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Solutions LLC

# 2009 Employee Benefits Survey Report

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# Introduction



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Navigator Benefit Solutions LLC, an independent actuarial consulting firm, conducted an employee benefits survey from April through July of 2009. The survey was conducted in order to develop benchmarks showing Philadelphia Metro (and the extended area) businesses how they compare to others both locally and nationally. The main focus is on health plan design, costs and cost management. The survey also covers other benefit offerings.

# Key Findings



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- Premiums
  - Local average 2009 PPO single premium is \$5,616
  - Local PPO premiums are higher than national levels by 14% for singles and 20% for families
  - Local 2009 HMO single premium of \$4,881 is 7% higher than nationally, 20% more for families
  - 2009 local median rate increase for single coverage of 8.4%
- Local plan designs are richer than nationally
- Local employee contributions higher than national
- PPO plans most popular followed by HMOs
- CDHPs currently offered by 15% of local employers, with another 16% considering offering one next year



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# Health Plans

# Types of Health Plans Offered



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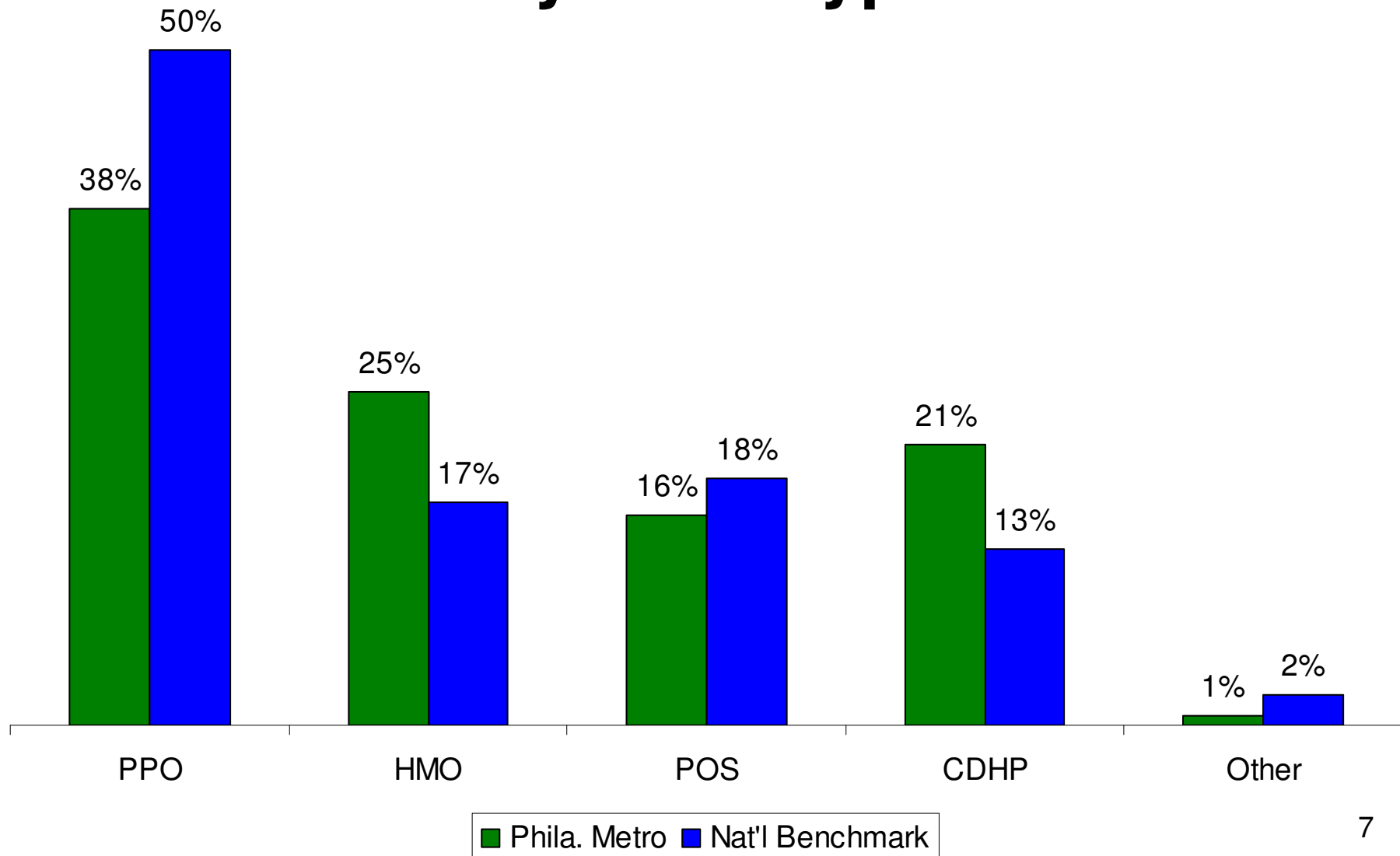
## Highlights

- Most popular plan both locally and nationally is the PPO
- HMO plans much more popular locally than nationally: 25% local -EEs enrolled in HMOs vs. 17% nationally
- When offered, CDHP has the highest enrollment (greatest employee acceptance) and HMO the lowest
- 15% Philadelphia Metro employers offer CDHPs vs. 11% nationally; another 16% of the Philadelphia Metro employers are likely to consider next year

# Health Plan Enrollment by Plan Type



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# Philadelphia Metro Enrollment



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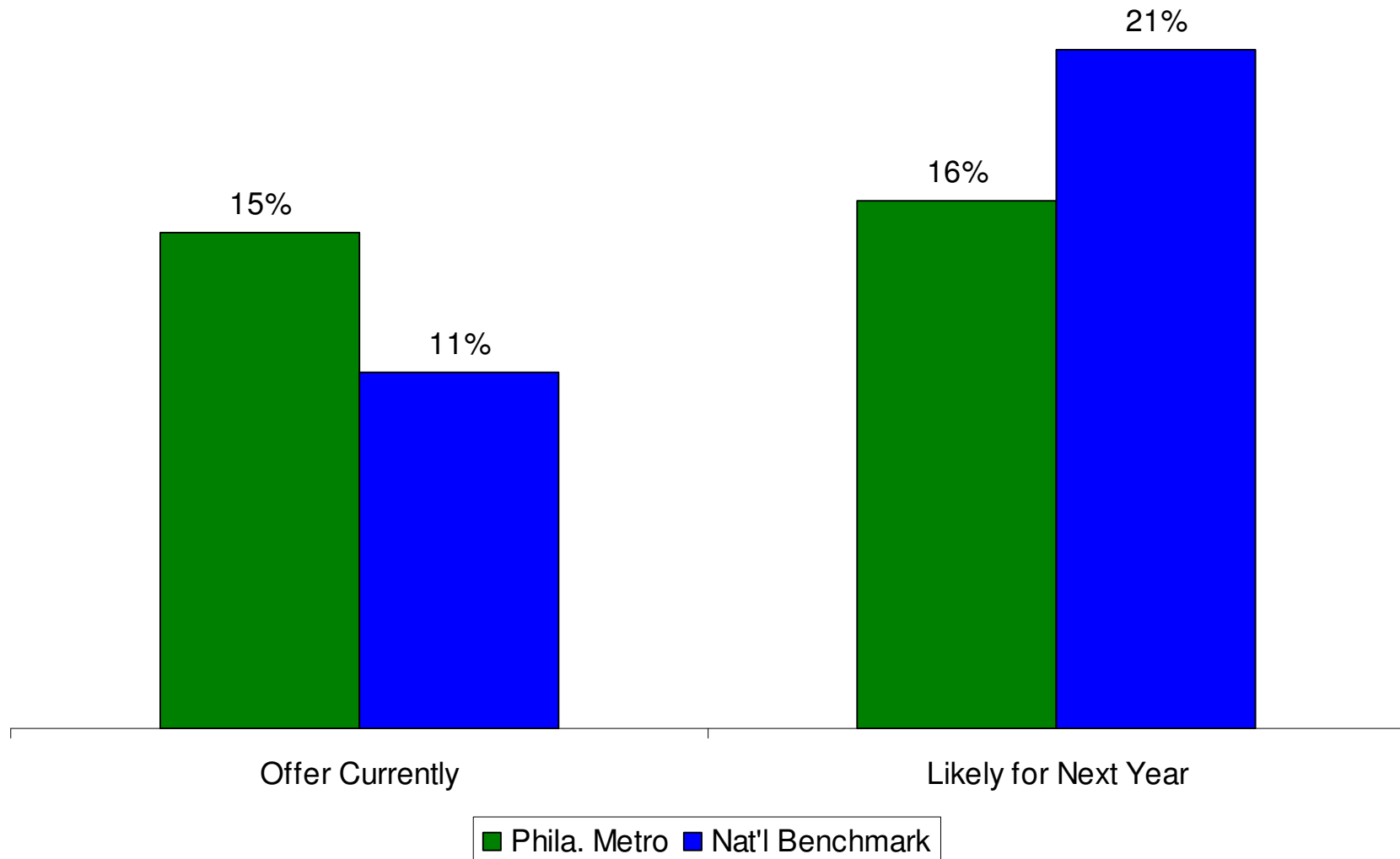
	<b># of Employers</b>	<b>Aggregate Enrollment %</b>
<b>PPO</b>	54	63%
<b>POS</b>	27	68%
<b>HMO</b>	35	47%
<b>Consumer-Driven Plan</b>	15	92%



# Consumer Driven Health Plans Plan Prevalence



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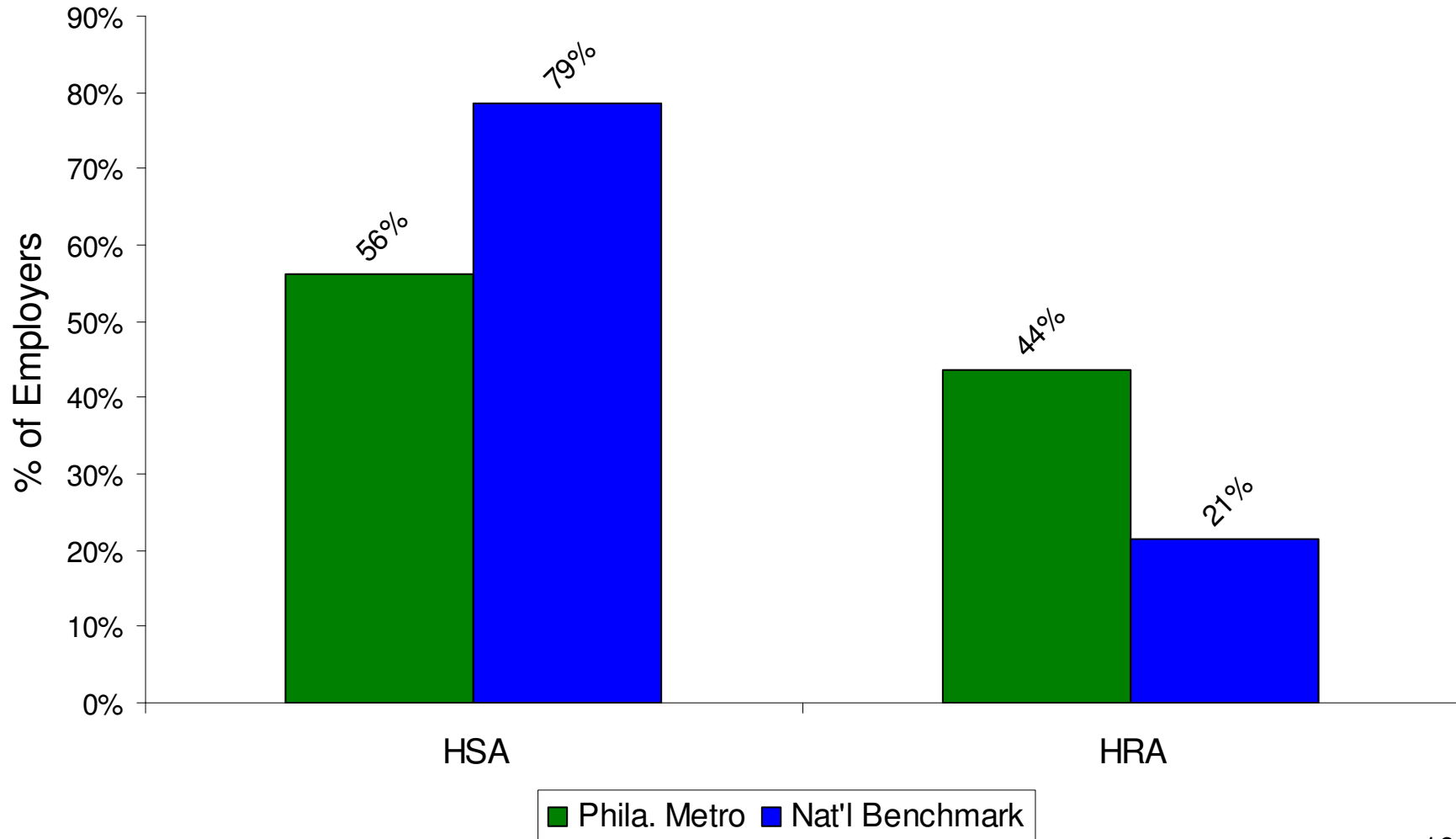


# Health Account Type

(for employers where one is offered)



