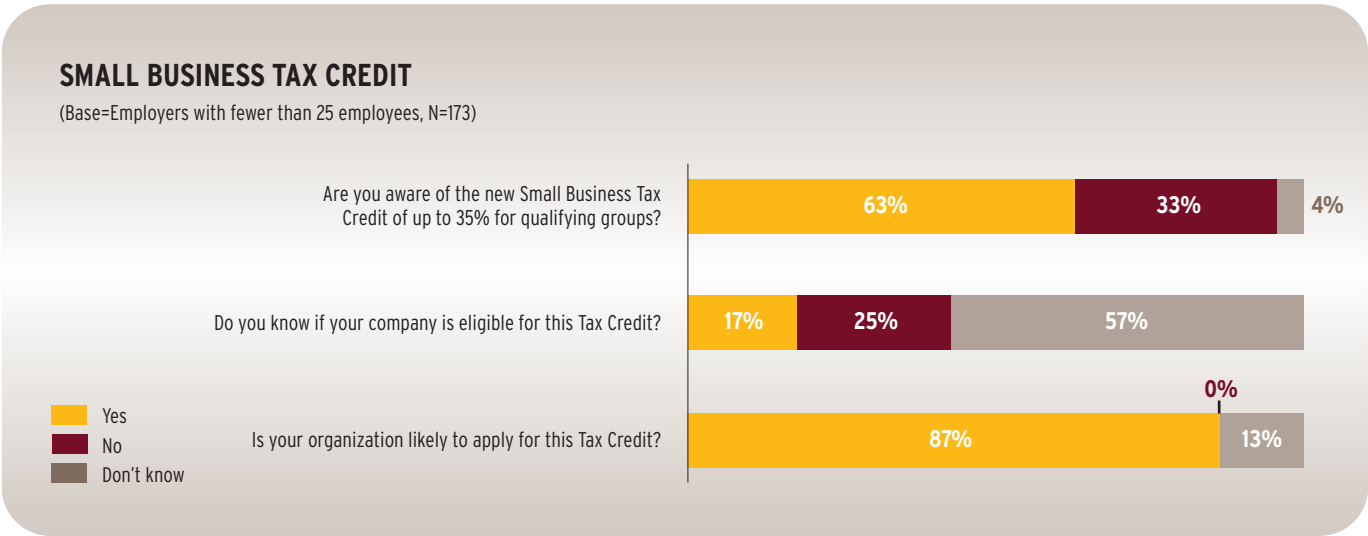
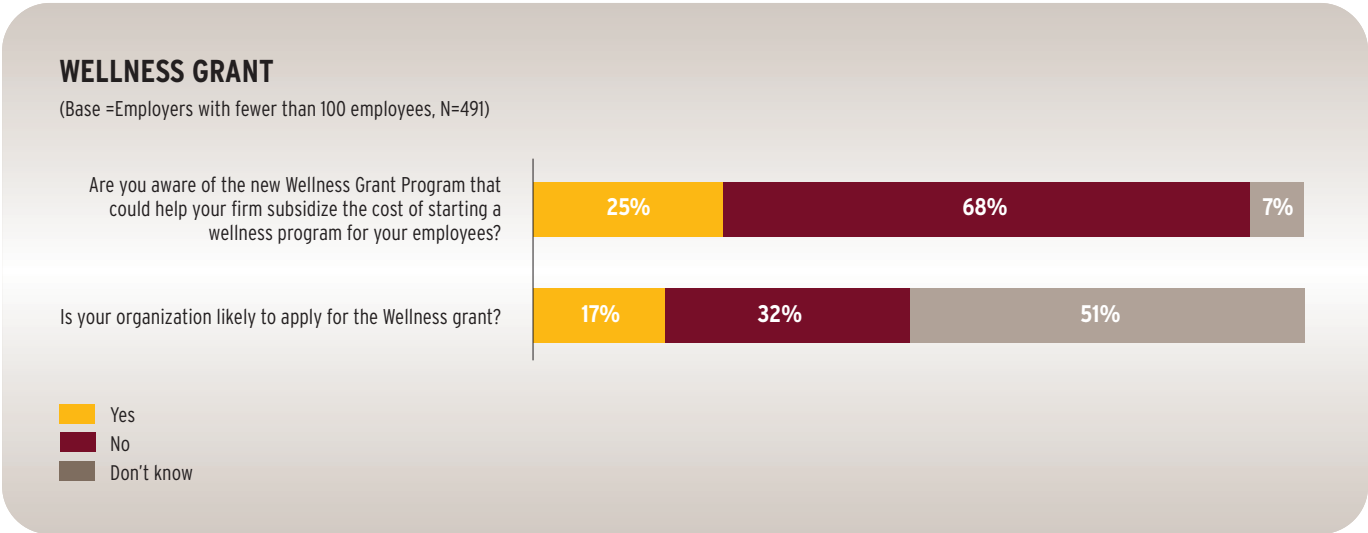
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