



CONSULTING. OUTSOURCING. INVESTMENTS.

2011 NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS

Maricopa County

November 14, 2012

A photograph of a dense bamboo forest with a paved path leading through it. The bamboo stalks are tall and green, creating a natural tunnel effect. The path is light-colored and curves slightly to the right. The foreground is partially obscured by a green, semi-transparent geometric shape.

Pat Cole
Sallee Borneman

Phoenix

Contents

Employer profile

Medical plan prevalence

Total health benefit cost

Employee contributions

Coverage eligibility, election

Health reform

Strategic planning

Preferred Provider Organizations / Point-Of-Service Plans (PPO / POS)

Health Maintenance Organizations (HMO)

HSA-eligible CDHPs

Prescription drug (Rx) benefits

Health management programs

Special coverages

Dental benefits

Other benefits

About the Survey

- The largest and most comprehensive annual survey on the subject
- Established in 1986, national probability sample used since 1993
- 2,844 employers with 10 or more employees completed the survey in 2011
- The national, regional and major industry group results are weighted to represent all US employers. However, results for smaller groups -- city, state and other special employer groups -- are unweighted and represent only the respondents in the group.

EMPLOYER PROFILE



About the Survey

- The employer groups shown in this presentation are:

Employers	Number of participants
Maricopa County	1
Government 500+	210
County 500+	105
State of Arizona	1
City of Phoenix (Office & Clerical)	1

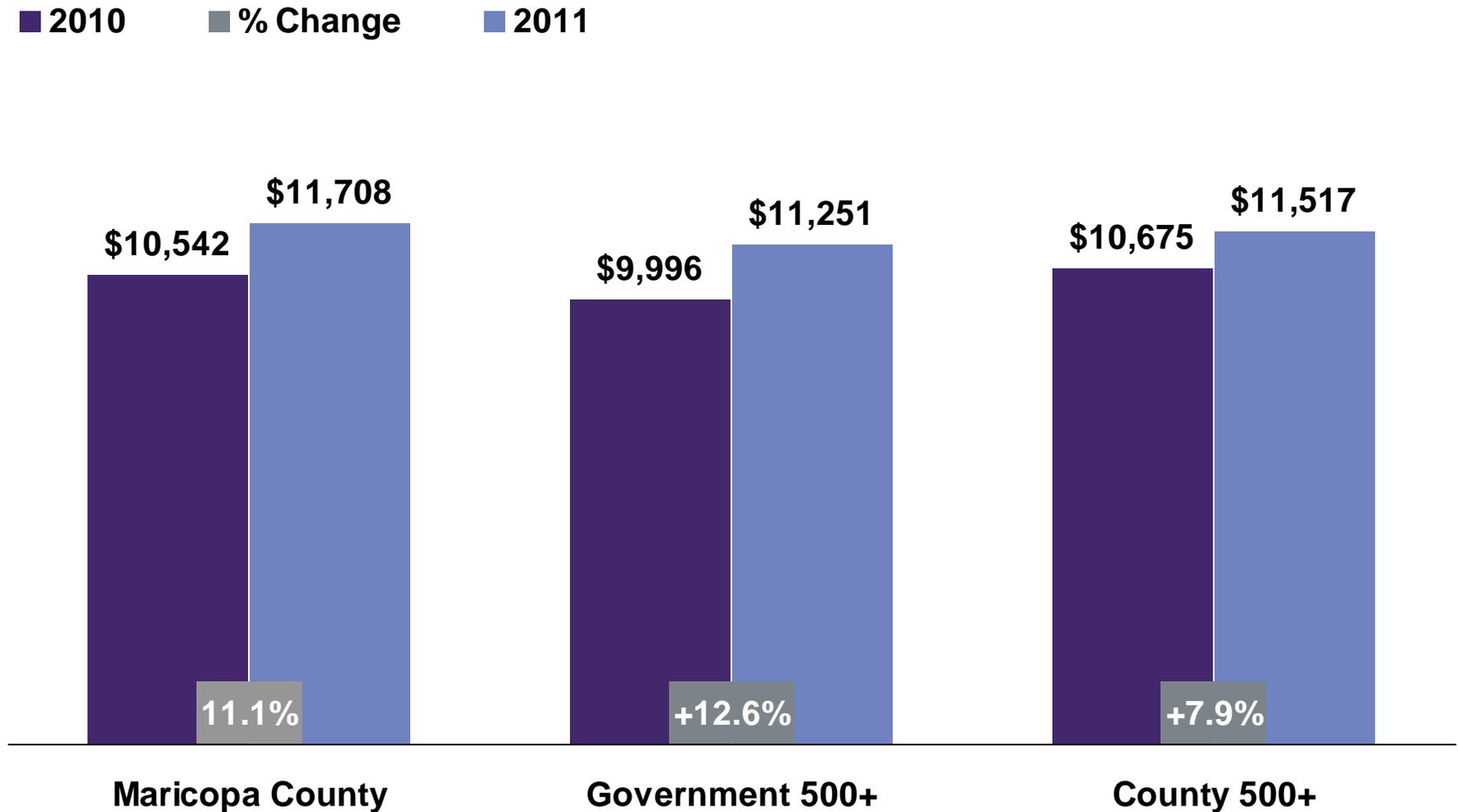
- The map below shows which states fall into each of the four major geographic regions:



TOTAL HEALTH BENEFIT COST



Average total health benefit cost* per employee



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

Maricopa data based on actual claims + fixed costs – before adjusting for plan design changes.