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# Cost



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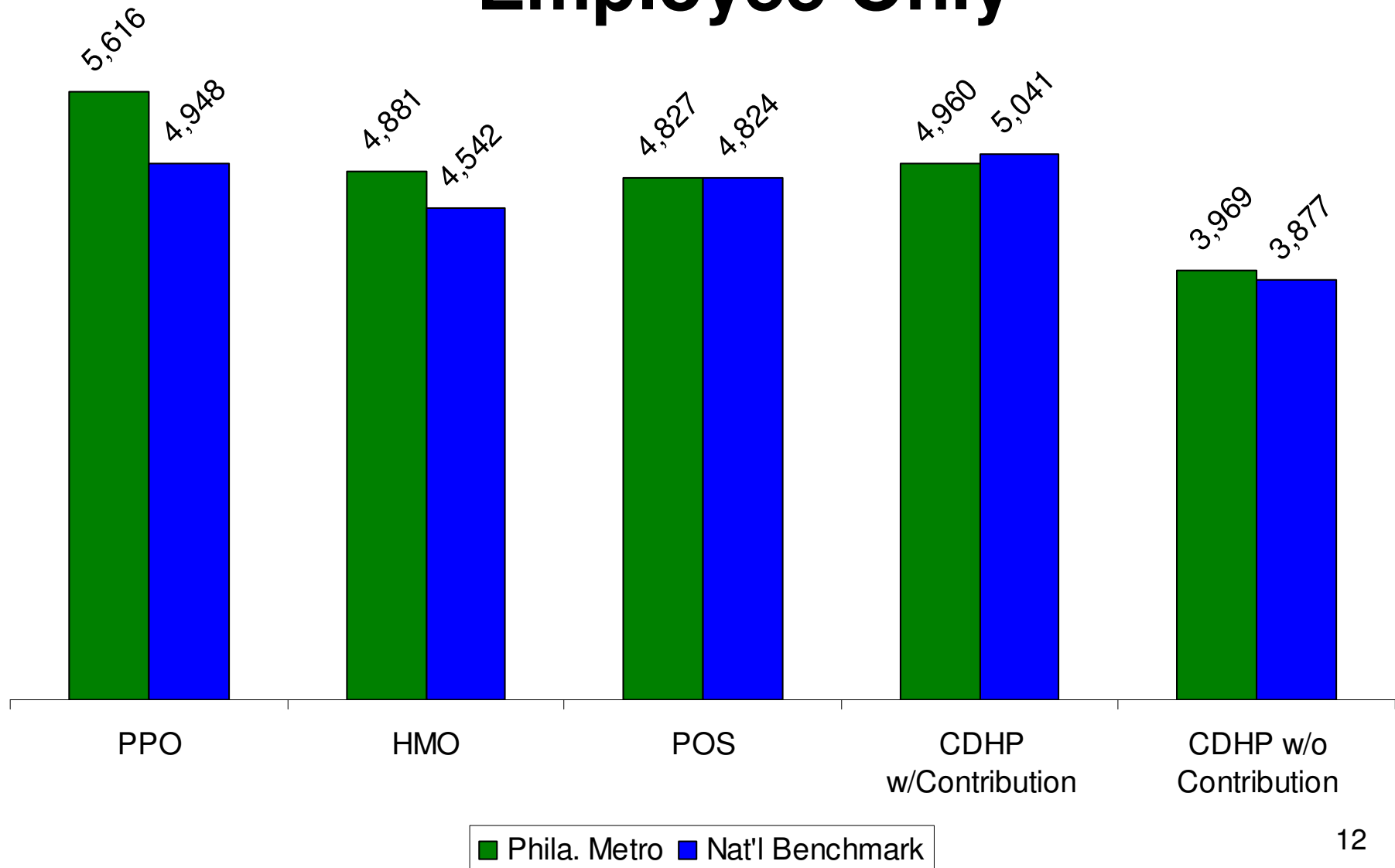
## Highlights

- For -EE only coverage, local premiums are higher than national for PPO and HMO plans and about the same for POS
- For family coverage, local premiums are significantly higher for PPO, HMO and POS plans
- Richer local health plans are the main reason for differences from national benchmarks
- Family coverage differences are exaggerated due to local use of more coverage tiers
- Median Philadelphia Metro rate change from 2008 to 2009 for same or similar plan is 8.4% for single coverage, 8.6% for family

# Average Annual Premium – Employee Only



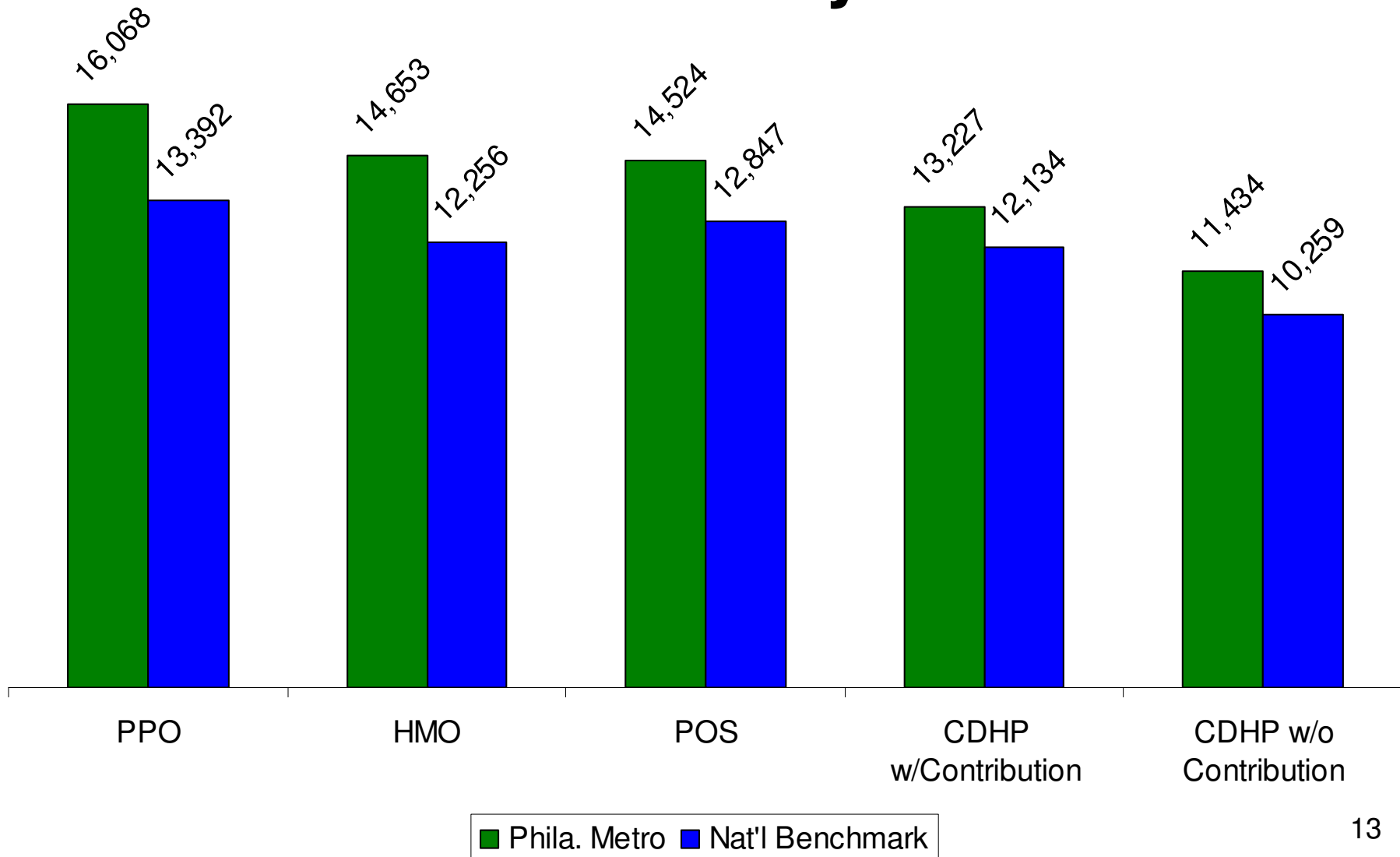
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# Average Annual Premium - Family



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# Health Account Annual Median Contribution



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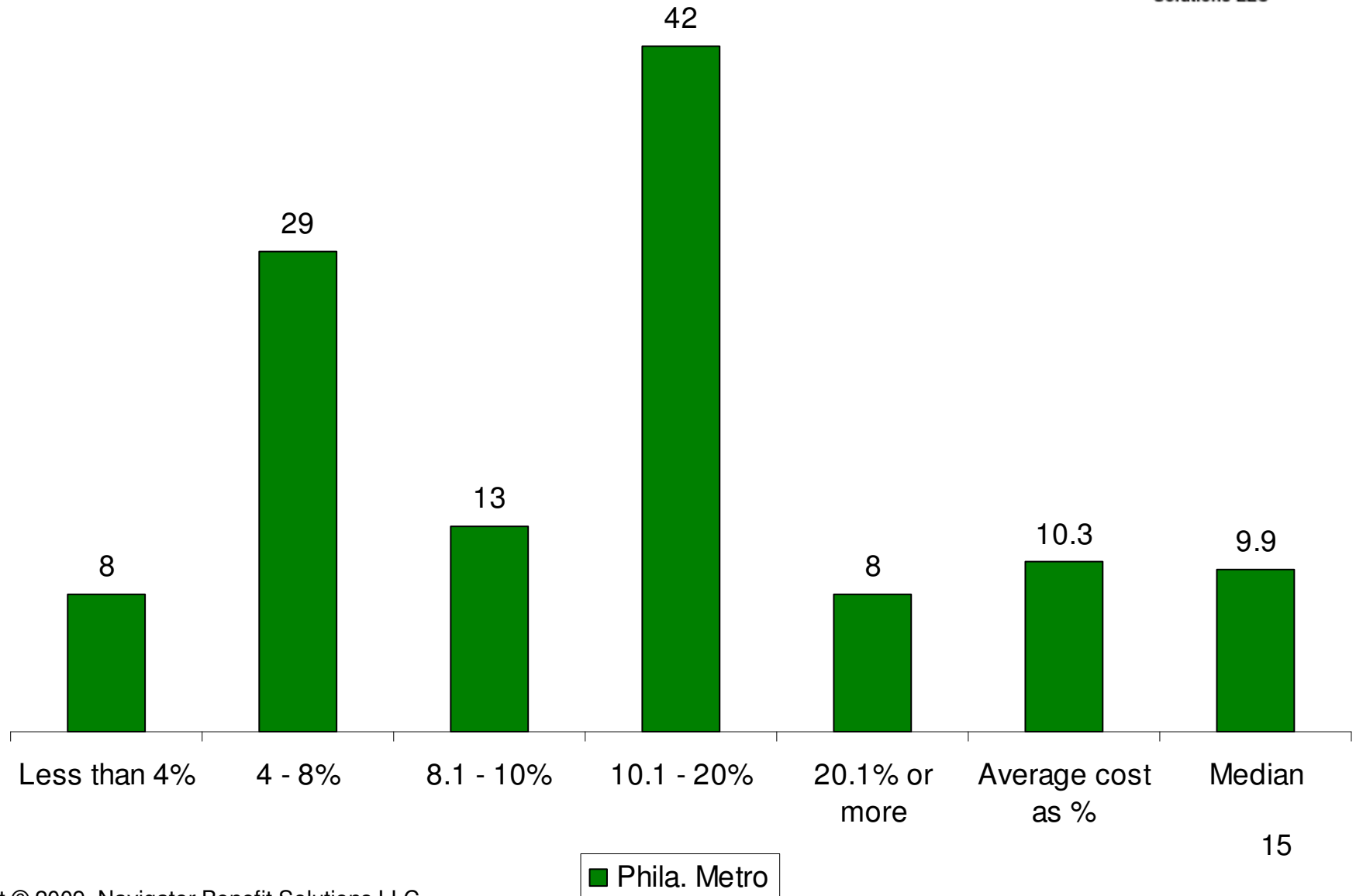
	-ER Contribution (Single)	-ER Contribution (Family)
HSA	550	1,049
HRA	1,000	2,000

Phila. Metro Experience

# Medical Cost (% of Salary)



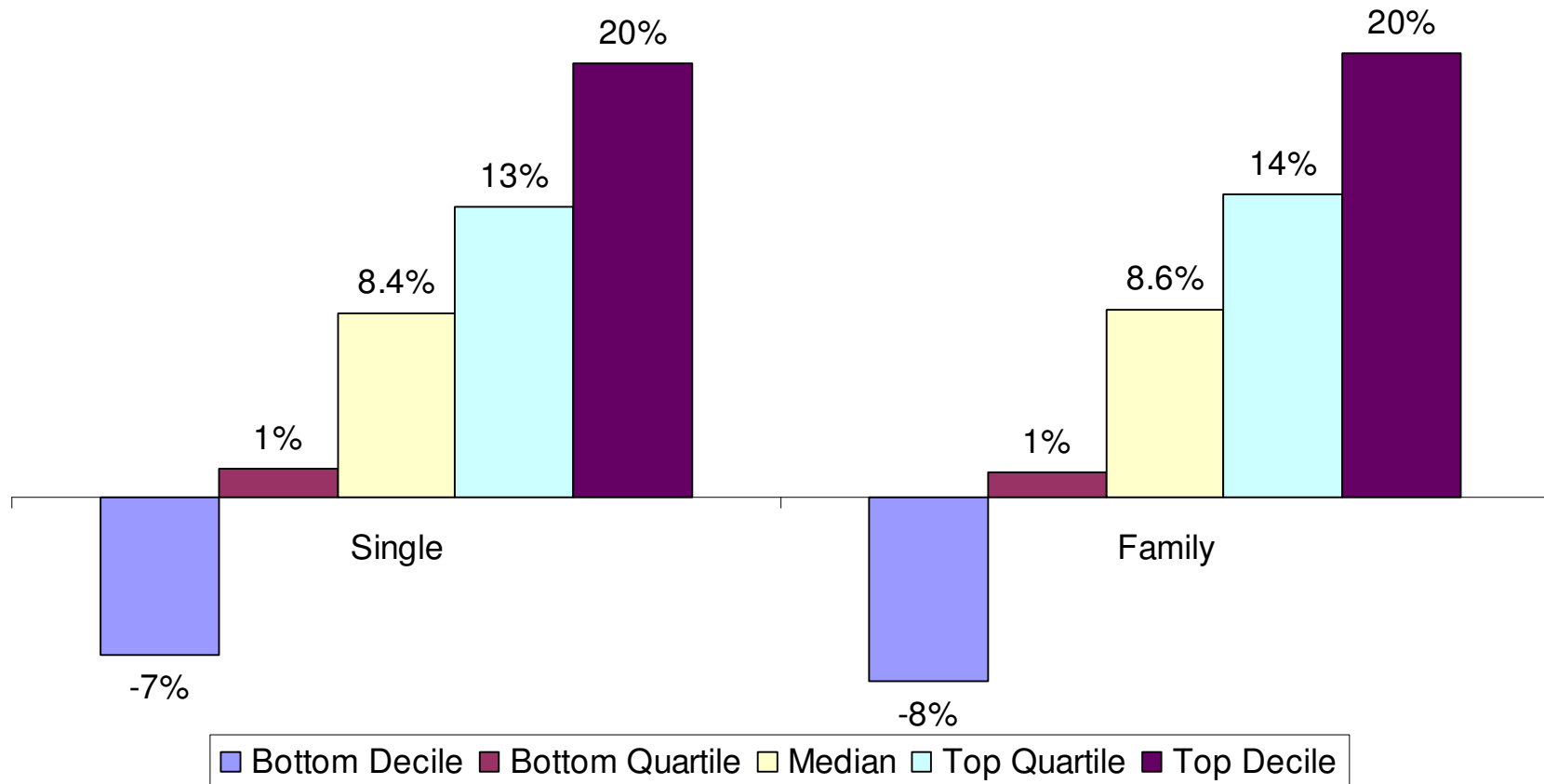
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# Change in Medical Costs for same or similar plan