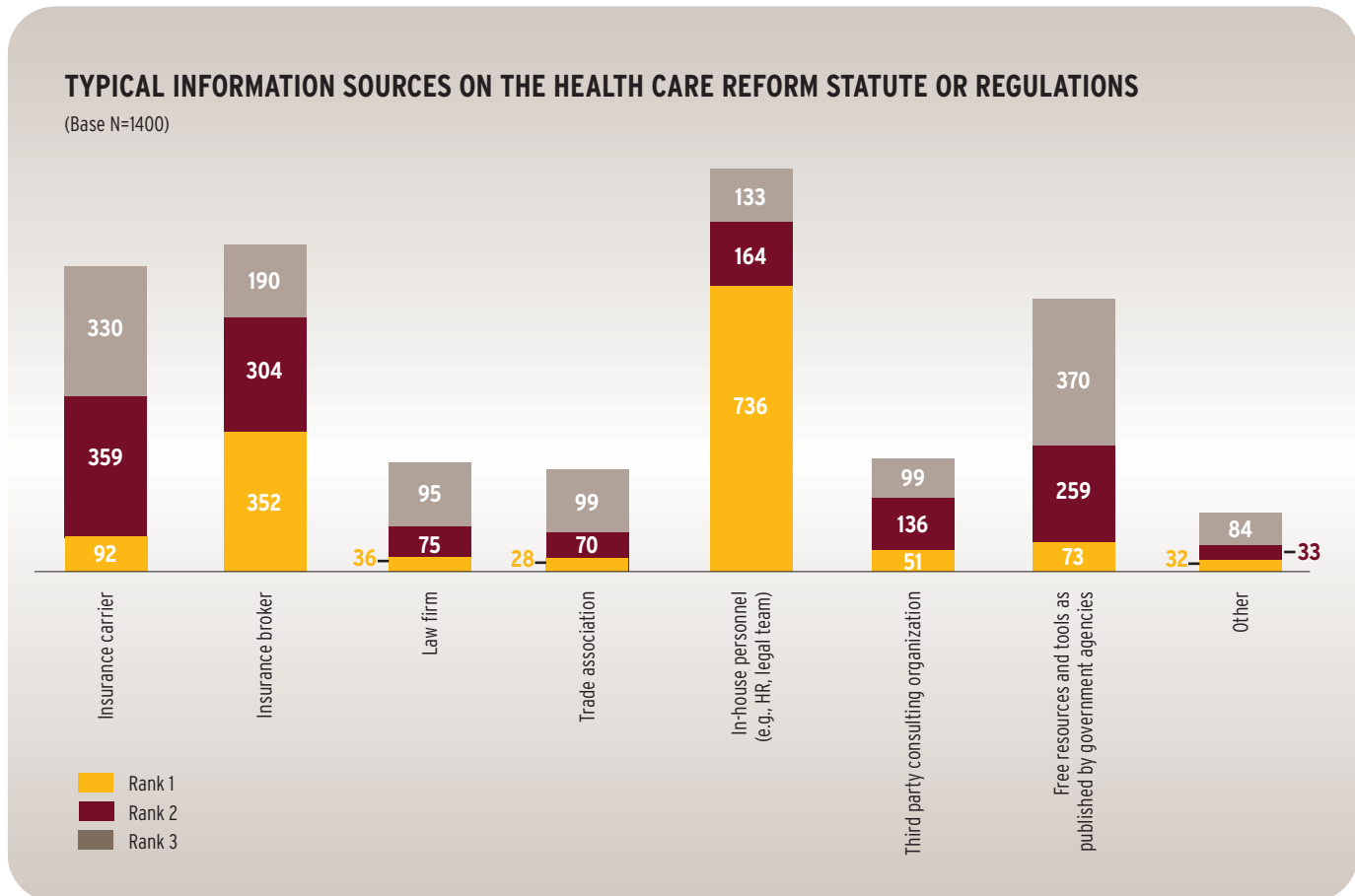
EMPLOYERS HAVE A GENERAL DESIRE TO AVOID PAY OR PLAY PENALTIES