EMPLOYEE CONTRIBUTIONS



Employee contribution for individual coverage Average monthly contribution (\$)

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
PPO / POS	\$46*	\$79	\$72	\$155	\$78*
HMO	\$18*	\$57	\$63	\$40	\$71*
HSA-eligible CDHP	\$0*	ID	\$43	\$26	\$56*
HRA-based CDHP	N/A	ID	\$45	N/A	N/A
Dental	\$14/\$25**	\$15	\$15	\$4/\$31	\$0

*Wellness discount incentives are included.

**CIGNA Dental/Delta Dental

Note: City of Phoenix will offer H.S.A effective 1/1/2013.

Employee contribution for individual coverage Average contribution as a % of premium

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
PPO / POS	9%*	16%	13%	17%	20%
HMO	4%*	15%	16%	7%	20%
HSA-eligible CDHP	0%*	ID	10%	5%	20%
HRA-based CDHP	N/A	ID	11%	N/A	N/A
Dental	46%/60%**	54%	55%	45%/86%	0%

*Wellness discount incentives are included.

**CIGNA Dental/Delta Dental

Note: City of Phoenix will offer H.S.A effective 1/1/2013.

Employee contribution for family coverage** Average monthly contribution (\$)

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
PPO / POS	\$238*	\$296	\$273	\$486	\$291*
HMO	\$126*	\$257	\$292	\$221	\$269*
HSA-eligible CDHP	\$25*	\$247	\$241	\$193	\$222*
HRA-based CDHP	N/A	ID	\$158	N/A	N/A
Dental	\$44/\$76***	\$49	\$51	\$13/\$105	\$48/\$35

*Wellness discount incentives are included.

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

***CIGNA Dental/Delta Dental

Note: City of Phoenix will offer H.S.A effective 1/1/2013.

Employee contribution for family coverage** Average contribution as a % of premium

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
PPO / POS	17%	29%	24%	20%	20%
HMO	10%	21%	22%	14%	20%
HSA-eligible CDHP	2%	41%	29%	13%	20%
HRA-based CDHP	N/A	ID	16%	N/A	N/A
Dental	46%/60%***	61%	56%	48%/88%	25%

*Wellness discount incentives are included.

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

***CIGNA Dental/Delta Dental

Note: City of Phoenix will offer H.S.A effective 1/1/2013.

COVERAGE ELIGIBILITY, ELECTION



Dependent coverage

	Maricopa County	Government 500+	County 500+
Include provisions concerning spouses with other coverage available	No	8%	9%
% of employees electing dependent coverage	59%	53%	58%
Offer same-sex domestic partner coverage	No	26%	35%

Part-time employees

	Maricopa County	Government 500+	County 500+
Offer coverage to part-time employees*	Yes	61%	73%
Average number of hours / week required for coverage**	20	22	23
Benefits same for PTEs, FTEs (when PTE coverage is provided)	Yes	94%	95%

*Among employers that have part-time employees

**Among employers with a minimum requirement

HEALTH REFORM



Projected spending increase attributable solely to 2014 PPACA requirements*

■ Less than 1% ■ 1-2% ■ 3-4% ■ 5% or more ■ Don't know ■ N/A, already in compliance

