



Indiana Healthcare Benefits Survey Results

September 2011 | Release Executive Summary

RESEARCH BY

Randy Gomez
Audra Mardis

Copyright 2011. All Rights Reserved.

For use for academic, non-commercial use. A commercially licensed version of this report with expanded data is available at www.nyhart.com/research/.

LEGAL NOTICE: While every effort is made to ensure that the content of this study is accurate, Nyhart makes no representations or warranties, expressed or implied, in relation to the data used to complete the study. In no event will Nyhart be liable for any incidental, indirect, consequential or special damages of any kind, or any damages whatsoever arising out of or in connection with the use of this study. Nyhart reserves the right to revise and amend this disclaimer notice from time to time and any revised version will be deemed to be applicable from the first date of publication on Nyhart.com.

In partnership with...

FIRST PERSON
BENEFIT ADVISORS


GREGORY & APPEL
INSURANCE

 **OLD NATIONAL INSURANCE**[™]

Executive Summary

An uncertain economy coupled with substantial pending changes in federal healthcare laws has employers looking carefully at their healthcare benefits for employees. How are Hoosier companies and their workers being impacted?

The second annual 2011 Indiana Healthcare Benefit Survey was conducted by Nyhart Actuary & Employee Benefits to identify trends and set a benchmark for Hoosier employers across industry, company size and geographic location. This survey reviewed the health benefit plans of 215 Indiana-based employers with a combined 170,000 employees. Key findings from the survey include:

1. Average costs for healthcare benefits increased 6.9% for individual plans and 8% for family plans in the past year for Hoosier companies; slightly less than the national average.
2. The typical employee is paying \$105 for single coverage and \$417 for family coverage each month. Employers provide an average monthly subsidy of \$364 for individuals and \$915 for family plans.
3. In the past year, one-in-five employers increased their deductible. Employees now pay an average \$1,500 deductible.
4. For those companies who changed their benefit plan designs for 2011, employees faced an average 49% increase for their deductible from one year ago.
5. When faced with a choice of cutting back on benefits or shifting costs to employees, 44% of employers favor reducing benefits to control costs while 18% favor passing cost increases to employees.



+ 8%

Healthcare costs have increased faster for employees that elected family coverage (8%) than for those with single coverage (6.9%) in 2011. The increase for both coverage levels would have been higher if some employers had not reduced benefit levels to control health benefit costs.

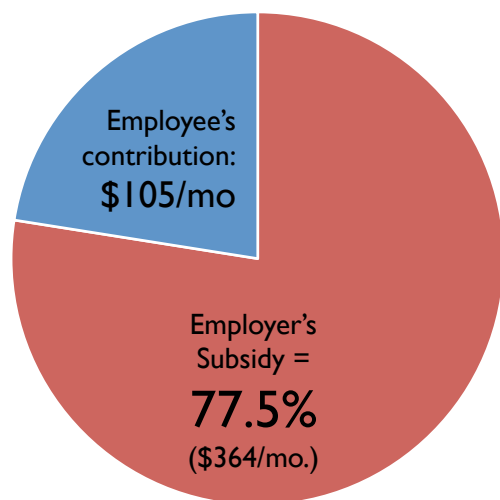
The three most prominent methods employers used to control their healthcare costs in 2011 were:

1. Introduce new high deductible plan options or completely replace existing plans with the newer high deductible designs.
2. Shift cost increases to employees by requiring larger contributions. This is especially true for those who elect a family coverage option.
3. Structuring their plans with stricter rules and requirements about who is eligible for benefits or providing more oversight for affirming eligibility (spouses and dependents).

“Healthcare costs have increased faster for employees who elected family coverage than for those with single coverage in 2011.”