SMALL BUSINESSES THAT ARE AWARE OF THE WELLNESS GRANTS AND TAX CREDITS WOULD LIKE TO TAKE ADVANTAGE OF THEM, BUT MOST ARE NOT SURE OF THE DETAILS



INFORMATION SOURCES TEND TO FOCUS ON SPECIALISTS

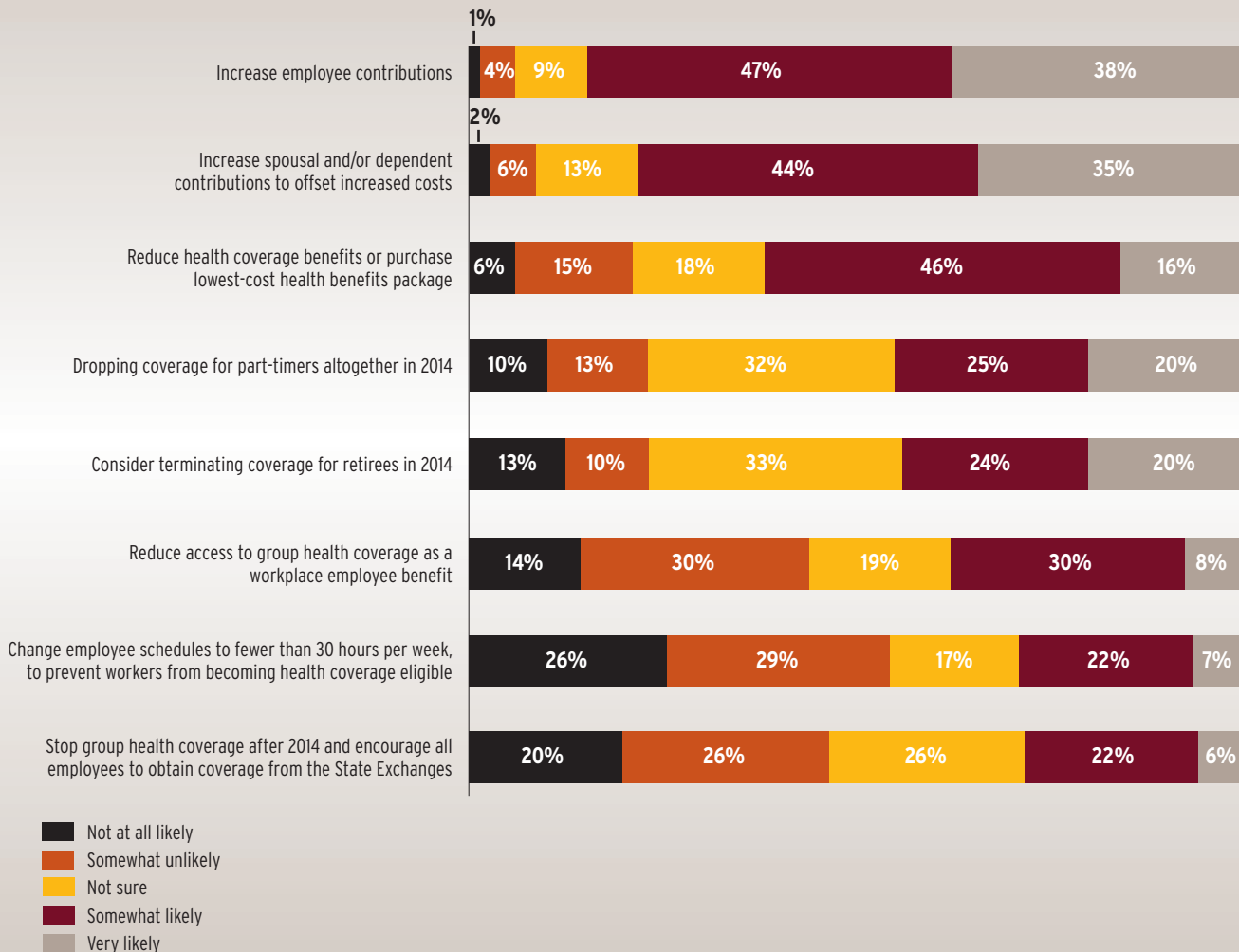


Respondents were asked to rank the top three sources they would go to when they needed information on the health care reform statute or regulations. The top resources were: 1) in-house personnel, 2) insurance brokers, and 3) insurance carriers.

RESPONDENTS GENERALLY BELIEVE EMPLOYERS MIGHT MAKE THE FOLLOWING CHANGES TO THEIR BENEFIT PLAN DESIGNS IN RESPONSE TO THE HEALTH CARE REFORM LAW

EMPLOYERS IN GENERAL ARE LIKELY TO MAKE THE FOLLOWING CHANGES IN THEIR GROUP HEALTH BENEFIT PROGRAMS AS A RESULT OF THE HEALTH CARE REFORM LAW

(Base N=1400)