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# Employee Contributions



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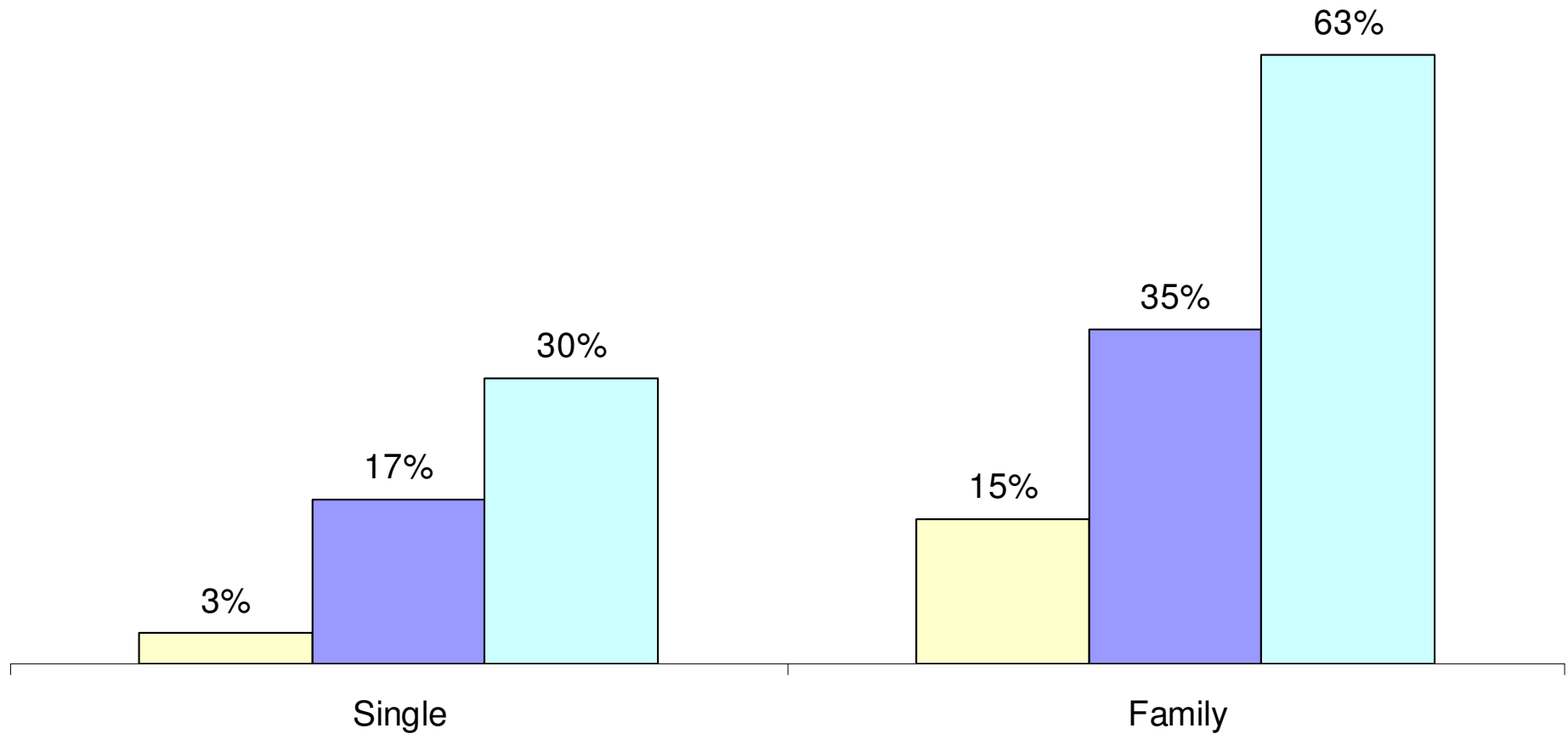
## Highlights

- Philadelphia Metro median -EE contribution rates are 17% for single coverage and 35% for family coverage
- Philadelphia Metro clients require higher average -EE contribution rates than nationally for both single and family coverage

# Employee Contribution Rate Distribution



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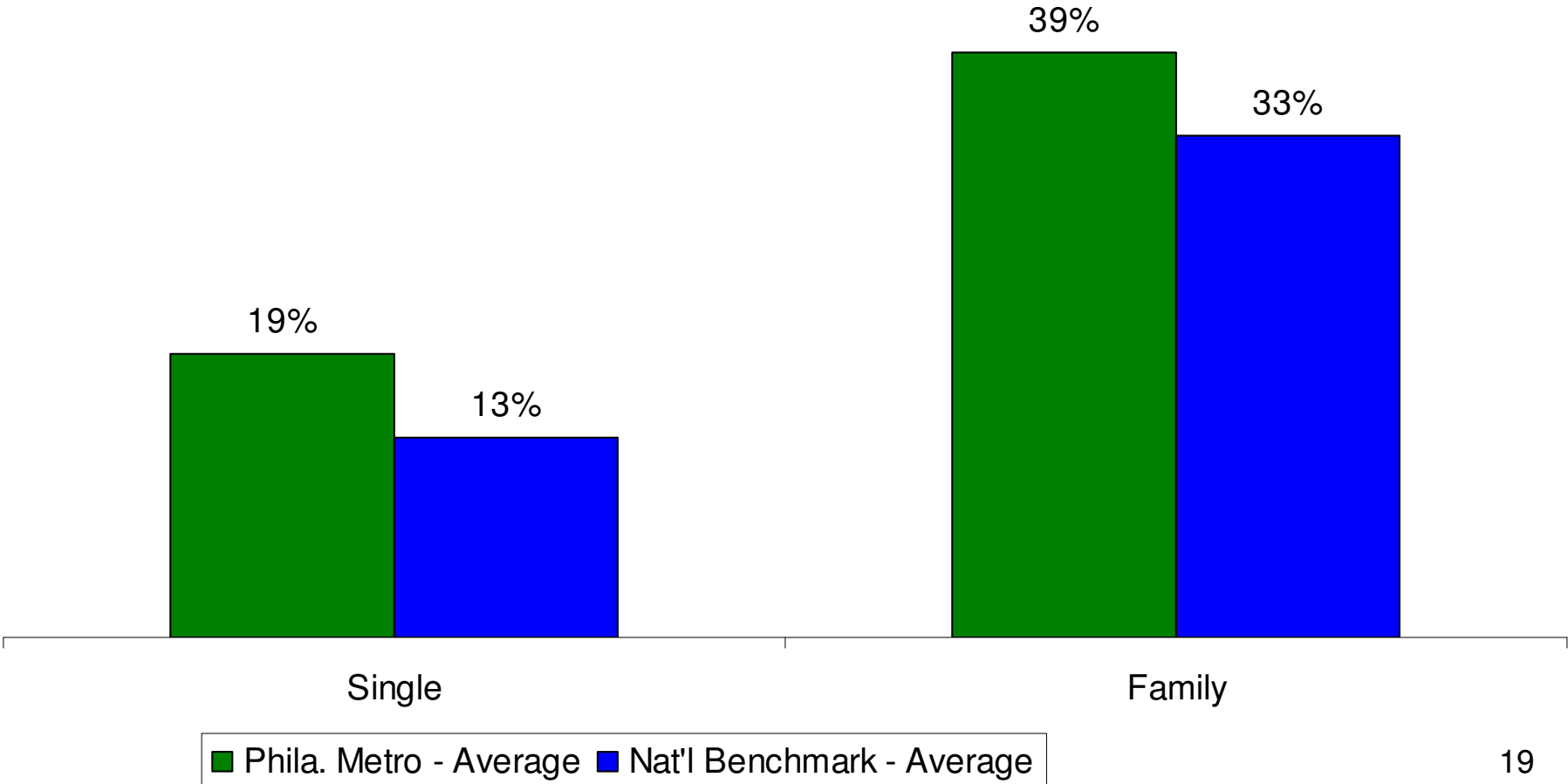


□ Phila. Metro - Bottom Quartile   □ Phila. Metro - Median   □ Phila. Metro - Top Quartile

# Average Employee Contribution Rate



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# Coverage Tiers



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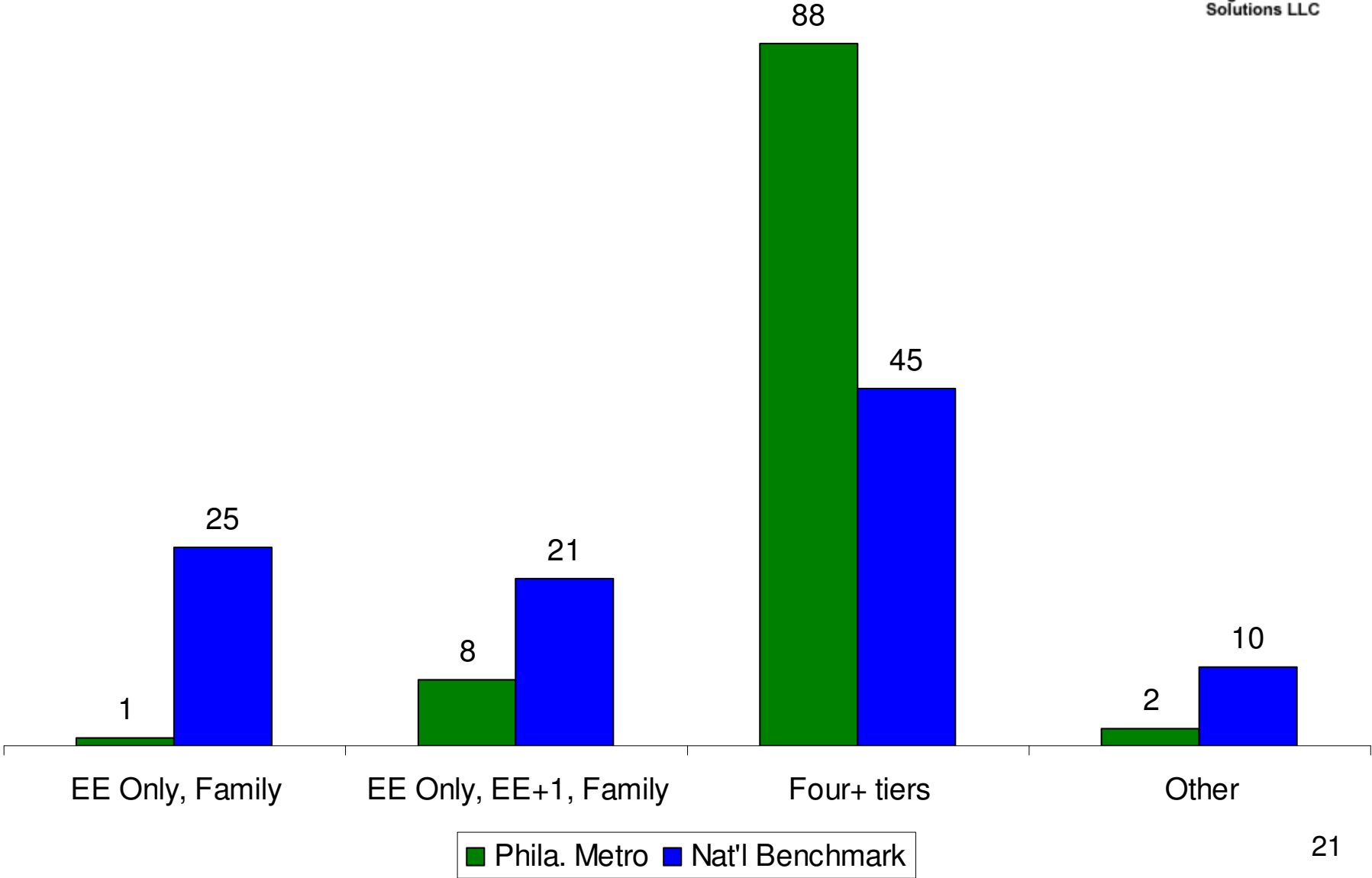
## Highlights

- Four + coverage tiers predominates in the local marketplace
- Employees in local companies are more likely to elect single coverage and less likely to elect family coverage than nationally

# Coverage Tier Distribution



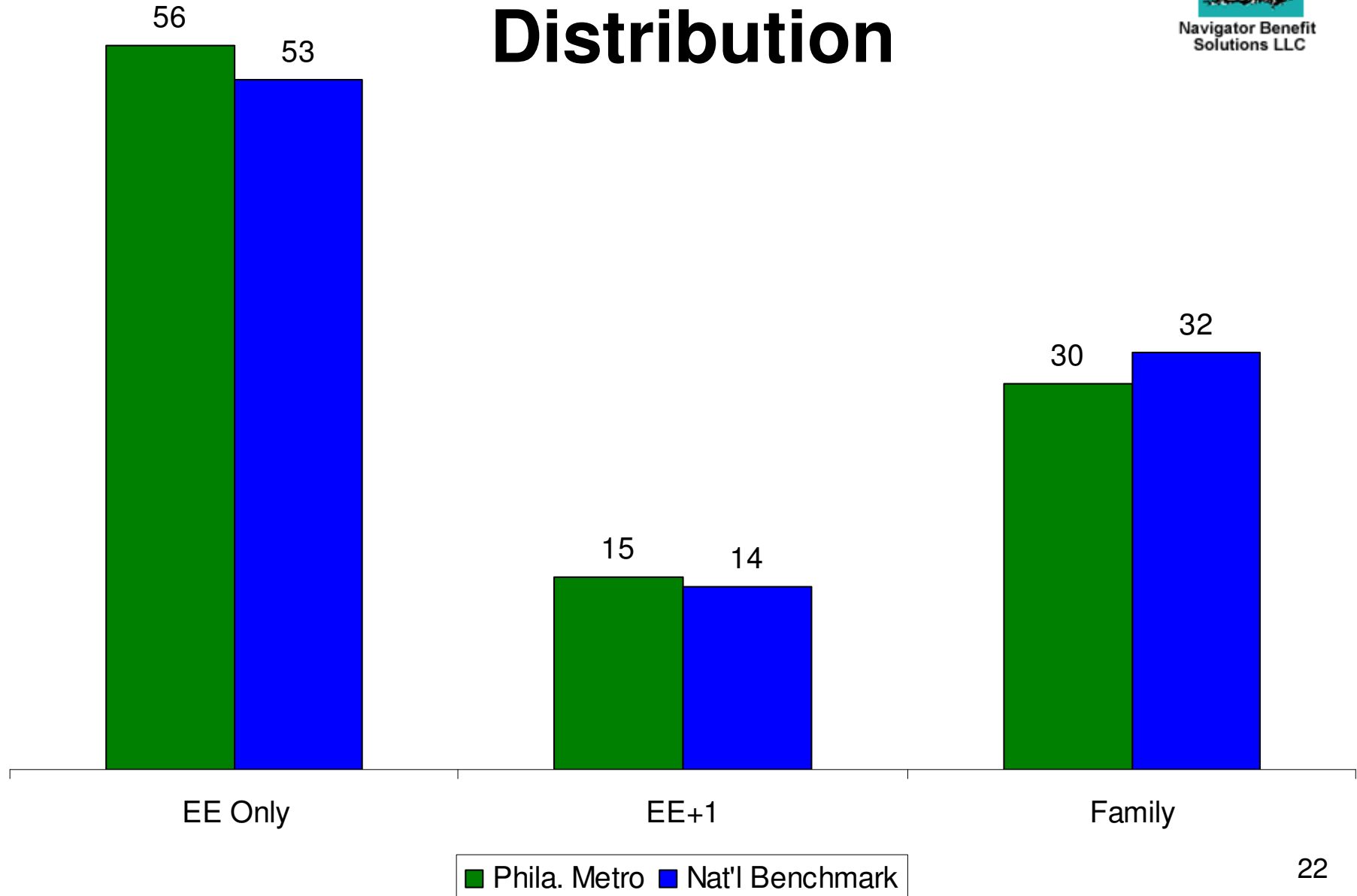
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# Employee Election Distribution