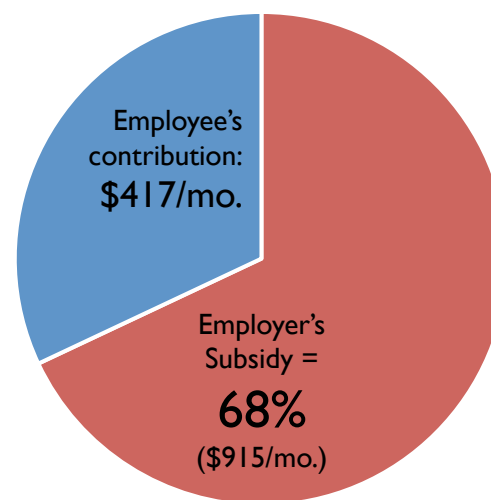
Employees who have a family plan are paying more of the overall benefit cost.

INDIVIDUAL COVERAGE



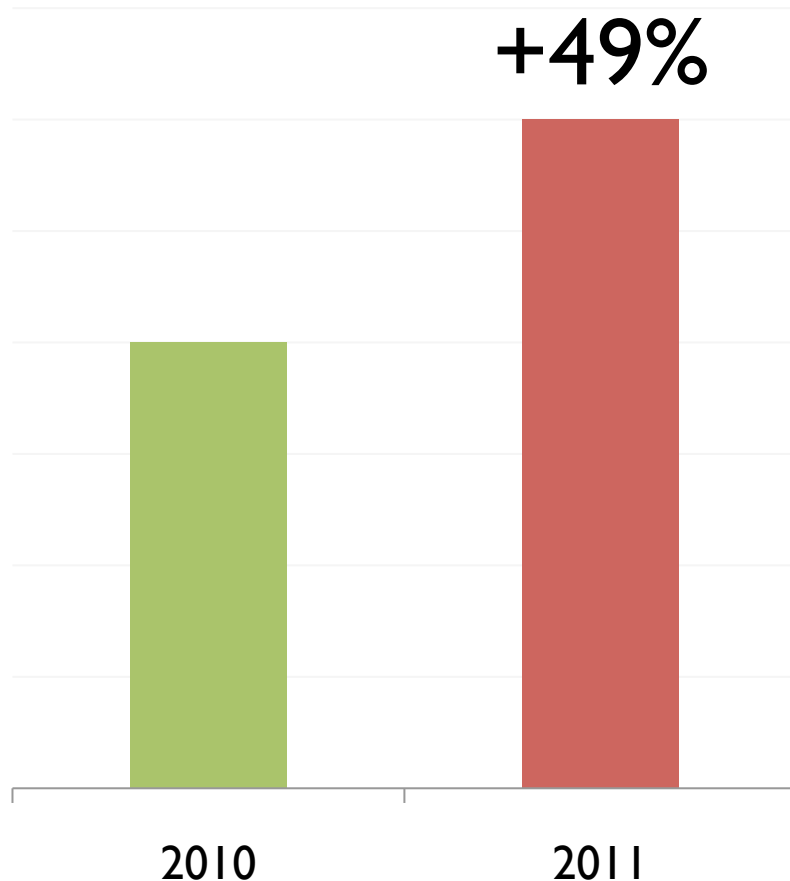
The trend of passing healthcare costs along to employees has accelerated in 2011. As a percentage of the benefit, costs have generally remained stable this year for employers as they shift the burden of increasing costs to the employees or lower benefit levels to keep costs static.

FAMILY COVERAGE



Employers are less likely to provide comparable contributions to their employees who elect a family coverage level. For 2011, employers increased the cost to employees with family coverage levels more than the actual increase in costs—effectively providing less subsidy than in prior years.

Plan deductibles are sky rocketing.



Nearly one in five health plans saw an increase in their deductibles from 2010 to 2011. When viewed across all plans and types of employers, the average employee deductible is now \$1,500. For companies who increased their deductible for 2011, the average increase for employees is 49%.

Employees with 2010 deductibles under \$1,000 experienced an average increase in deductible of nearly \$350. The increase for those with deductibles over \$1,000 during 2010 was even larger with an average increase of \$591.

“Employees of smaller businesses will pay more out of pocket than those of larger employers.”