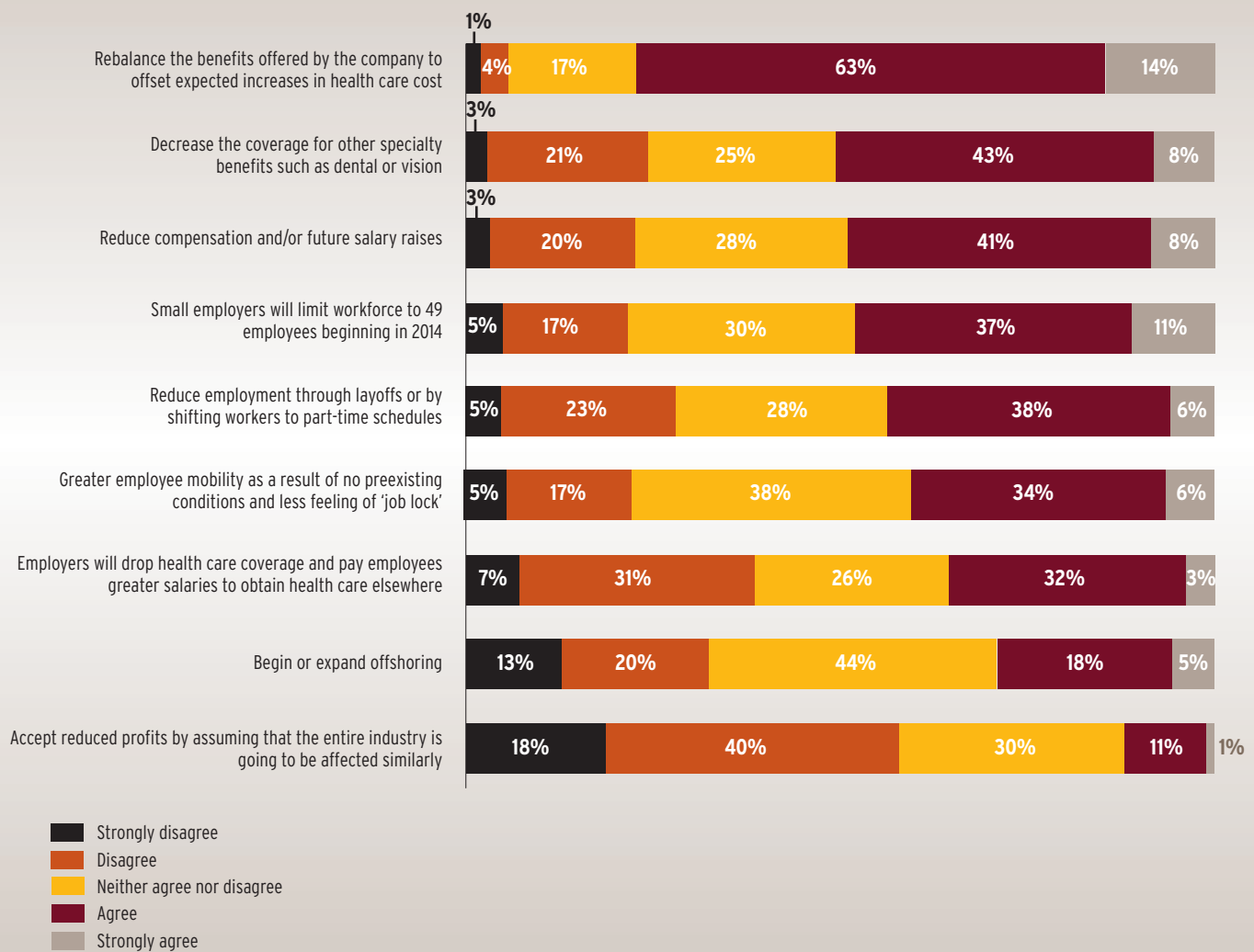


The survey responses indicate that employers feel employee benefit plans are important. Nevertheless, health care reform will affect the manner in which employers plan to offer medical benefits. While only 38% currently expect their businesses to reduce access to benefits, significant majorities expect that businesses in general will essentially reduce benefits by taking one or more of the following actions: reducing the value of the benefits package, increasing employee contributions, or increasing the cost of coverage for spouses' and dependents' coverage.

BUSINESS LEADERS GENERALLY BELIEVE EMPLOYERS MIGHT MAKE CHANGES TO BENEFIT PLANS IN ORDER TO 'BALANCE OUT' ANTICIPATED INCREASED COSTS