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# Plan Design Features



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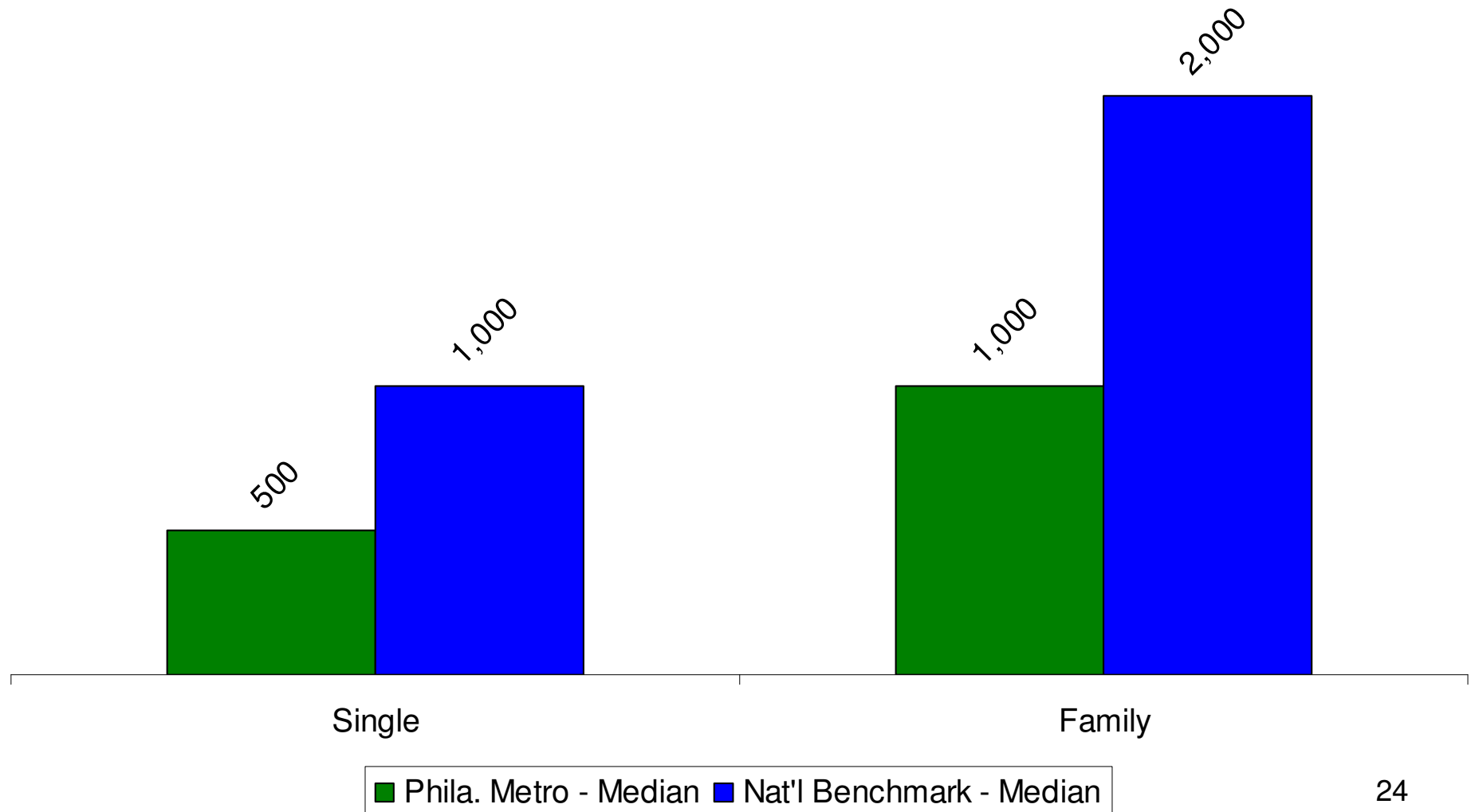
## Highlights

- Philadelphia Metro plans are richer than nationally
- 49% of Philadelphia Metro PPO/POS plans have no in-network deductible vs. 21% nationally
- Philadelphia Metro median deductibles are half those nationally for both single and family coverage
- Philadelphia Metro median -EE coinsurance is zero, compared to 20% nationally
- 76% of Philadelphia Metro plans have no coinsurance
- See Page 29 for a plan design summary

# PPO/POS Deductibles



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# Median Coinsurance for PPO/POS Plans



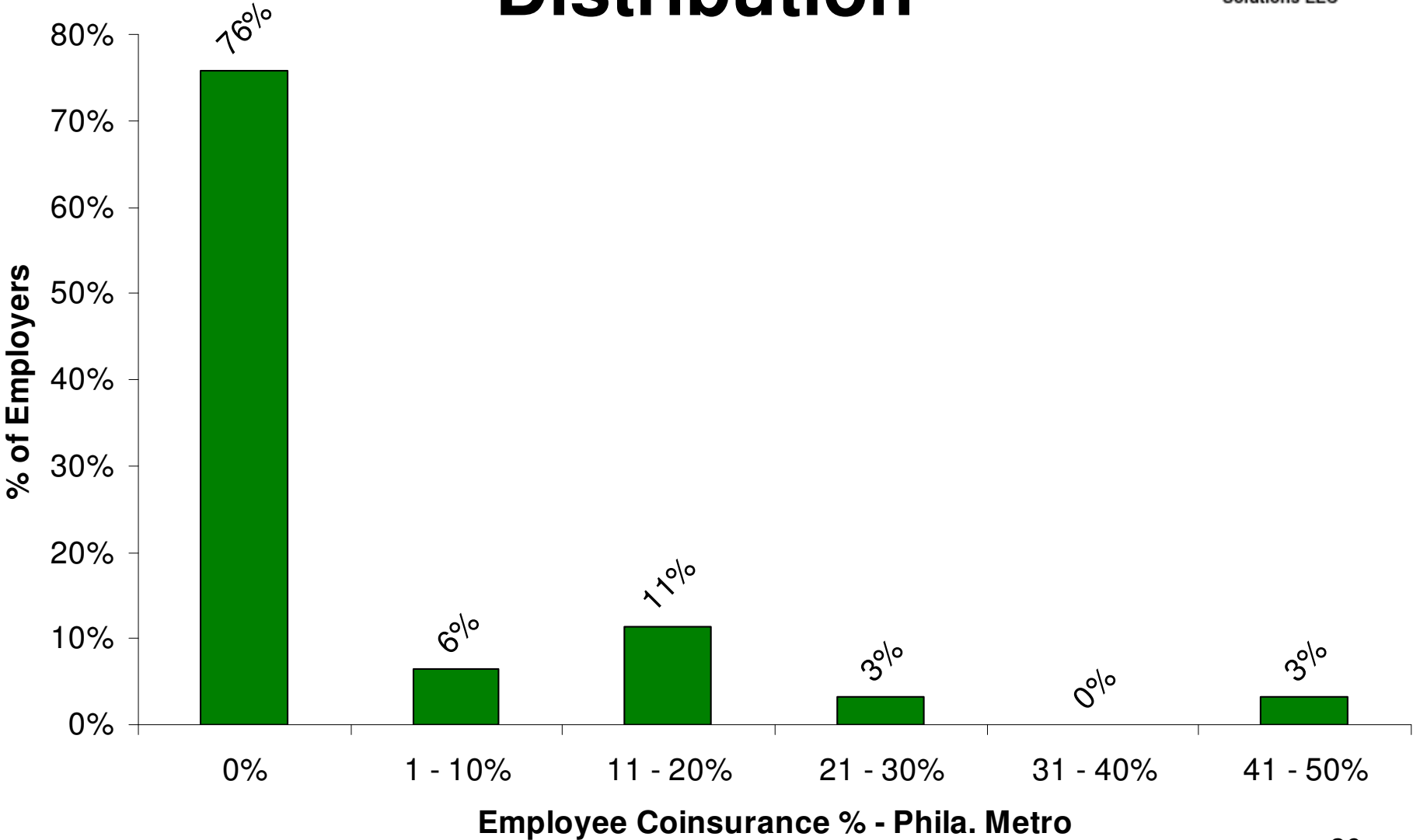
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- Philadelphia Metro – 0%
- National Benchmark – 20%

# PPO/POS Coinsurance Distribution



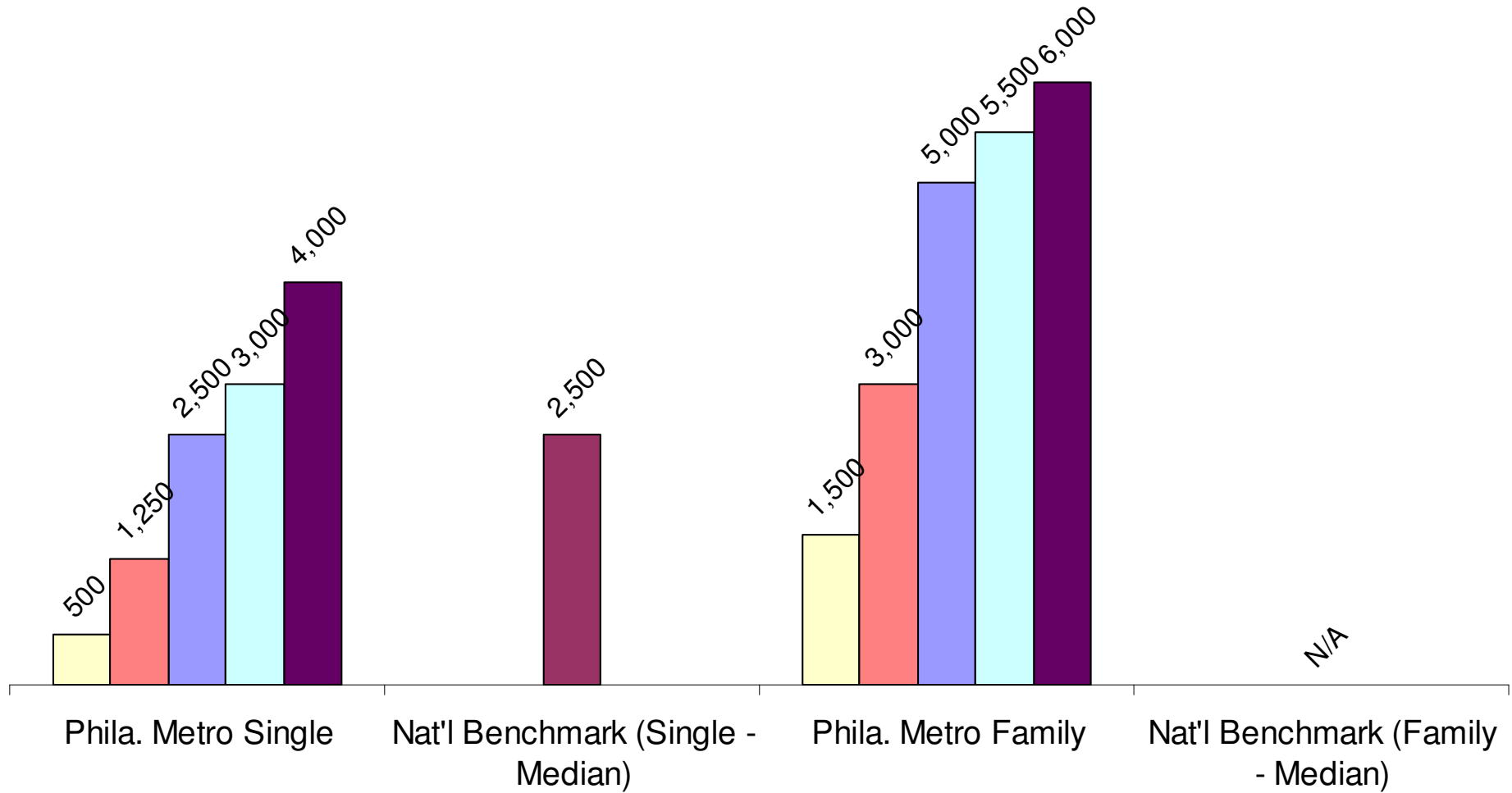
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# PPO/POS Maximum Out-of-Pocket



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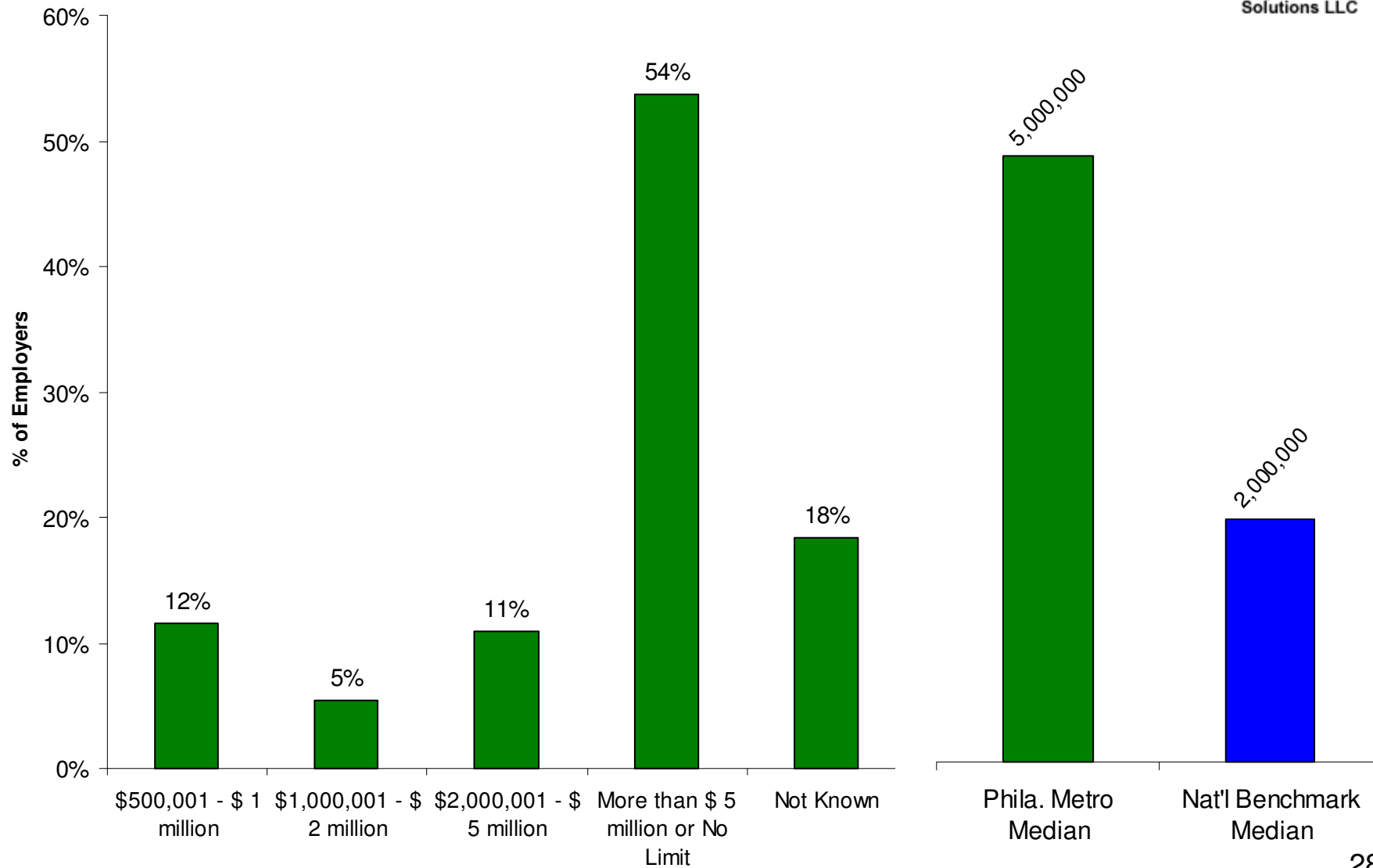