Employers with fewer than 250 full-time employees typically require higher deductibles for their employees than large employers in order to better manage company healthcare costs.

Indiana employers are shifting to high deductible plans to manage costs for their health benefits.

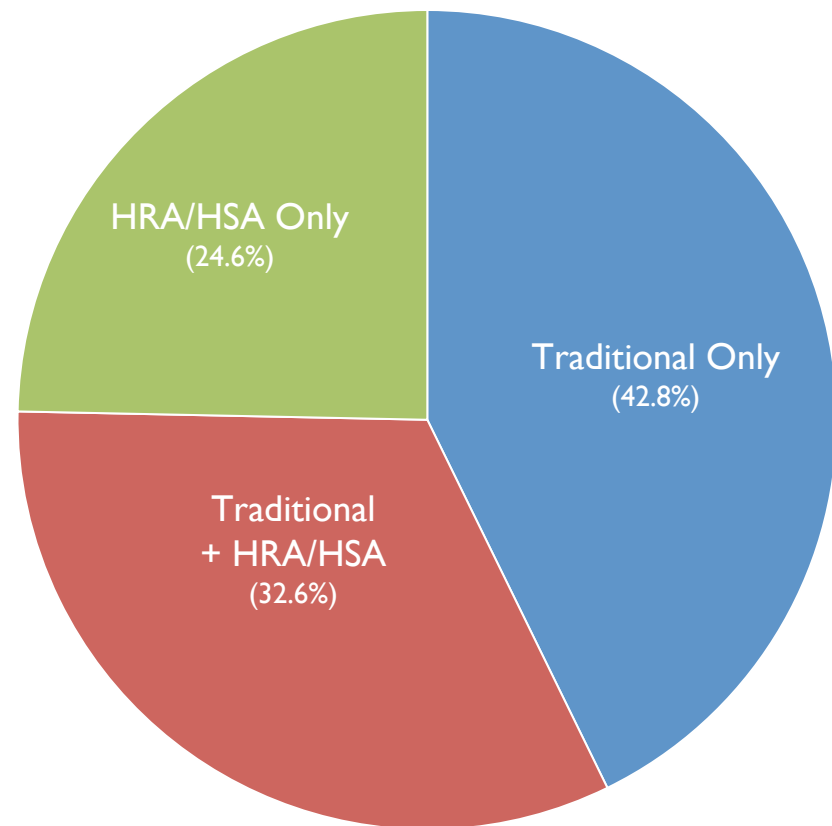
Of the 215 employers included in the survey, 57% offer at least one high deductible health option and 25% of employers *only* offer high deductible options to their employees. This reflects the broader trend we've seen for the past 5 years.

These high deductible plans are commonly referred to as health savings account (HSA) or health reimbursement arrangement (HRA) plans.

“Healthcare is becoming a commodity for employees.”

These high deductible plans are quickly replacing the traditional health plans. The implication for employees is that healthcare is becoming more like a commodity where they need to balance value with out of pocket expense.

MIX OF PLANS OFFERED



“How does your company intend to manage future cost increases?”

The survey asked employers what their primary strategy is - moving forward - to control the company's healthcare costs.