OTHER POTENTIAL EFFECTS OF THE HEALTH CARE REFORM LAW ON AN EMPLOYER'S OVERALL PRACTICES

(Base N=1400)



BUSINESS LEADERS GENERALLY BELIEVE EMPLOYERS MIGHT MAKE CHANGES TO BENEFIT PLANS IN ORDER TO 'BALANCE OUT' ANTICIPATED INCREASED COSTS

While employers felt fairly strongly about the value of their group medical benefits to their workforces, they were less likely to expect that OTHER employers would be equally as protective of the benefits and compensation levels they offer to their employees.

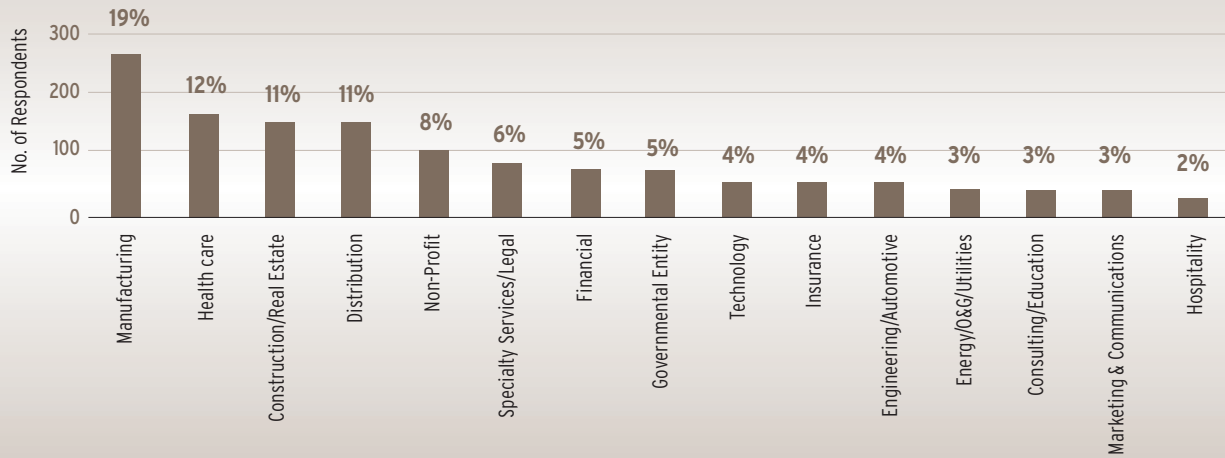
Most respondents expect that companies in general will not accept a uniform reduction in profits across the board. This implies that many companies will be looking for advice on strategies to mitigate health care costs.