Bottom Decile
  Bottom Quartile
  Median
  Top Quartile
  Top Decile

# Lifetime Maximums



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# Plan Design Summary



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	<u>Phila. Metro PPO &amp; POS</u>	<u>Phila. Metro HMO</u>	<u>Phila. Metro CDHP</u>	<u>Nat'l Benchmark PPO &amp; POS</u>
<i>% w/No In-Network Deductible</i>	49%	78%	0%	21%
<i>Deductible for those w/a Deductible (In-/Out- Network)</i>	\$500 / \$1,000	\$500 / \$5,000	\$1,500 / \$2,500	\$1,000 / \$1,000
<i>Coinsurance (In-/Out- Network)</i>	0% / 30%	0% / 50%	0% / 20%	20% / 30%
<i>OOP Maximum (In- /Out-Network)</i>	\$2,500 / \$3,000	Not Meaningful	\$4,000 / \$5,000	\$2,500 / \$3,150
<i>CoPay Office</i>	\$20	\$20	\$20	\$20
<i>CoPay Specialist</i>	\$30	\$40	\$20	\$40
<b><u>For All Plan Types</u></b>				
<i>Rx CoPay - Retail</i>		\$10 / \$30 / \$50		\$10 / \$25 / \$45
<i>Rx CoPay - Mail Order</i>		\$25 / \$60 / \$100		\$16 / \$36 / \$60

# Eligibility & Participation



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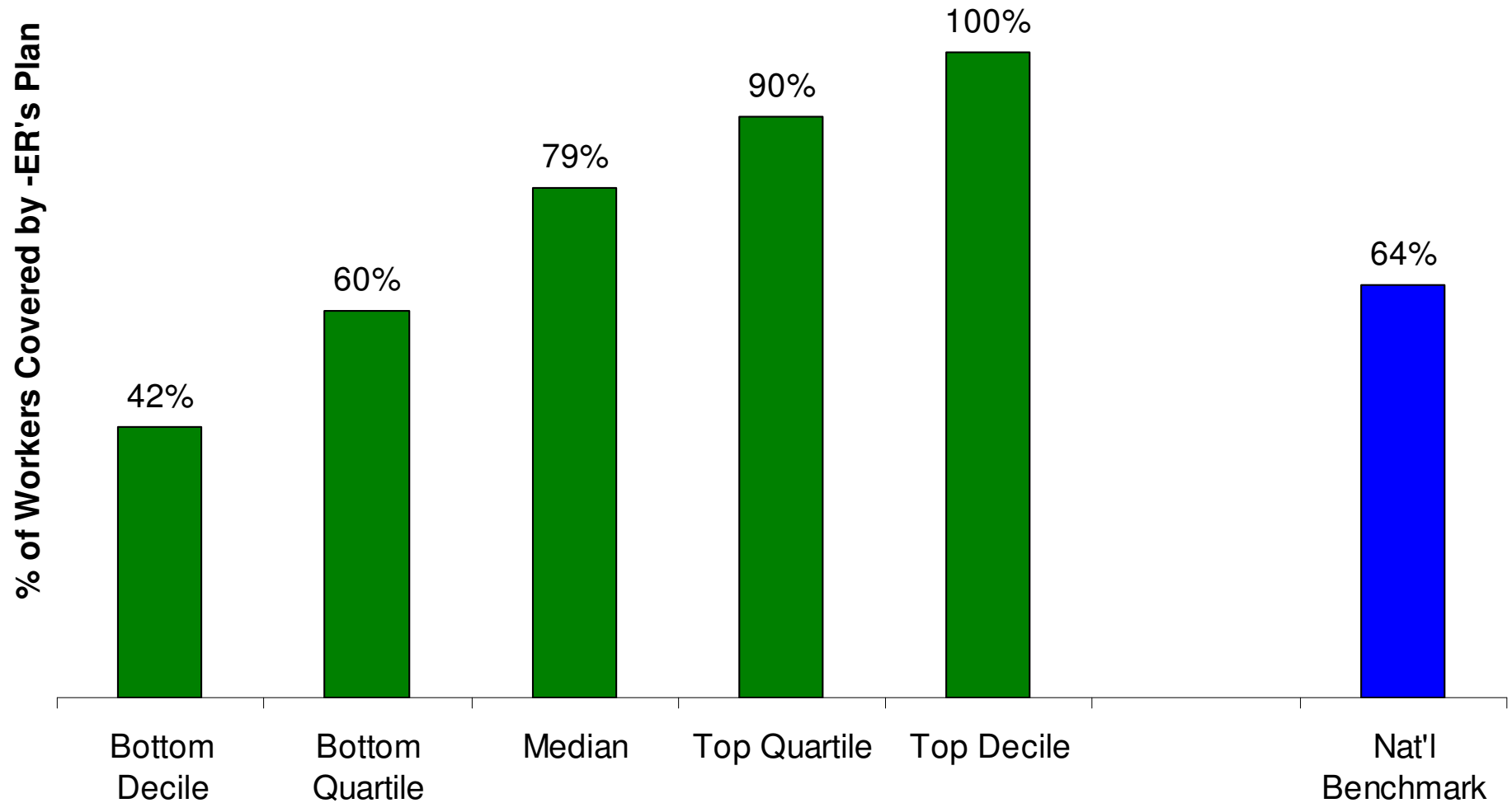
## Highlights

- 79% of local workers are covered by their employer's plan vs. 64% nationally
- Local plans are more restrictive with respect to offering coverage to part-timers
- Domestic partner eligibility is more prevalent in the local market than nationally

# Employee Participation Rates



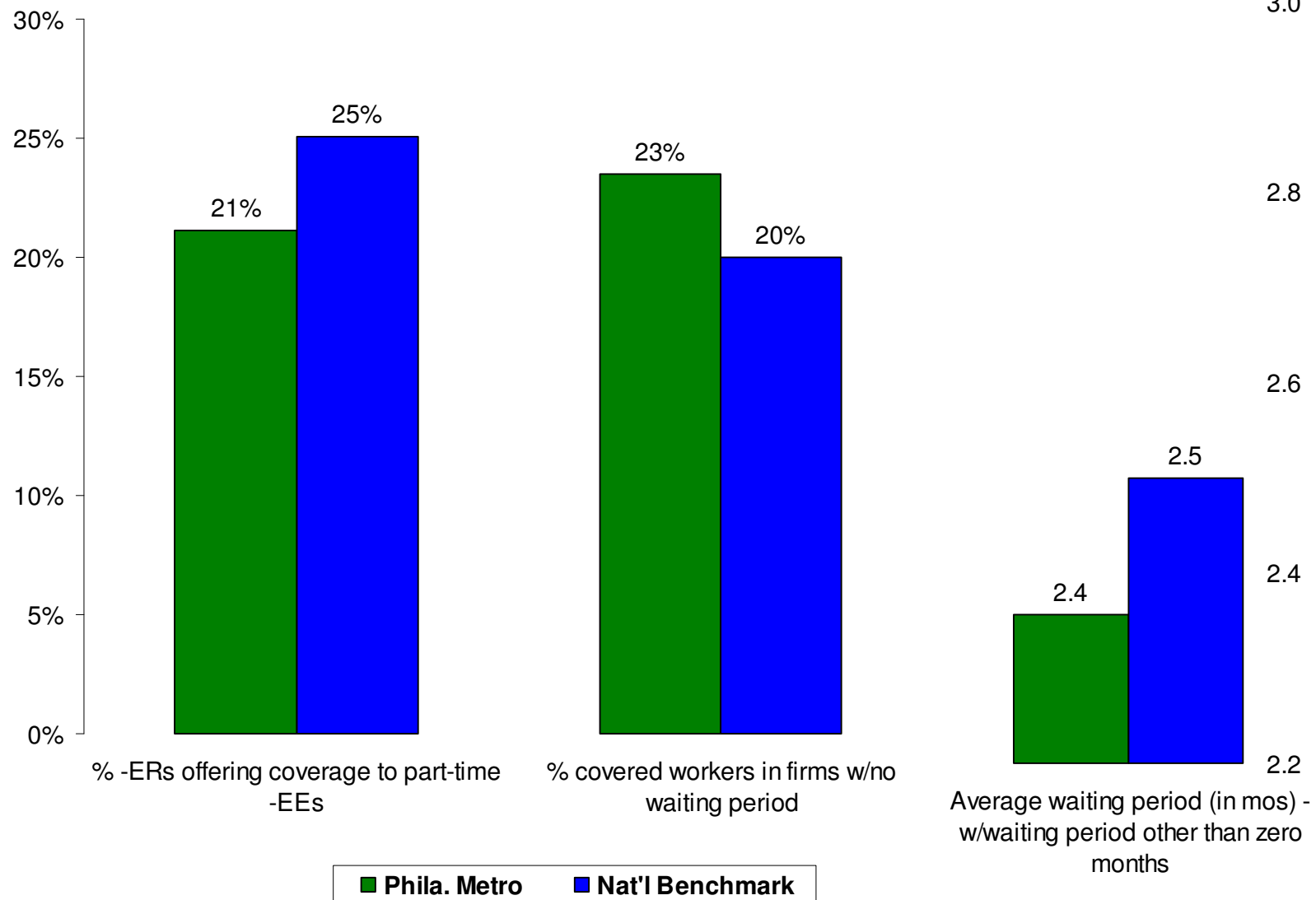
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# Eligibility & Waiting Period



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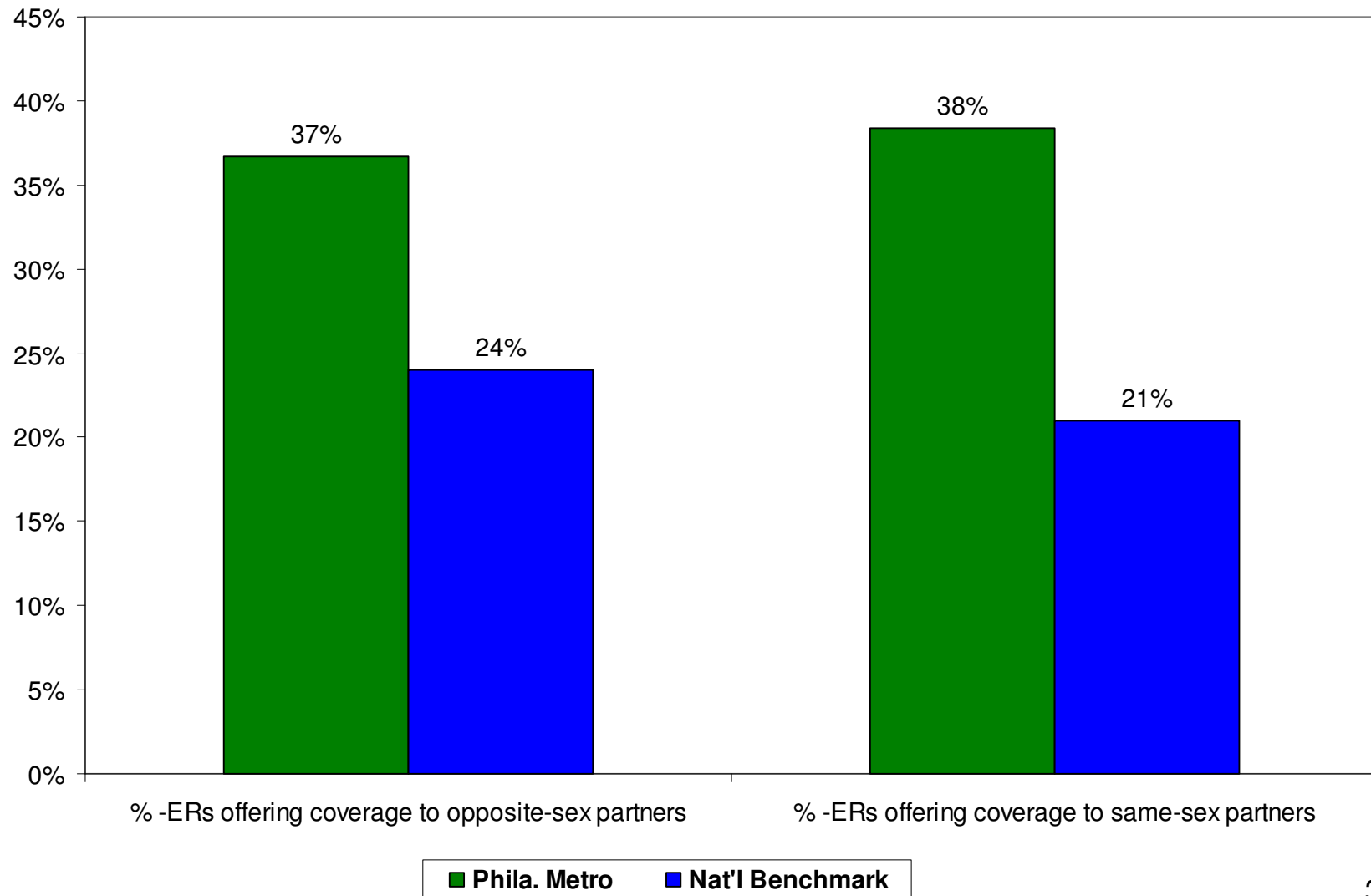




# Domestic Partner Eligibility



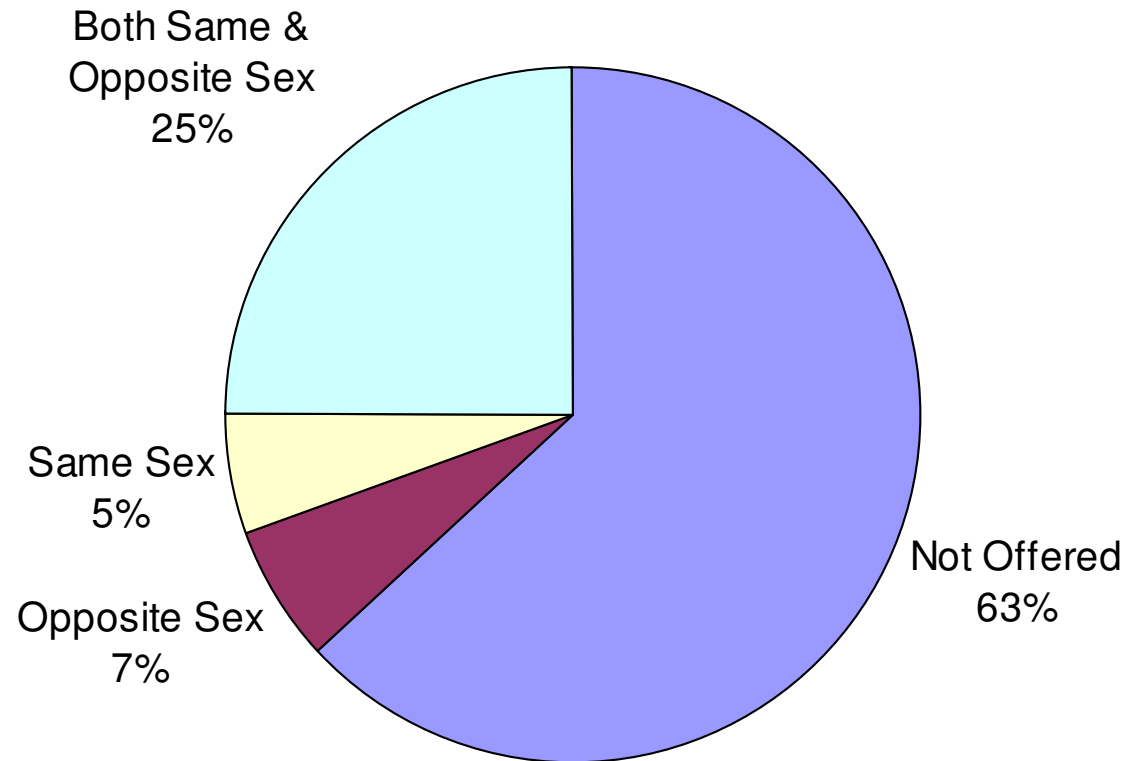
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# Domestic Partner Coverage