Government 500+

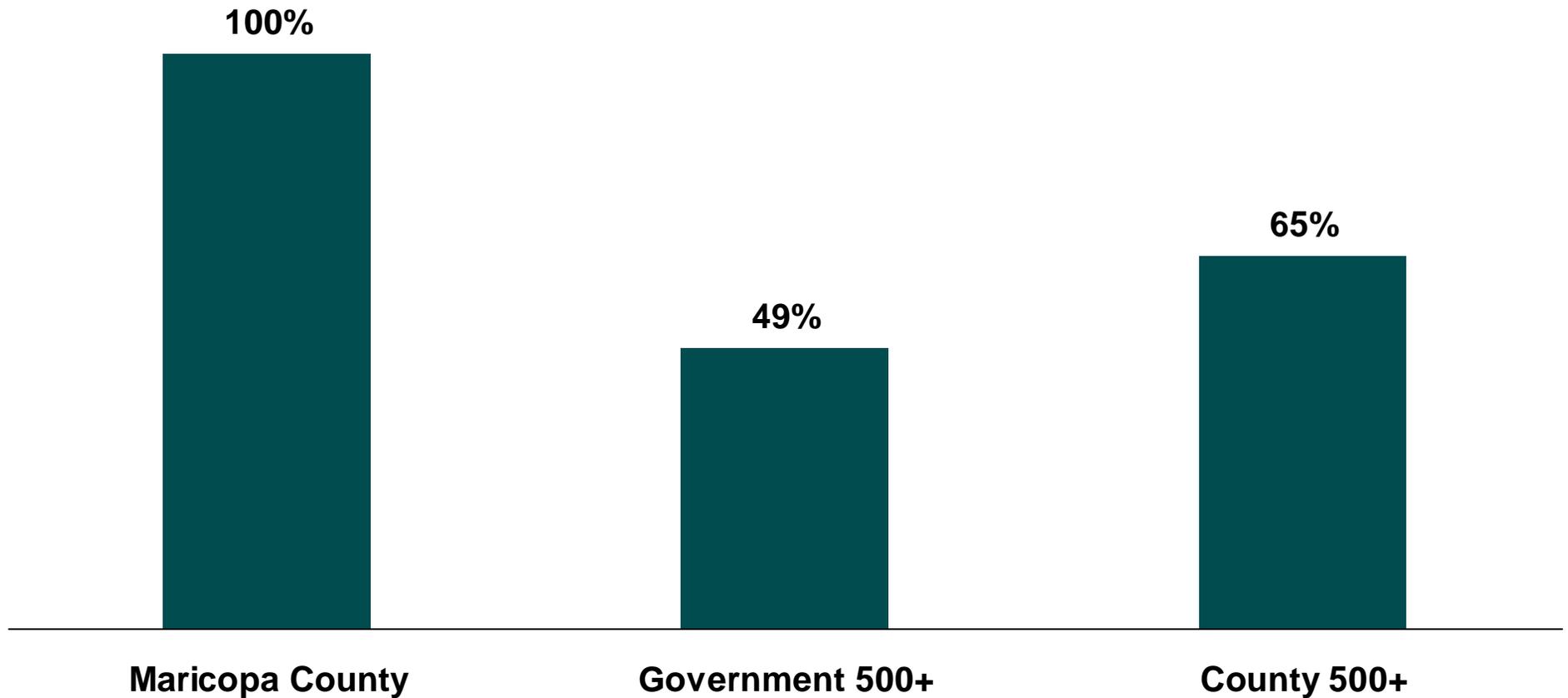


County 500+



*Based on employers with 50 or more employees

Offer coverage to all employees working 30+ hours / week*



*Based on employers with 50 or more employees

Likely actions with regard to 60% minimum plan value standard*

	Maricopa County	Government 500+	County 500+
Reduce the value of all plans / only plan	TBD	1%	3%
Offer one plan at / close to 60% level along with a higher-value plan	TBD	9%	12%
Reduce plan value only if other employers do	TBD	1%	1%
Will not take action as a result of this provision	TBD	88%	84%

*Based on employers with 50 or more employees

Auto-enrollment

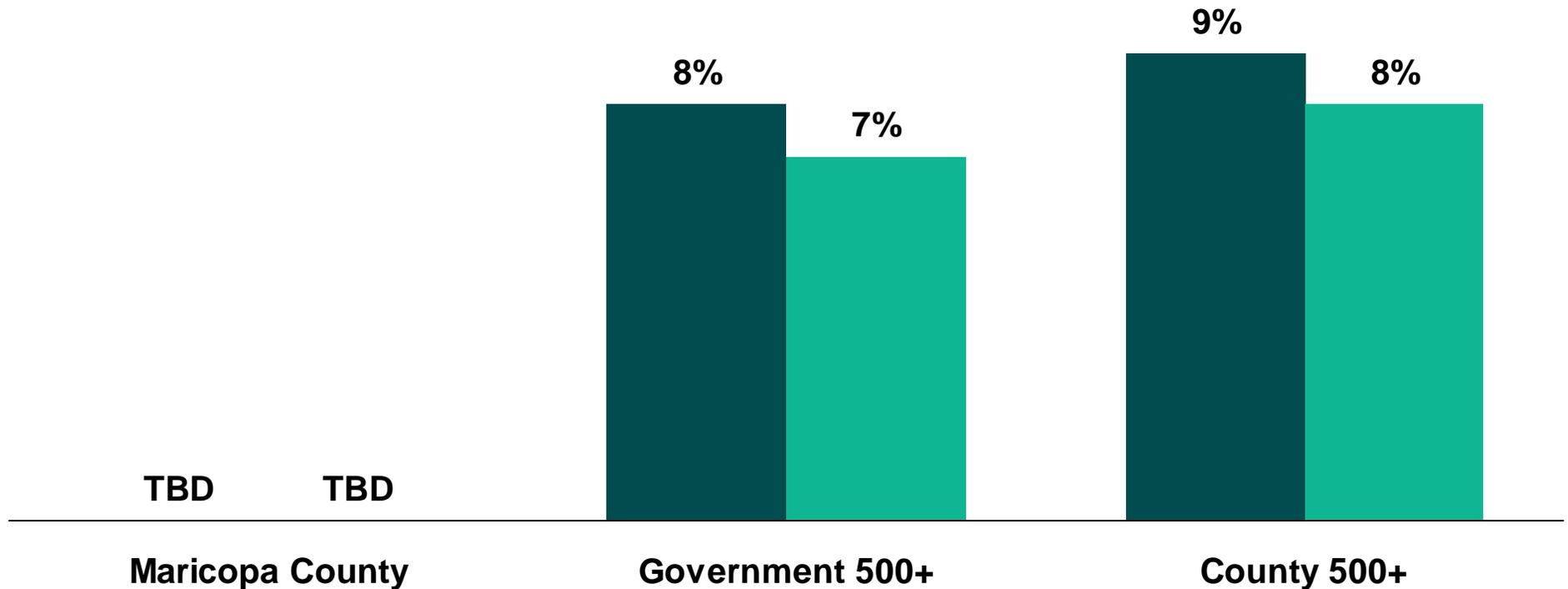
Likely actions among employers offering a choice of medical plans*