FINAL RESPONDENT SAMPLE SPREAD

EMPLOYEE BENEFIT PLAN	EMPLOYER SIZE			TOTAL SAMPLE
	SMALL	MIDDLE	LARGE	
Via Insurer	449	373	20	829
Self-Insured, with stop loss coverage	28	295	112	435
100% self-insured	2	12	93	107
Other*	13	3	0	16
TOTAL SAMPLE	492	683	225	1400
*Primarily Consumer Driven Health Plans (CDHP)				

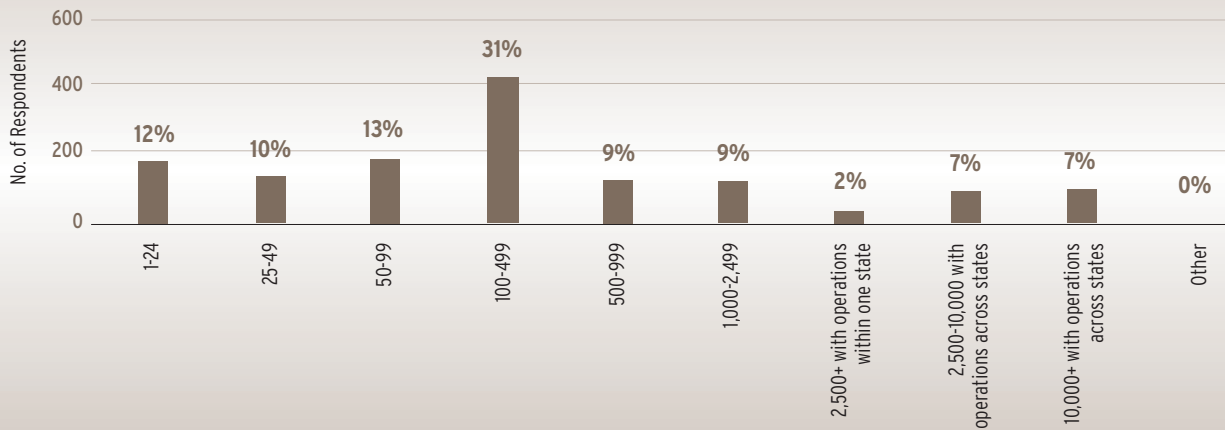
PRIMARY INDUSTRIES AND FULL-TIME EMPLOYEES REPRESENTED

PRIMARY INDUSTRY



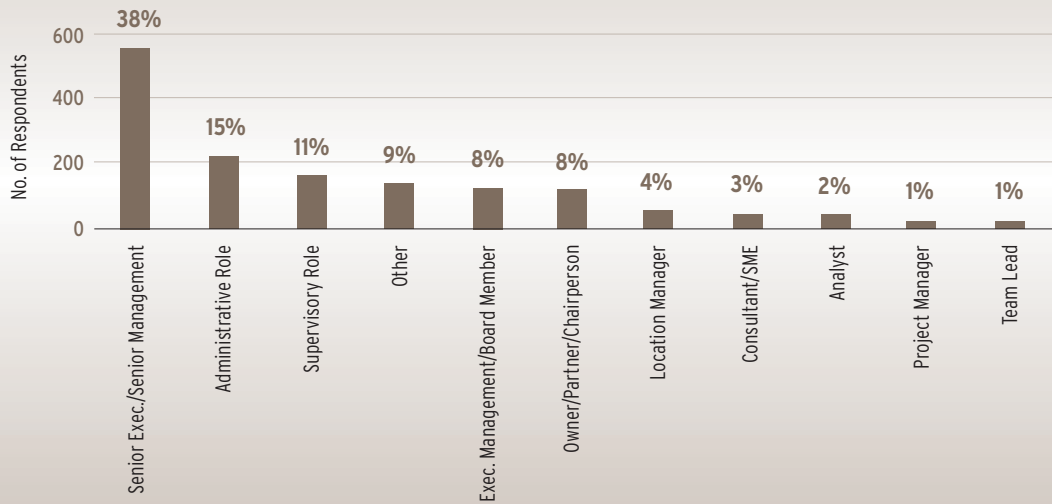
NUMBER OF FULL-TIME EMPLOYEES

(US-Based)