44%

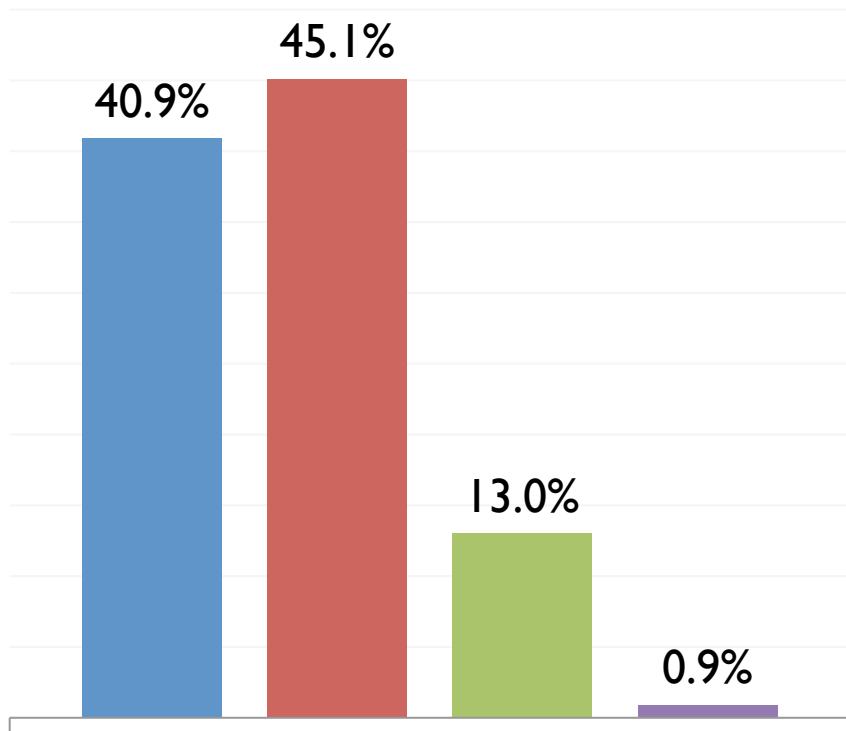
We prefer to reduce the overall benefits of the plan (raise the deductible, lower co-pays, etc.).

38%

We prefer to reduce the overall benefits offered and increase employee contributions.

18%

We prefer not to reduce the benefits, but instead pass the increased cost to the employee.



NUMBER OF PLANS OFFERED

- One Plan
- Two Plans
- Three Plans
- Four+ Plans

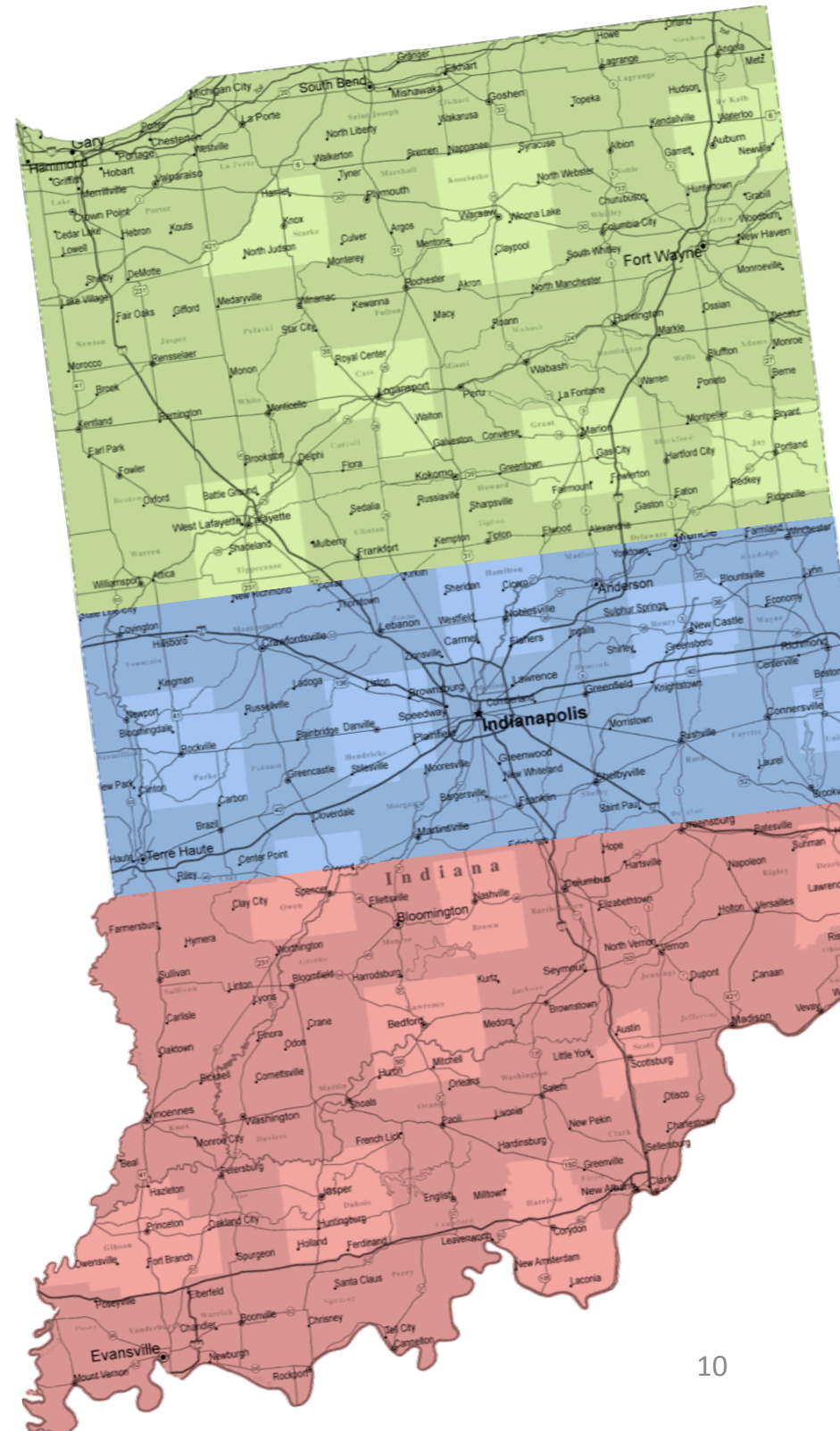
Choice is limited.