	Maricopa County	Government 500+	County 500+
Use current, lowest-cost plan as default for auto-enrollment	Yes	58%	64%
Use plan with the largest enrollment as the default	Yes	35%	34%
Add a new plan to use as the default	TBD	6%	1%

*Based on employers with 50 or more employees

Auto-enrollment's impact on coverage election*

- Percent of eligible full-time employees currently waiving coverage
- Projected percent who will waive after auto-enrollment



*Based on employers with 50 or more employees

Most likely action with regard to excise tax for high-cost plans*

	Maricopa County	Government 500+	County 500+
Will do whatever is necessary to bring plan cost below threshold amounts	TBD	25%	22%
Will attempt to bring cost below threshold amounts, but may not succeed	TBD	30%	34%
Will take no special steps to reduce cost below the threshold amounts	TBD	1%	1%
Believe plan(s) are unlikely to ever trigger the excise tax	TBD	45%	43%

*Based on employers with 50 or more employees

Likely long-term strategies in response to health care reform

	Maricopa County	Government 500+	County 500+
Reduce spending on dependent coverage relative to employee coverage	TBD	31%	32%
Add voluntary benefits or transition some employer-paid, non-medical benefits to voluntary	TBD	38%	34%
Add / strengthen programs or policies to encourage more health-conscious behavior	TBD	93%	90%
Outsource benefits administration to a third-party vendor	TBD	11%	7%