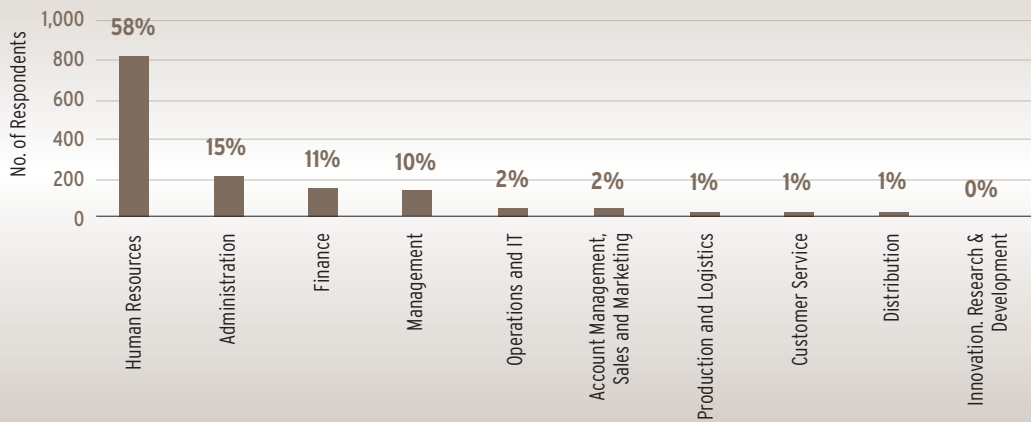


BUSINESS AREAS AND ROLES REPRESENTED

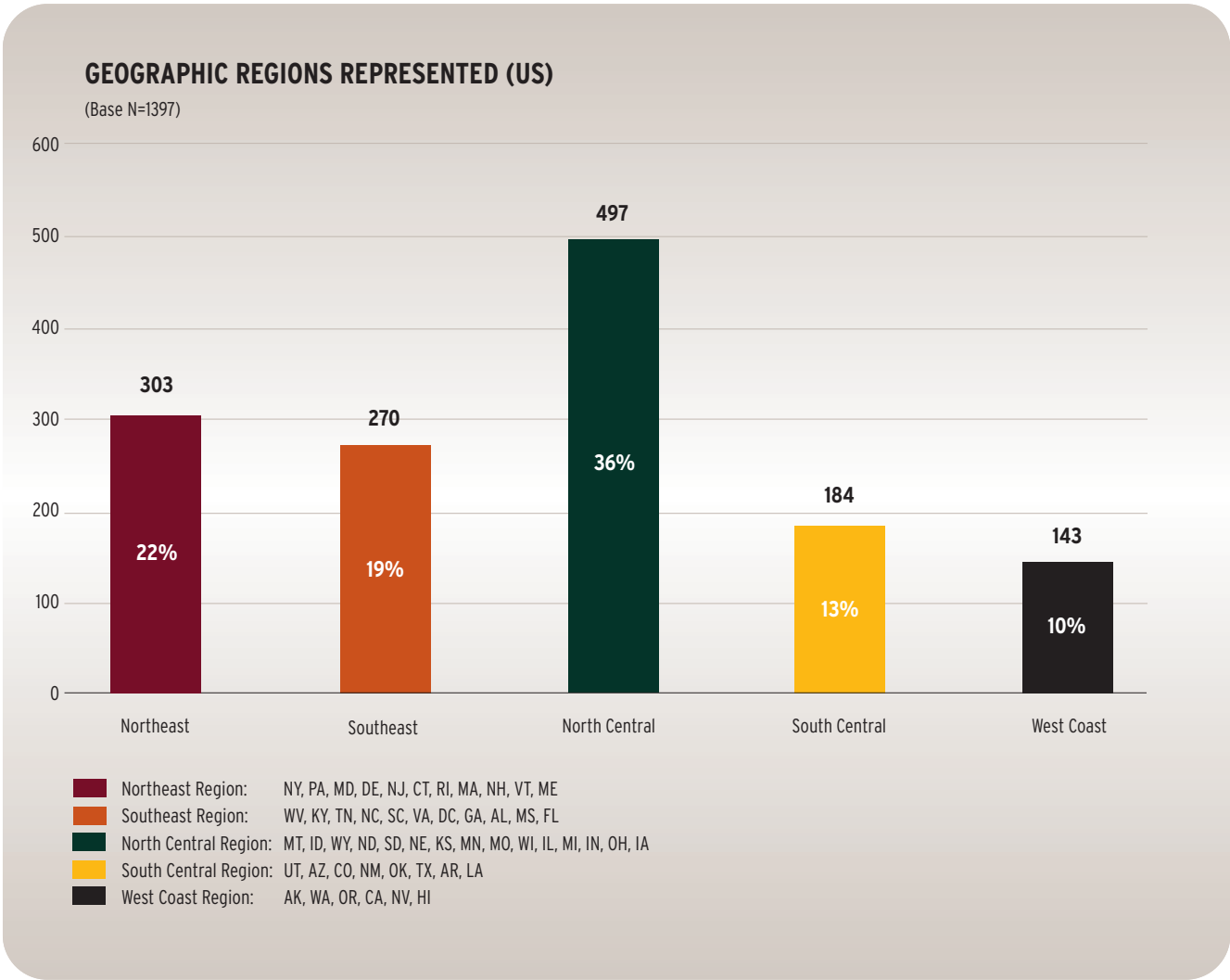
BUSINESS ROLE REPRESENTED



BUSINESS AREA REPRESENTED

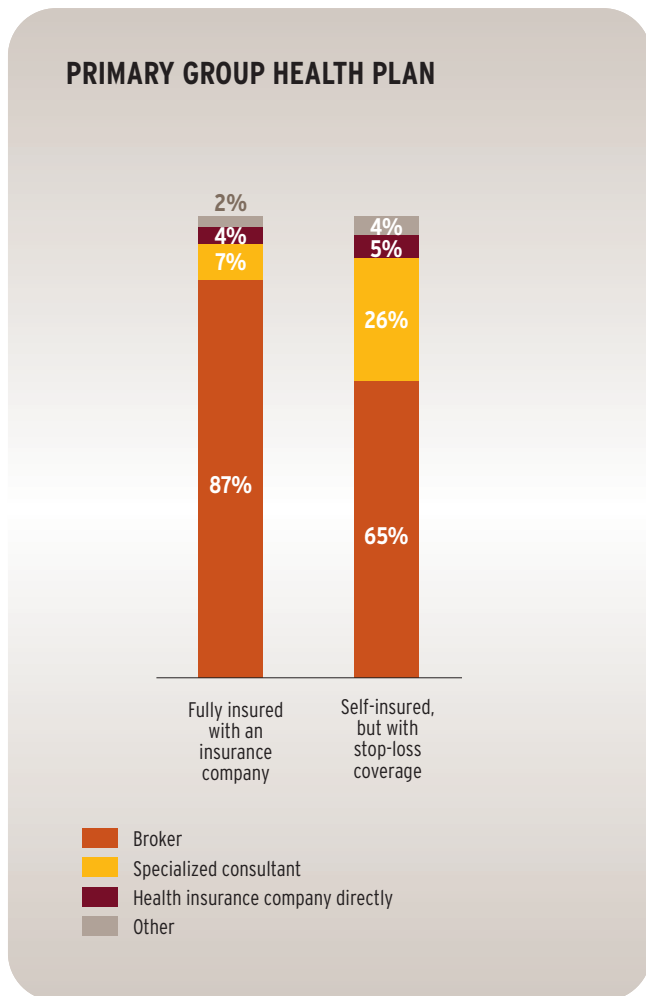


GEOGRAPHIC REGIONS REPRESENTED (US)



COMPARISON OF GROUP HEALTH PLAN SOURCES

From which source did your company obtain advice for structuring its primary employee group health plan?



For future plan years, from which source is your company most likely to obtain advice for structuring its primary employee group health plan?