As high deductible plans become more prevalent, Indiana employees will continue to see an increasing pressure on their own out of pocket expenses.

Excluding the largest of employers represented in the survey, few companies offer a wide choice of plans making it difficult for employees to find an option that best suit their individual circumstances.

North. East. South. West.

While there is a popular belief that certain regions of the state are not as competitive in offering the best benefits, survey results do not support this view. Of the 215 employers participating in this survey, there was no major statistical difference between geographic regions within the state for cost of coverage or plan design.



Healthcare benefits cost more in Indiana.

Despite the low cost of living in Indiana, employers, and therefore employees, are paying higher costs for their healthcare coverage than the average American. Comparing survey data to national data from the 2010 Kaiser Family Foundation Employer Health Benefits Survey, the cost for benefits in Indiana is 5.0% higher for single coverage and 8.1% for family coverage plans than national averages.



	Indiana (2011)	Indiana (2010)	US National Average (2010)
Single Plan \$/mo.	\$473	\$442	\$421
Family Plan \$/mo.	\$1,339	\$1,240	\$1,147

3 Alternatives to Raising Employee Contributions or Reducing Benefits

We asked companies about the various methods they are implementing to improve their health benefit offerings besides reducing the overall benefits in their healthcare plans or raising employee contributions. Three trends were most prominent:

1. Spousal carve-outs

Many employees with a working spouse will choose health coverage with the employer that provides the best benefit at the lowest cost to themselves. The financial problem for employers is that they end up subsidizing someone else's employee. A solution is to stop covering these working spouses who have other employment-based coverage available to them.

2. Onsite Clinics

Onsite clinics are offering employers the opportunity to provide basic primary care services at a lower cost than through the traditional process of using a network primary care provider. There are other advantages to employers and employees from these clinics such as reduced time away from the office, more face time with doctors and wellness coaching.

3. Dependent eligibility audits

The purpose of the audit is to remove ineligible dependents from the health plan. The claims savings from the reduced participation is often more than the cost of the audit itself making it an easy decision for employers to make.

Dental plans remain unchanged and are generally viewed as a voluntary employee-paid benefit.

The typical designs of a dental plan include:

- \$50 deductible per person
- \$1,000 annual maximum benefit
- \$1,000 lifetime orthodontia limit
- 100% coinsurance for preventive services
- 80% coinsurance for basic services
- 50% coinsurance for major services and orthodontia

38%

Employers are subsidizing 38.0% of the dental plan's single coverage costs and 32.8% of family coverage.