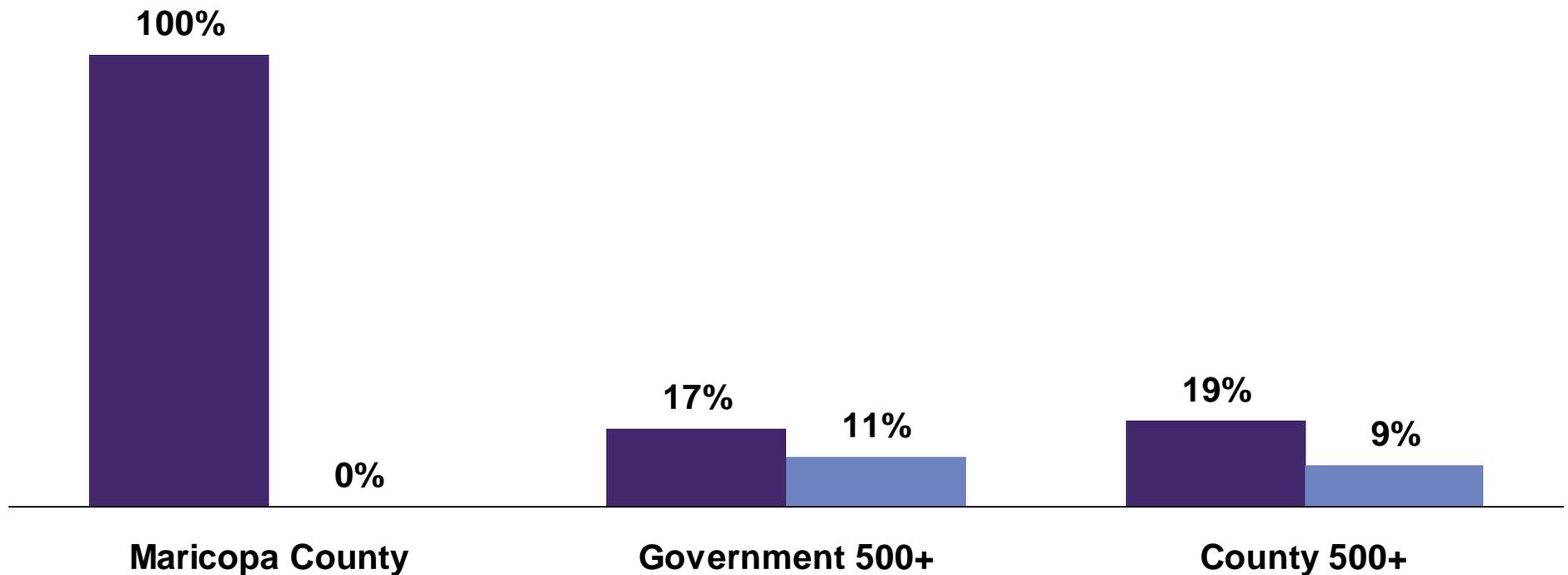
STRATEGIC PLANNING



Very likely to offer account-based CDHP in 2012

Includes employers that offered a CDHP prior to 2012

- With a Health Savings Account
- With a Health Reimbursement Arrangement

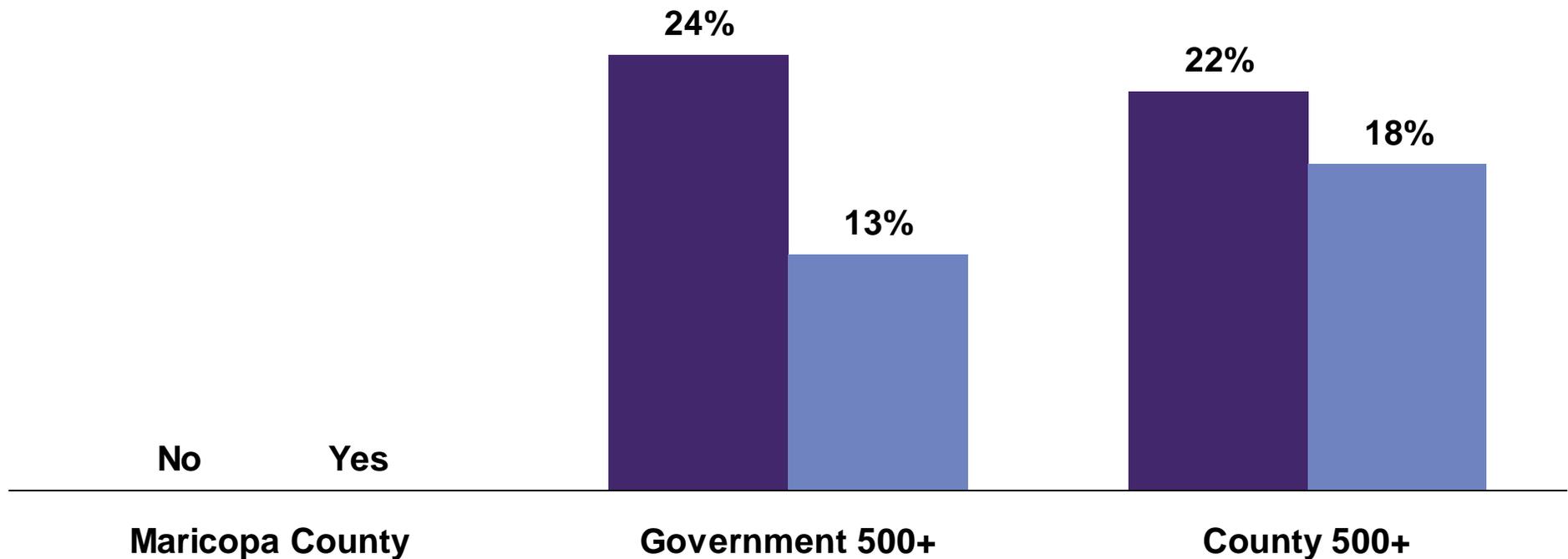


Expect to offer an account-based CDHP in next five years

	Maricopa County	Government 500+	County 500+
As the only type of plan offered	No	6%	2%
Alongside other medical plan choices	Yes	50%	52%

Offer on-site or near-site medical services*

- Occupational health clinic
- Primary care clinic



*Based on employers with 500 or more employees

Use strategy to control cost*

	Maricopa County	Government 500+	County 500+
High-performance networks	No	6%	4%
Data warehouse	Yes	31%	28%
Collective purchasing for medical or Rx	No	23%	32%
Value-based plan design	No	32%	27%

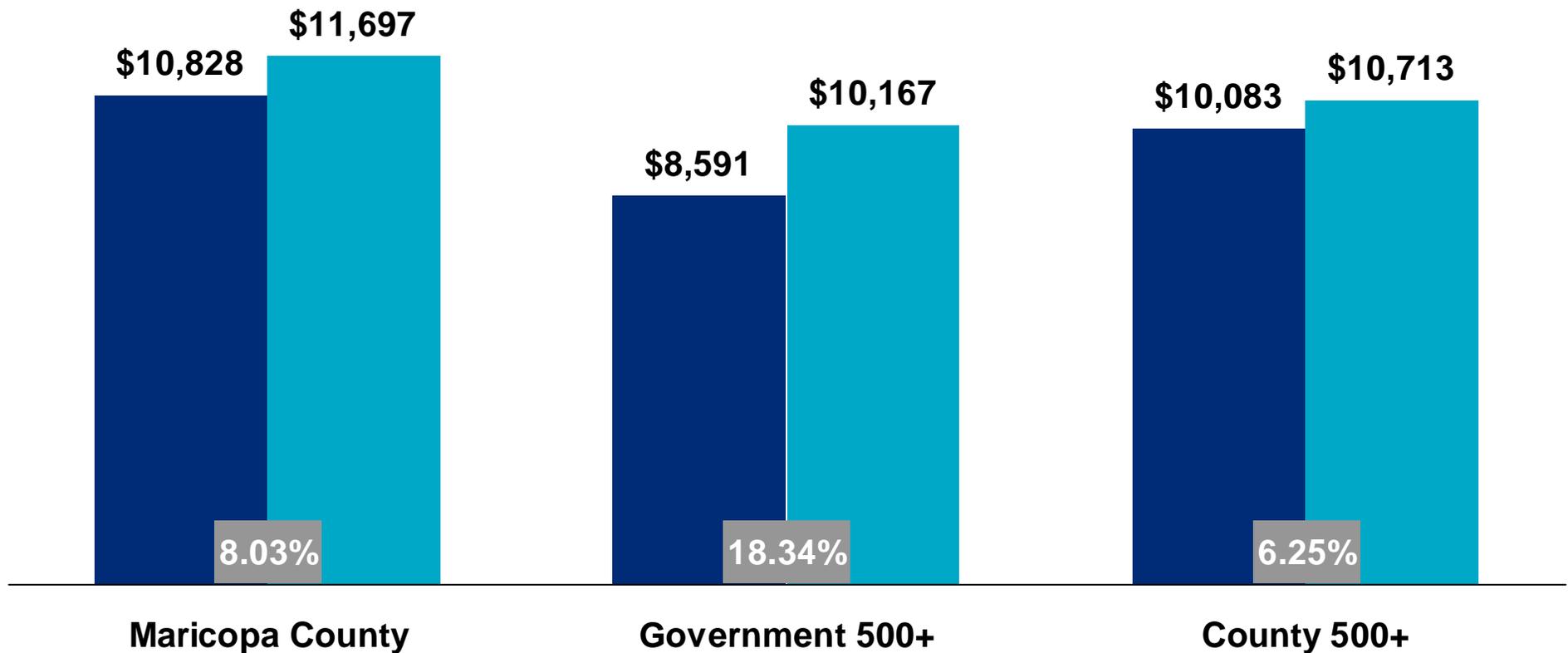
*Based on employers with 500 or more employees