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# Cost Management & Wellness Initiatives



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## Highlights

- 60% of Philadelphia Metro employers are likely to increase the amount of premiums paid by employees next year
- 56% of Philadelphia Metro employers are likely to increase deductibles, co-pays or coinsurance

# Cost Reduction Options



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<b>Likelihood of employer taking action next year</b>	Very	Somewhat	Not too	Not at all	Don't Know
Increase the amount of premiums paid by employees	27%	33%	17%	11%	13%
Increase employee deductibles, co-pays, or coinsurance	21	35	18	10	16
Restrict eligibility for coverage	0	7	28	52	13
Eliminate coverage entirely	0	0	12	83	5

# Other Cost Management Initiatives



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	Offer Currently	Likely for Next Year	Don't Know
Disease Management	30	9	61
Complex/Catastroph Case Management	15	5	80
Value Based Insurance Design	5	10	85
Claim audits	2	5	93
Collective purchasing arrangement (medical or pharmacy consortiums)	0	2	98

# Wellness & Health Management Initiatives



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	Offer Currently	Likely for Next Year	Don't Know
Gym Membership Discounts	41%	6%	54%
Onsite Exercise	18	3	80
Smoking Cessation	39	11	50
Weight Loss	36	11	53
Onsite Flu Shots	39	5	57
Healthy Living Information	43	7	50
Health Risk Assessments	26	15	59
Health Advocate Services	76	2	22

# Self-Insurance



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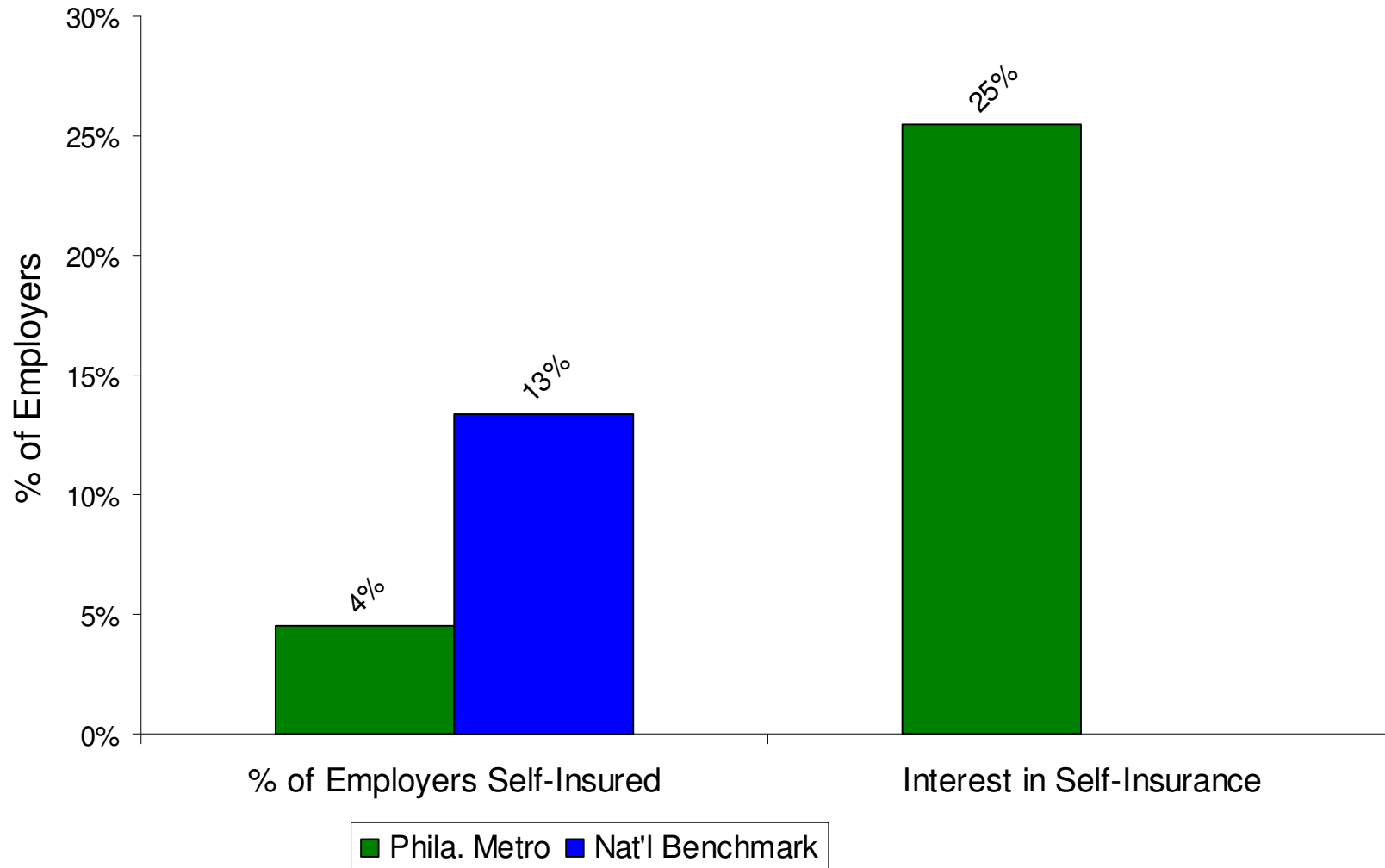
## Highlights

- Nationally, employers are much more likely to be self-insured than in the local market
- 25% of survey participants expressed an interest in exploring the feasibility of self-insurance

# Self-Insurance Usage



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# Self-Insurance Specific Stop Loss



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- Philadelphia Metro Median – \$100-150 K
- National BM Median – \$150 K

# COBRA



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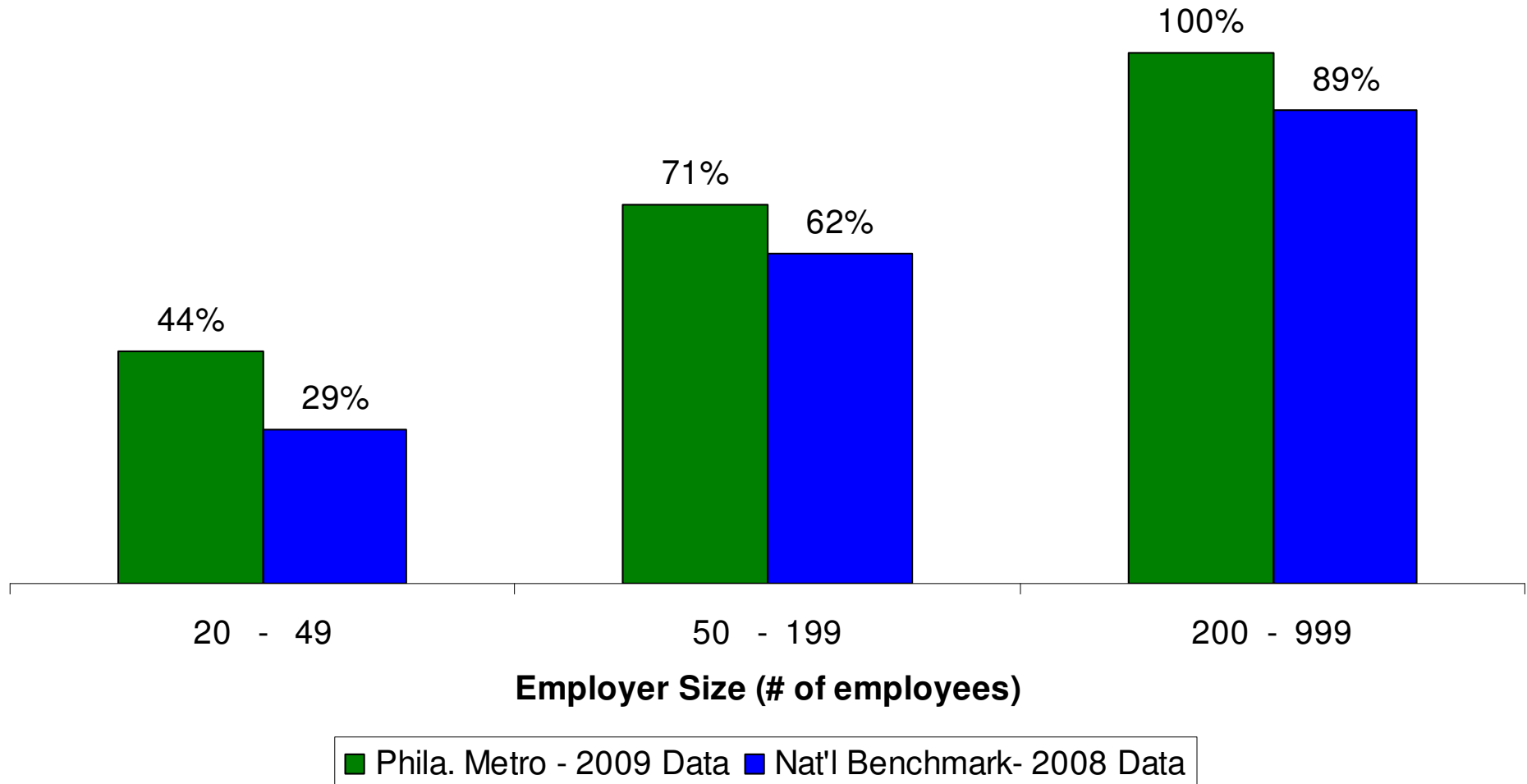
## Highlights

- The larger the employer size, the greater the likelihood of the employer having COBRA participants
- The median COBRA penetration rate for local employers in the spring of 2009 is 3%
- With increased layoffs and the federal COBRA subsidy, the numbers are likely even higher now

# Employers w/COBRA Participants



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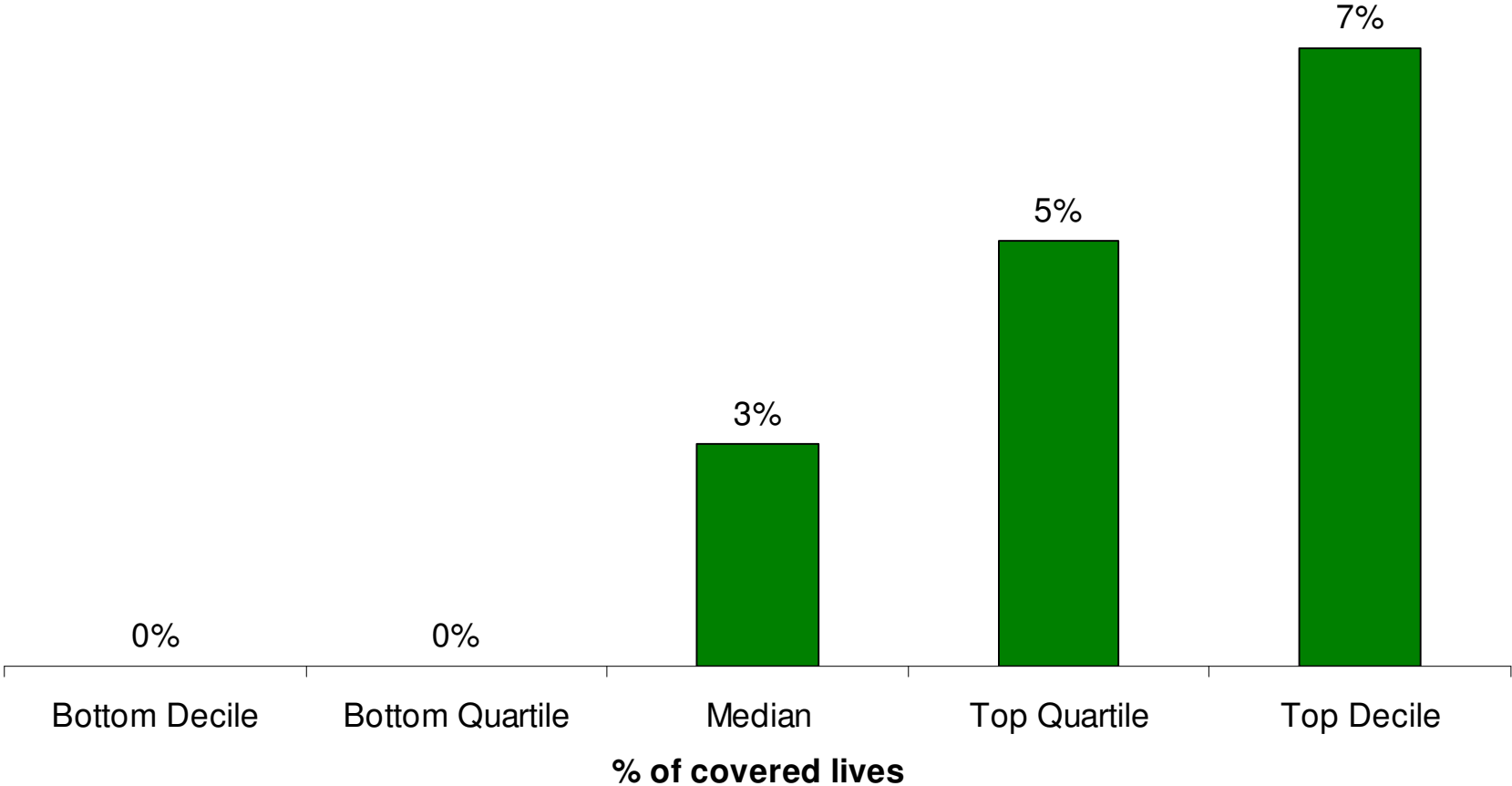


Note: Nat'l data is pre-implementation of the federal COBRA subsidy.