Methodology

The survey research confirms trends in employer attitudes about their healthcare benefits that we have seen in our actuarial healthcare practice.

The data sources for this survey included Nyhart's proprietary database of company healthcare plans, volunteer participation from an open solicitation of companies across Indiana as well as data provided by our survey partners: First Person Benefit Advisors, Gregory & Appel Insurance and Old National Insurance.

Additionally, publicly available information was used in gathering the information.

Nyhart reviewed the provided information and performed the statistical calculations and was responsible for the report content. A pure averaging method was used for the calculations. For the year-to-year comparisons, only information for those employers providing data for 2010 and 2011 was used.

A total of 215 employers participated in the survey with over 350 health plans and more than 170,000 employees.

Have a question?

Ask Nyhart

Do you have a question about the 2011 Indiana Healthcare Benefit Survey or are you interested in how information in this report may impact your business? We are happy to assist you with your question.

Randy Gomez, FSA
Senior Healthcare Actuary
(317) 845-3595, randy.gomez@nyhart.com

Evi Laksana, ASA
Associate Healthcare Actuary
(317) 845-3597, evi.laksana@nyhart.com

Audra Mardis
Healthcare Actuarial Analyst
(317) 845-3598, audra.mardis@nyhart.com

Healthcare Actuarial Services

- Benchmarking of plan design and costs
- Rate calculations & design modeling for self-insured plans
- Insured vs. self-insured cost analysis
- Consumer-driven health plan design and cost analysis (HRA, HSA, and High-Deductible Plans)
- FAS106 and GASB 45 OPEB Disclosure
- 105(h) non-discrimination testing
- Calculation of actuarially certified COBRA rates and Incurred But Not Reported (IBNR) claim reserve
- Short-term and long-term reserving for HRA
- Evaluation of onsite clinics cost savings



Register online to access the complete 80+ page report.

www.nyhart.com/research/

The executive summary of the 2011 Indiana Healthcare Benefit Survey is an excerpt of the 80+ page report prepared by the healthcare actuarial team at Nyhart. All companies who participated in the study received the complete report for their participation.

You can receive a complete copy of the 2011 Indiana Healthcare Benefit Survey report which includes break-outs by industry, geography and company size at no cost to you by committing your organization to participate in next year's 2012 survey. If you do not wish to include your company in next year's study, you may purchase the 2011 survey benchmarks for \$300.

Visit <http://www.nyhart.com/research/> to register for next year's survey and get your complimentary copy of the complete report.

**PARTICIPATE
IN THE SURVEY**

*Get a complimentary copy of the
complete 2011 Indiana
Healthcare Benefit Survey 80+
page report by committing to
participate in next year's study.*



Proud to be an Indiana Company Since 1943

Nyhart is Indiana's largest independent actuarial and employee benefit firm and one of the largest in the nation, consulting to retirement clients with \$14+ billion in plan assets. We have more than 1,000 clients in 48 states and are growing.

Our team of advisers deliver personalized analysis and recommendations, translating complex calculations and issues into common language that enable corporations, associations, churches and governments to effectively manage their retirement and healthcare benefits.

Established in 1943, Nyhart is an employee owned company (ESOP) with offices in Indianapolis, Chicago, Atlanta and Kansas City.

The company was named a 2009 Indiana Company to Watch by the IEDC and was named a Best Place to Work by the Indianapolis Star in 2009, 2010 and 2011.

Learn more at www.nyhart.com.

AREAS OF EXPERTISE

- Cash Balance Plans
- Defined Benefit & Pension
- Defined Contribution, 401(k) & 401(b)
- Employee Stock Ownership Plan (ESOP)
- Flex Accounts – FSA, HRA & HSA
- Healthcare Actuarial & GASB 43/45
- Human Resource Consulting
- Employee Retirement & Financial Education