PREFERRED PROVIDER ORGANIZATION (PPO) / POINT-OF-SERVICE PLANS (POS)



Average PPO / POS cost per employee, for active employees

■ 2010 ■ % Change ■ 2011



Maricopa data based on 7/1/2010 to 6/30/2011 and 7/1/2011 to 6/30/2012 actual paid claims and estimated fixed costs for OAP High plan. Medical + Rx + Behavioral Health.

PPO / POS in-network physician visit cost-sharing

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
% requiring copay	Yes	79%	81%	Yes	No
% requiring coinsurance	No	30%	29%	No	Yes
No cost-sharing is required	No	1%	1%	No	No
Median copay amount	\$40	\$20	\$20	\$15	10% Coinsurance after deductible

PPO / POS out-of-network physician visit cost-sharing

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
% requiring copay	No	17%	18%	No	No
% requiring coinsurance	Yes	82%	88%	Yes	Yes
No cost-sharing is required	No	4%	0%	No	No
Median coinsurance amount	30%	30%	30%	50%	30%

PPO / POS in-network hospital stay cost-sharing

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
% requiring deductible / per-admission copay	No	19%	20%	Yes	No
% requiring coinsurance	Yes	70%	70%	No	Yes
No cost-sharing is required	No	11%	15%	No	No
Median deductible / copay amount	N/A	\$400	\$300	\$150	N/A
Median coinsurance amount	10%	20%	20%	No	10%

PPO / POS out-of-network hospital stay cost-sharing

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
% requiring deductible / per-admission copay	No	10%	16%	No	No
% requiring coinsurance	Yes	90%	92%	Yes	Yes
No cost-sharing is required	No	5%	1%	No	No
Median coinsurance amount	30%	30%	30%	50%	30%

PPO / POS deductibles

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Individual deductible					
% requiring for in-network services	Yes	85%	79%	Yes	Yes
Median in-network deductible	\$350	\$350	\$338	\$500	\$250
% requiring for out-of-network services	Yes	93%	93%	Yes	Yes
Median out-of-network deductible	\$700	\$600	\$500	\$1,000	\$500
Family deductible					
% requiring for in-network services	Yes	85%	79%	Yes	Yes
Median in-network deductible	\$700	\$900	\$900	\$1,000	\$750
% requiring for out-of-network services	Yes	93%	92%	Yes	Yes
Median out-of-network deductible	\$1,400	\$1,500	\$1,400	\$2,000	\$1,500

PPO / POS out-of-pocket maximums for individuals

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Median for in-network services	\$2,000	\$2,000	\$2,000	\$1,000	\$750
Median for out-of-network services	\$4,000	\$4,000	\$3,250	\$4,000	\$1,500