# COBRA Penetration



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# Retirement & Other Benefit Offerings



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## Highlights

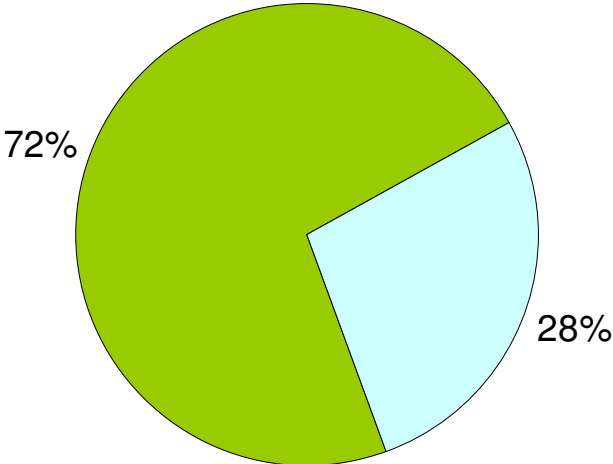
- 72% of local employers offer Defined Contribution retirement plans
- Defined Benefit pension plans and Retiree Health coverage are rare
- Health Care and Dependent Care Reimbursement Accounts (Flexible Spending Accounts) are much more common nationally than locally

# Retirement Benefits

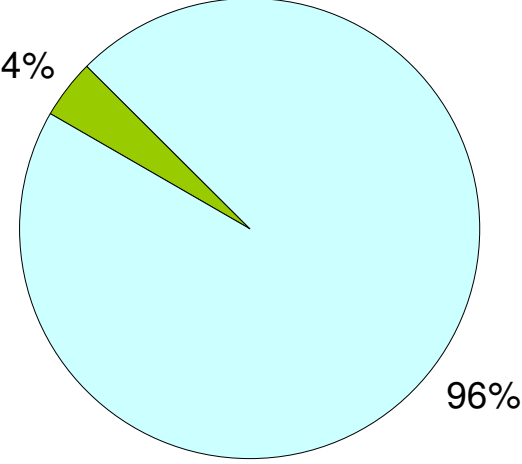


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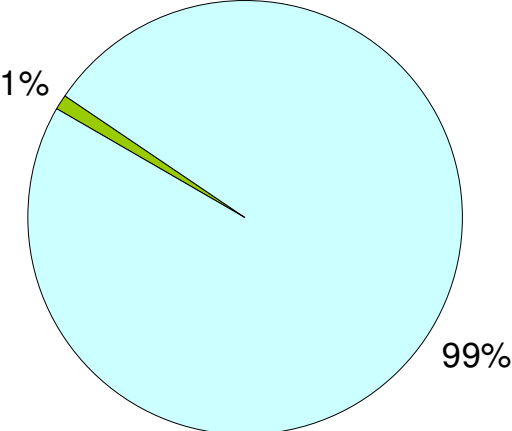
### Defined Contribution Plan



### Defined Benefit Plan



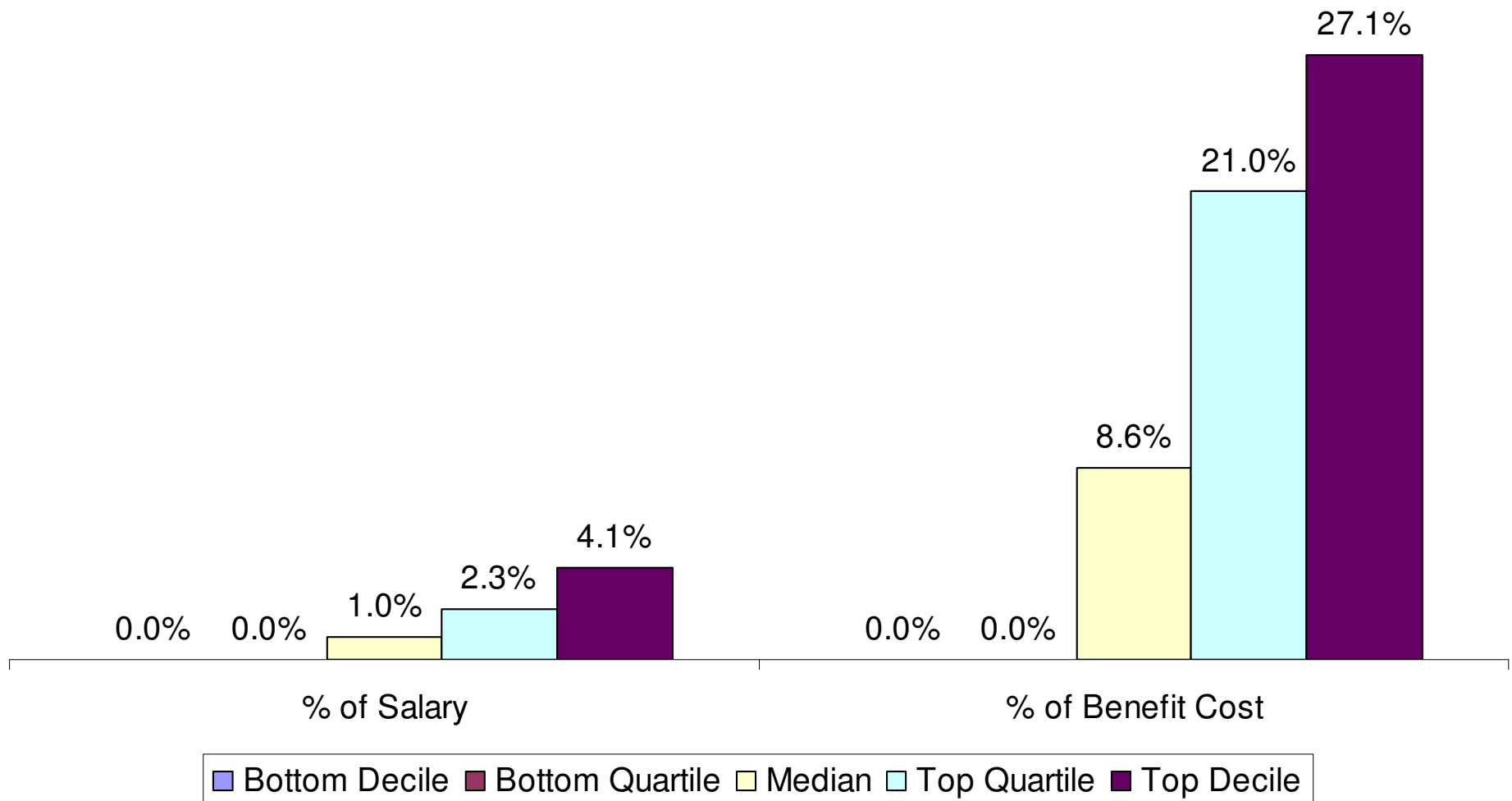
### Retiree Health



# Retirement Benefit Cost



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# Other Benefit Offerings (w/ Contribution Status)



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	Nat'l Benchmark	Phila. Metro	ER-Pay	ER-EE-Pay	EE-Pay
Dental	95%	93%	18%	62%	20%
Vision	69	72	16	70	13
Short-term Disability	69	81	68	6	26
Long-term Disability	74	79	73	3	24
Basic Life Insurance	89	88	83	3	14
Supplemental or Dependent Life Insurance	52	52	0	2	98
Accidental Death and Dismemberment (AD&D)	77	83	78	4	18
Long-term Care	36	9	14	0	86
Prepaid Legal	NA	4	0	0	100



# Other Benefits



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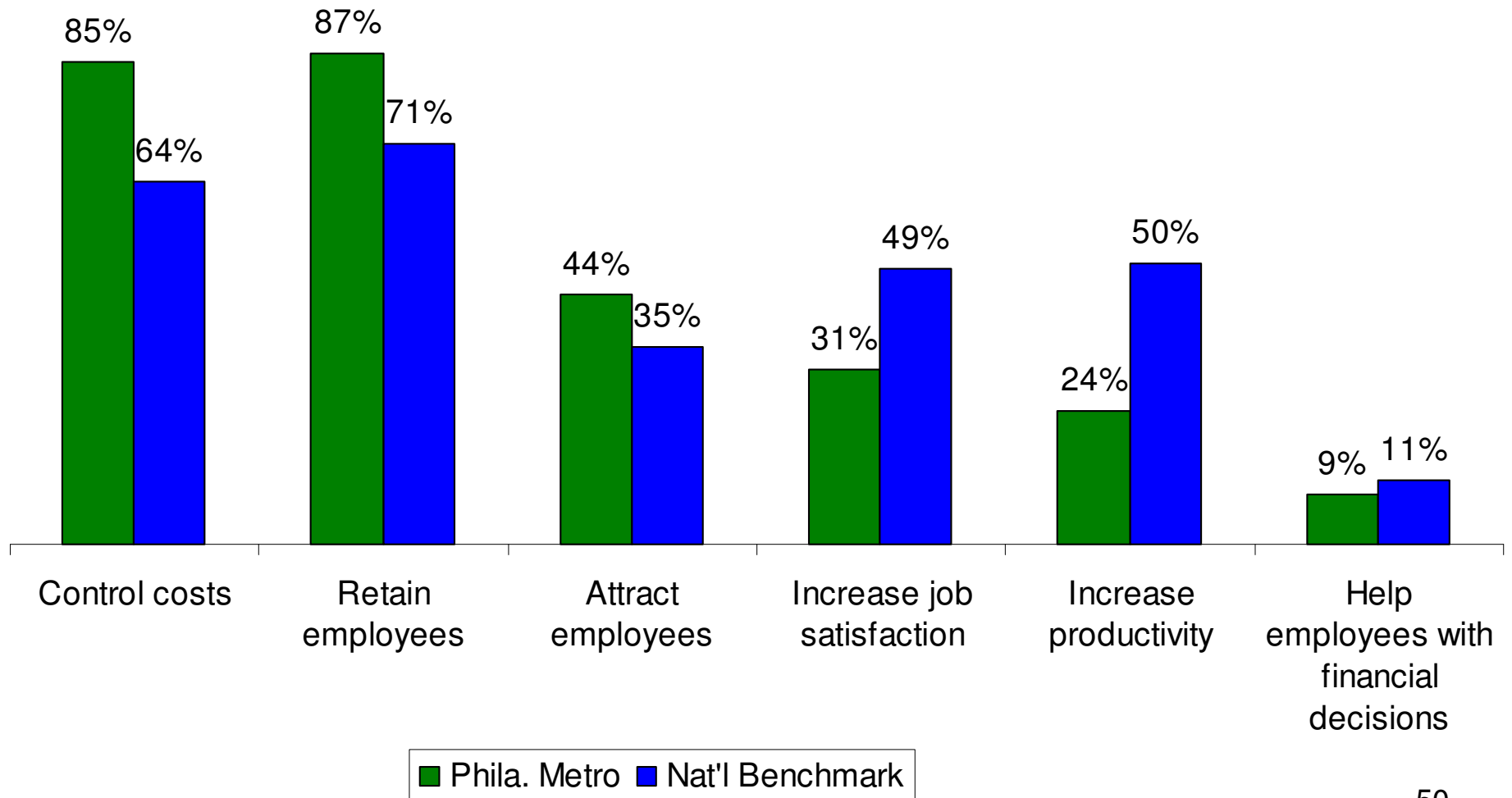
	Nat'l Benchmark	Phila. Metro
Individual Health	NA	63%
Health Care Reimbursement	67	27
Dependent Care Reimbursement	65	30
EAP	71	32
Transportation/Parking Reimbursement	11	10
Paid-time off	41	49
Vacation Pay	49	86
Sickness Pay	38	71
Personal Days	32	48

# Benefit Objectives

Employers Selected Up to Three Responses



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# Design & Methodology



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The survey was conducted on-line. Several avenues were followed to access Philadelphia Metro (and extended) businesses with over 20 employees. Where we had a valid e-mail address, an e-mail was sent a direct link to the survey in April 2009. In total, 250 e-mails were solicited. The Navigator Benefit Solutions LLC website home page also included a link to the survey for both customers and non-customers. The surveys were completed between April and July. Of the 131 participants who started the survey, 98 companies completed it.

The national benchmarks used for the health plans are based upon two studies: Kaiser Family Foundation's 2009 Survey of Employer Health Benefits and Mercer's 2008 National Survey of Employer-Sponsored Health Plans. These sources were selected for their comprehensive treatment of health plan design and costs, as well as the availability of data by employer size. The benchmarks are representative of companies with 10 to 500 employees. Ninety-six percent of our survey participants fall within this size range.

The 2009 Employee Benefits Survey Report by SHRM provides the national benchmarks for other (non-medical) employee benefit offerings. Data from the small and medium size categories was weighted to establish the national benchmarks. This encompasses groups under 500 employees.

MetLife's Benefits Benchmarking Tool is the basis for comparison of employer objectives for offering benefits.

Because of declining enrollment in POS plans, the Mercer survey collects the information for POS with PPO plans in aggregate. The Navigator survey combines POS with PPO only where necessary for benchmarking purposes. This survey report defines a Consumer-Driven Health Plan (CDHP) as a high-deductible plan offered with either a health reimbursement arrangement (HRA) or a health savings account (HSA).