PPO / POS funding method

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

Maricopa County



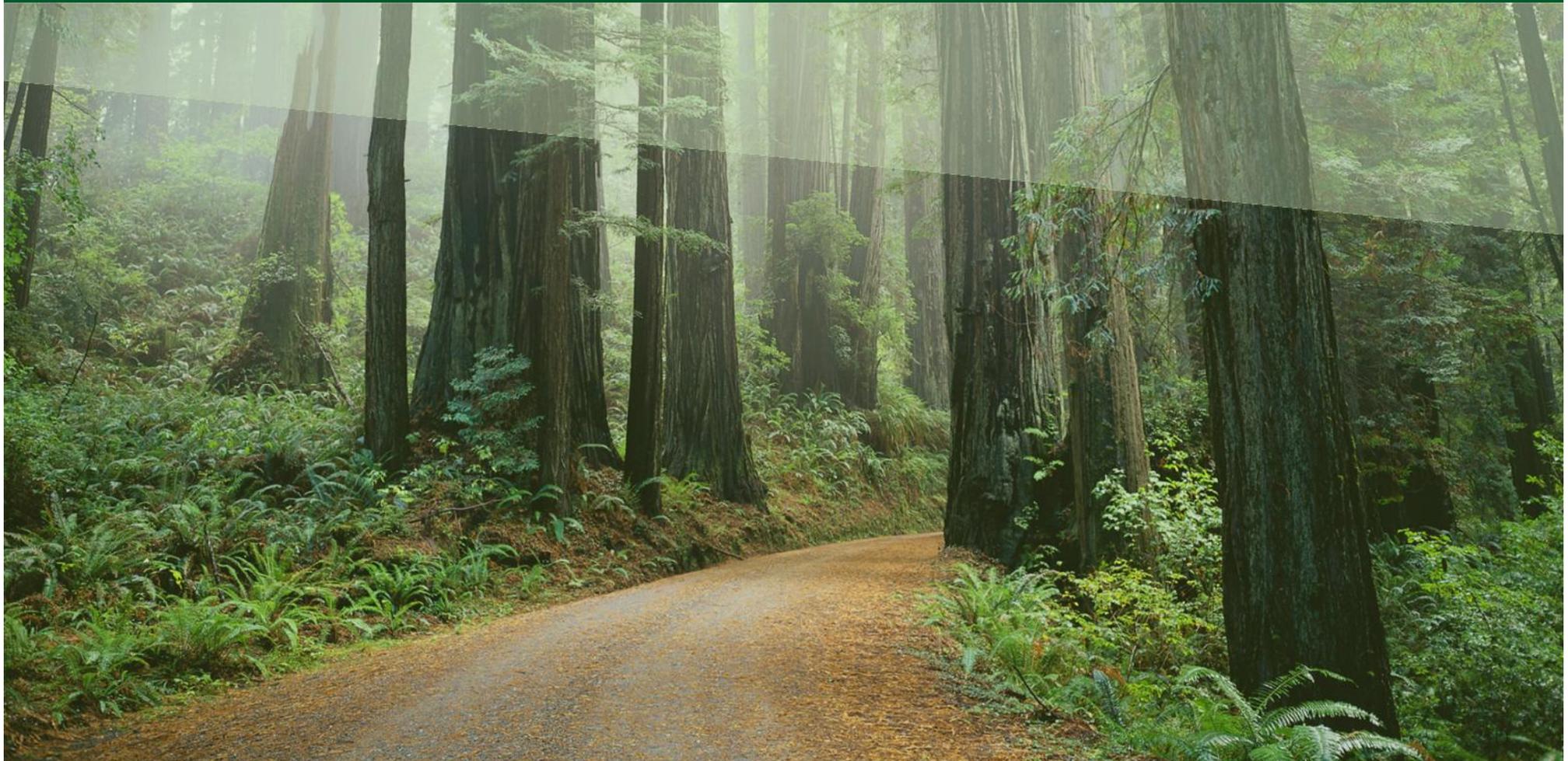
Government 500+



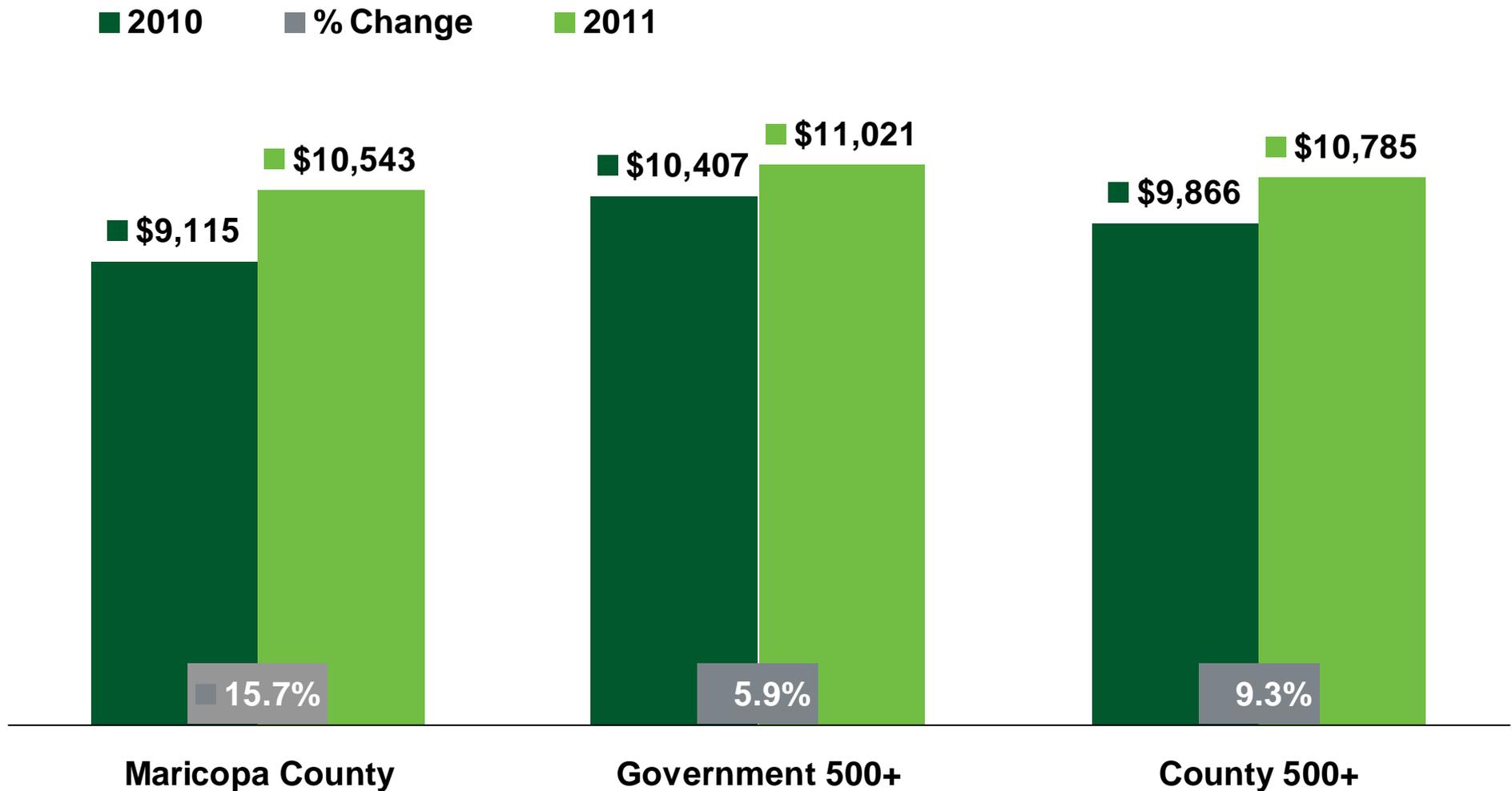
County 500+



HEALTH MAINTENANCE ORGANIZATION (HMO)



Average HMO cost per employee, for active employees



Maricopa data based on 7/1/2010 to 6/30/2011 and 7/1/2011 to 6/30/2012 actual paid claims and estimated fixed costs for CMG High plan. Medical + Rx + Behavioral Health.

HMO funding method

■ Insured -- community-rated ■ Insured -- experience-rated ■ Self-funded