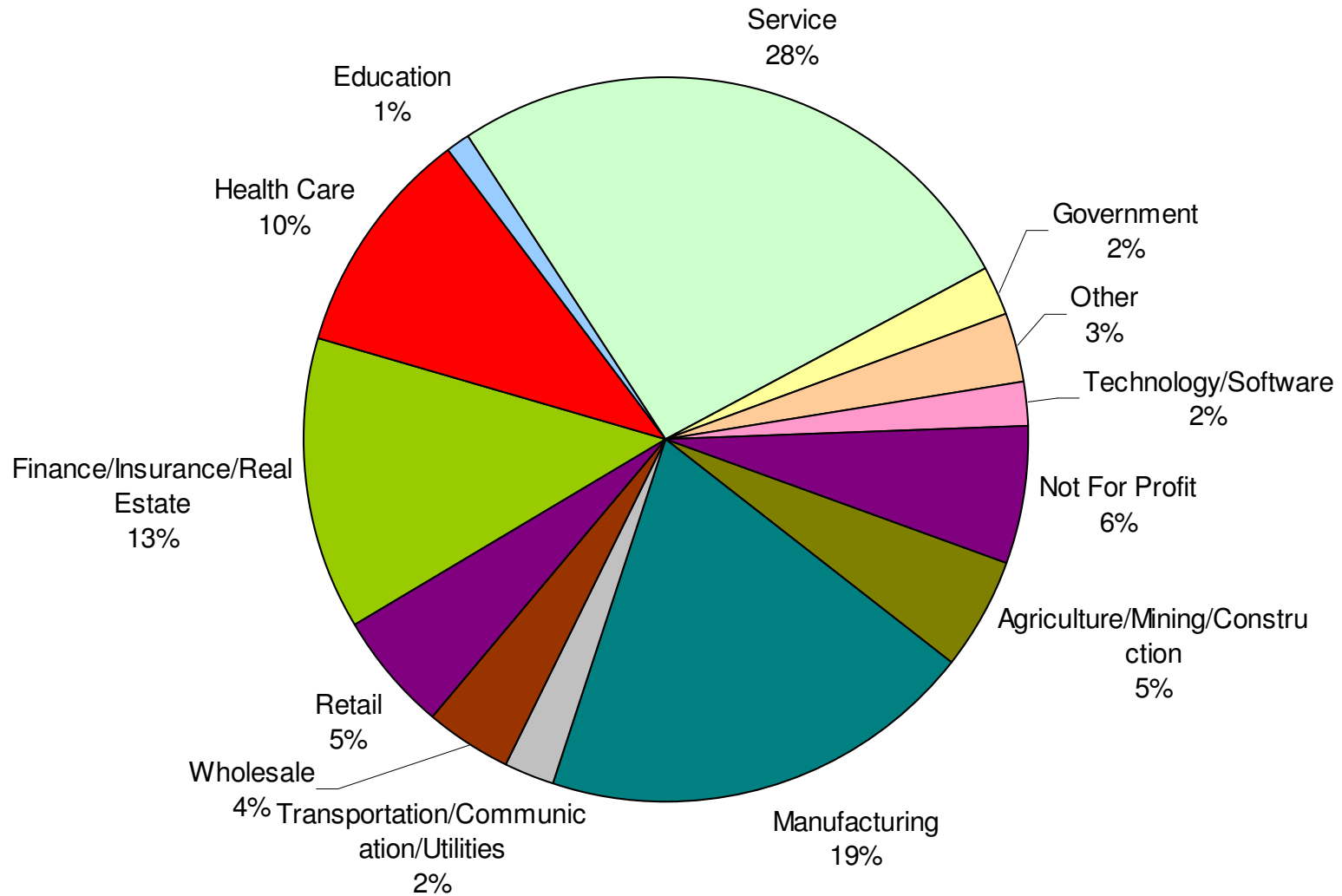
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# About the Participants

# Industry Distribution



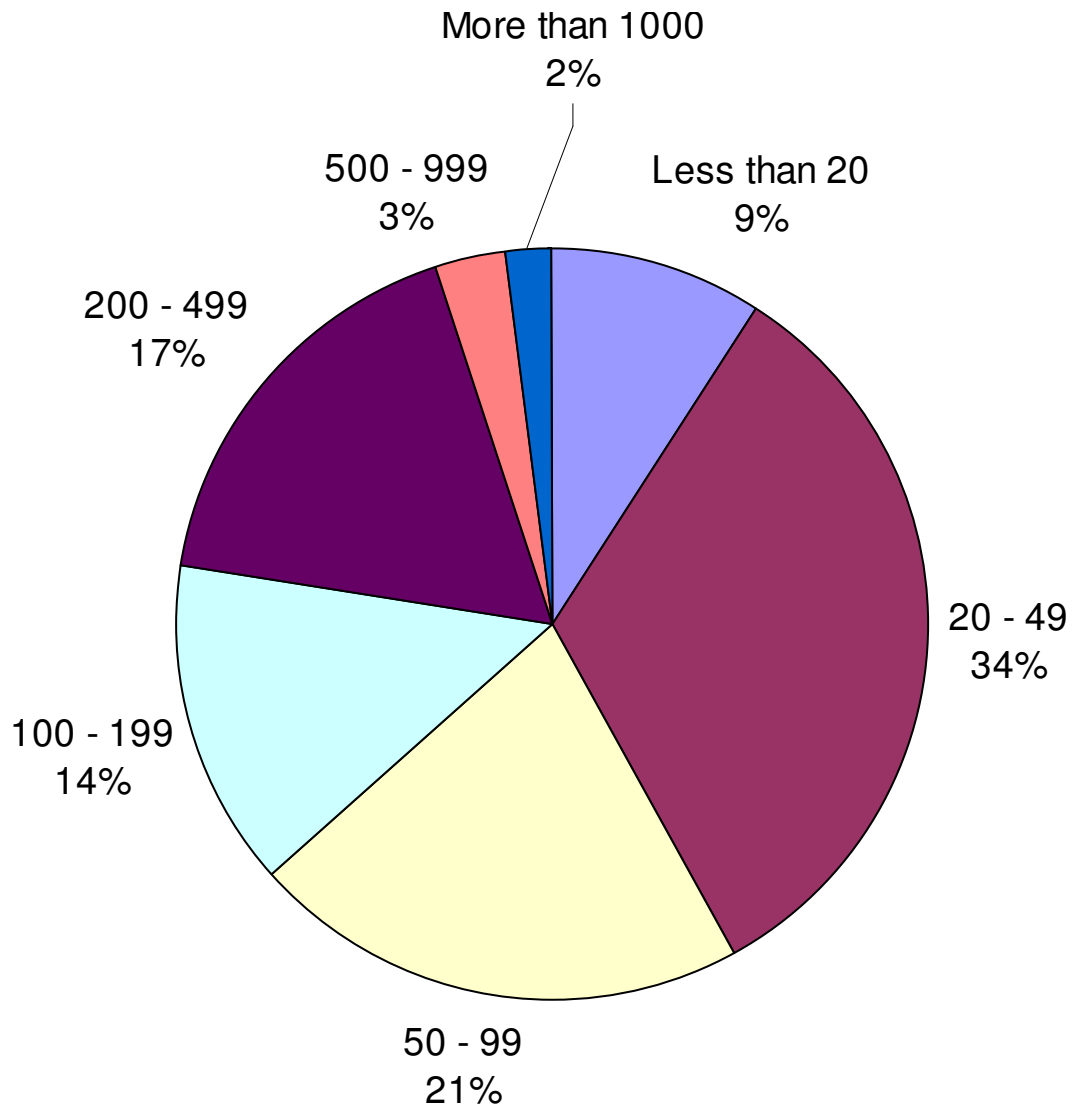
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# Employer Size (# of Employees)



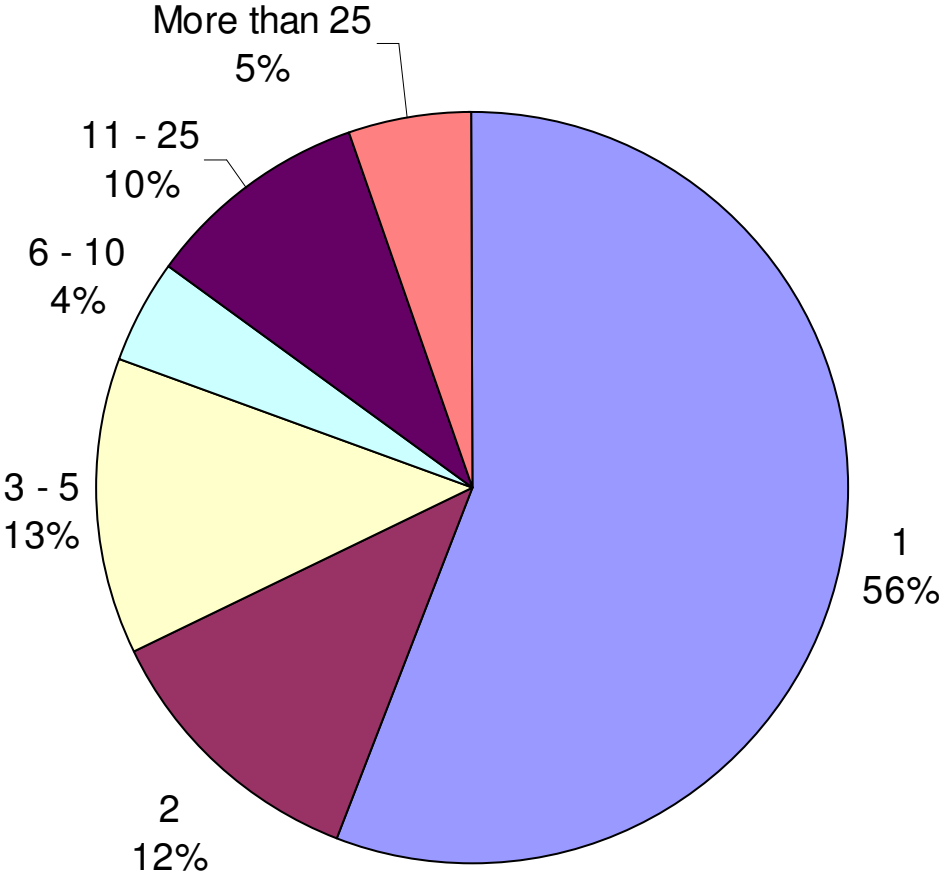
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# Employer Locations



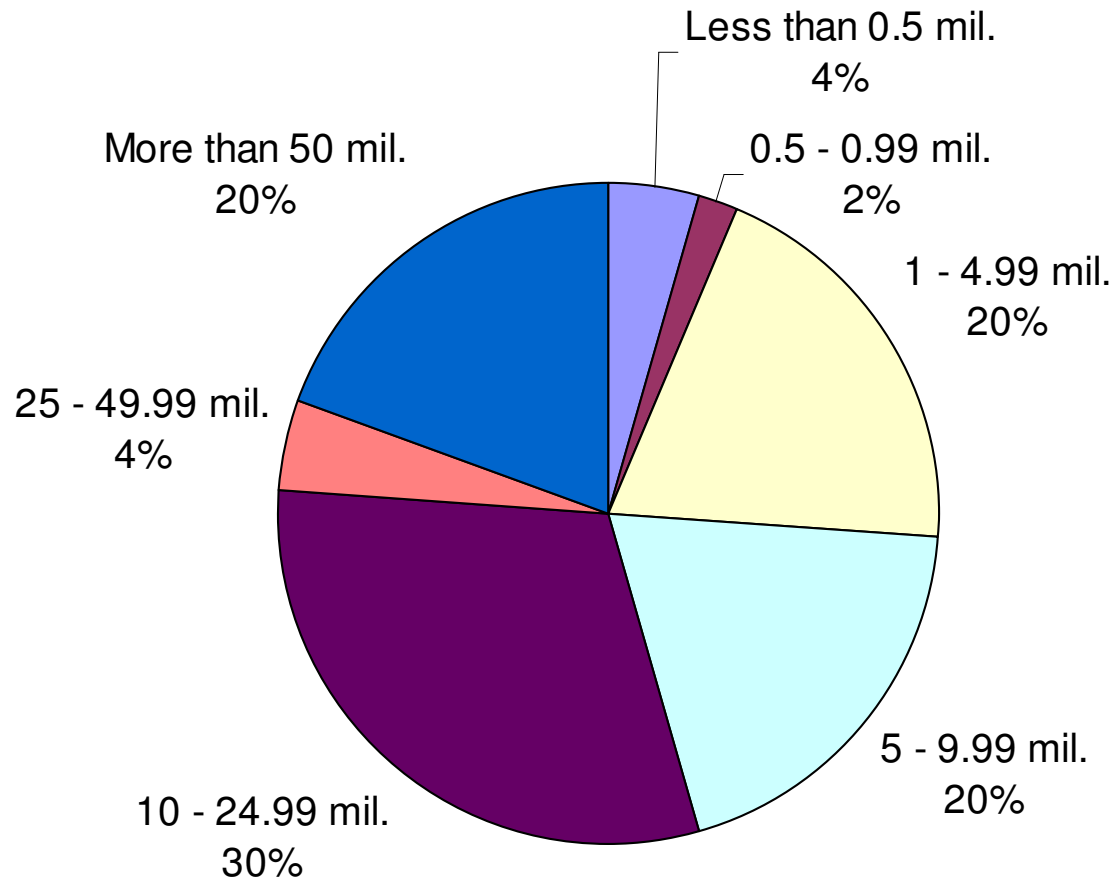
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# Annual Revenue



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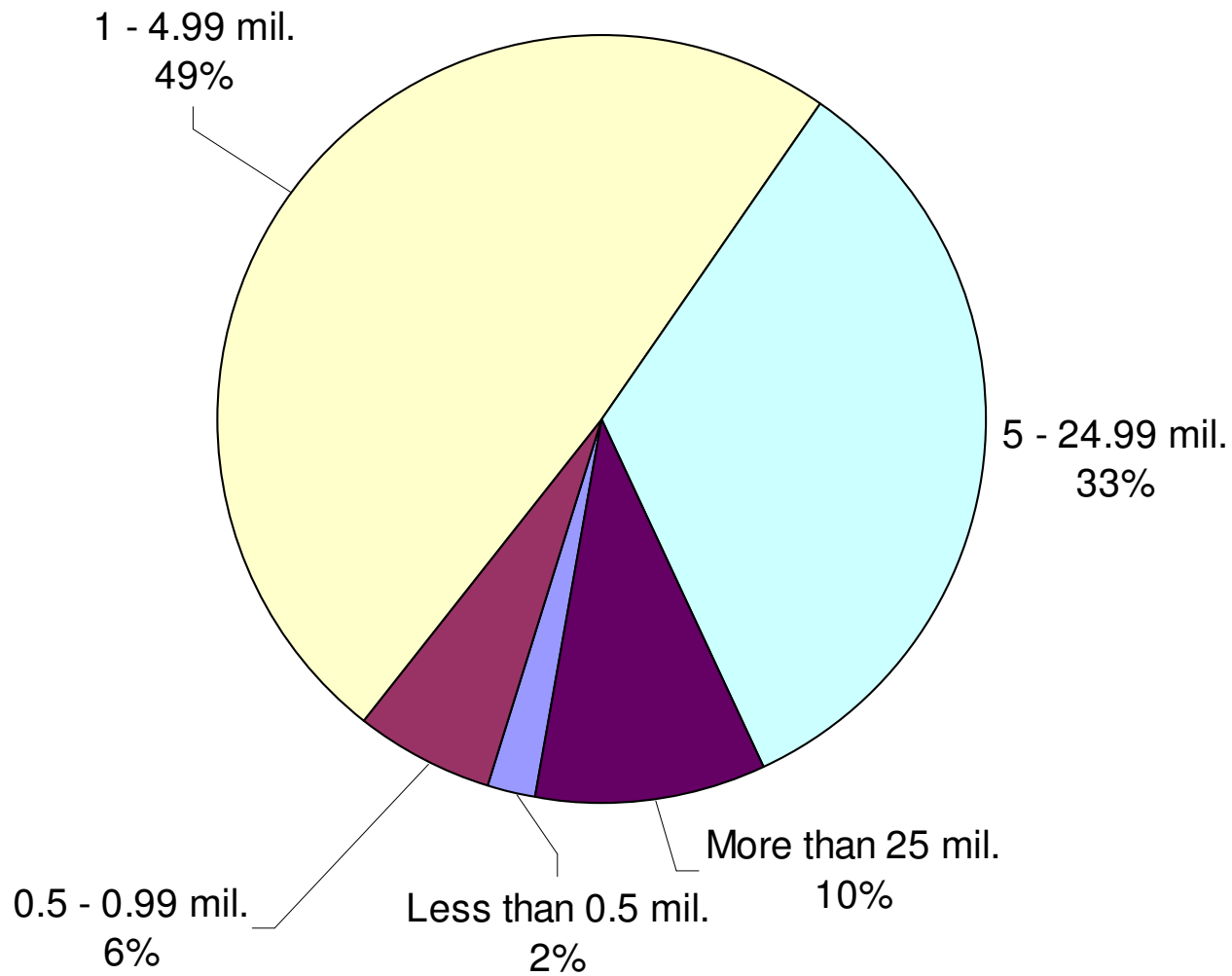




# Annual Salary



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# List of Exhibits



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## Survey Design & Methodology

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