Maricopa County

100%

Government 500+

10%

64%

26%

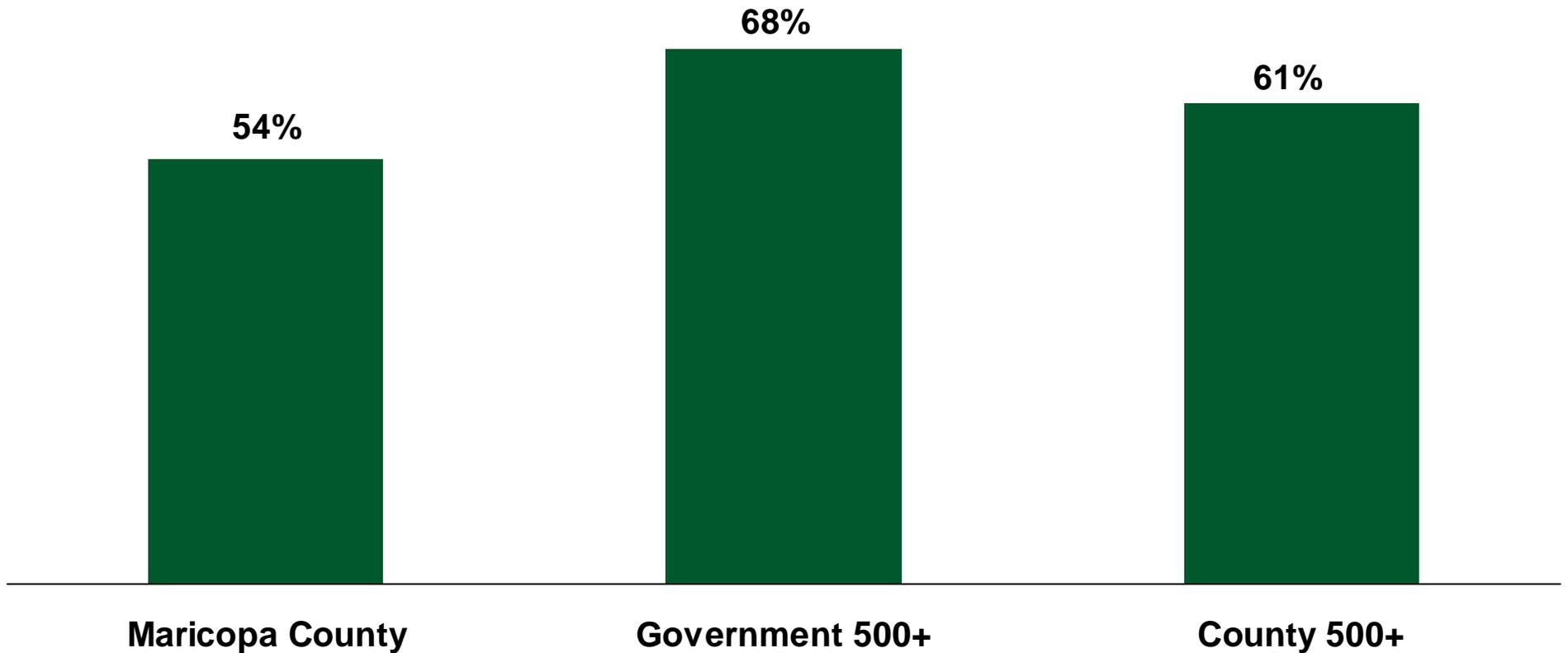
County 500+

7%

69%

25%

Average % of employees enrolled in HMO, among employers offering HMO(s)



HMO physician and emergency room copays

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
PCP office visit copay					
Median copay amount	\$30	\$20	\$15	\$15	\$25
Emergency room visit copay					
% requiring emergency room visit copay	Yes	94%	95%	Yes	Yes
Median copay amount	\$200	\$100	\$75	\$125	\$150

HMO inpatient hospital and outpatient surgery deductibles

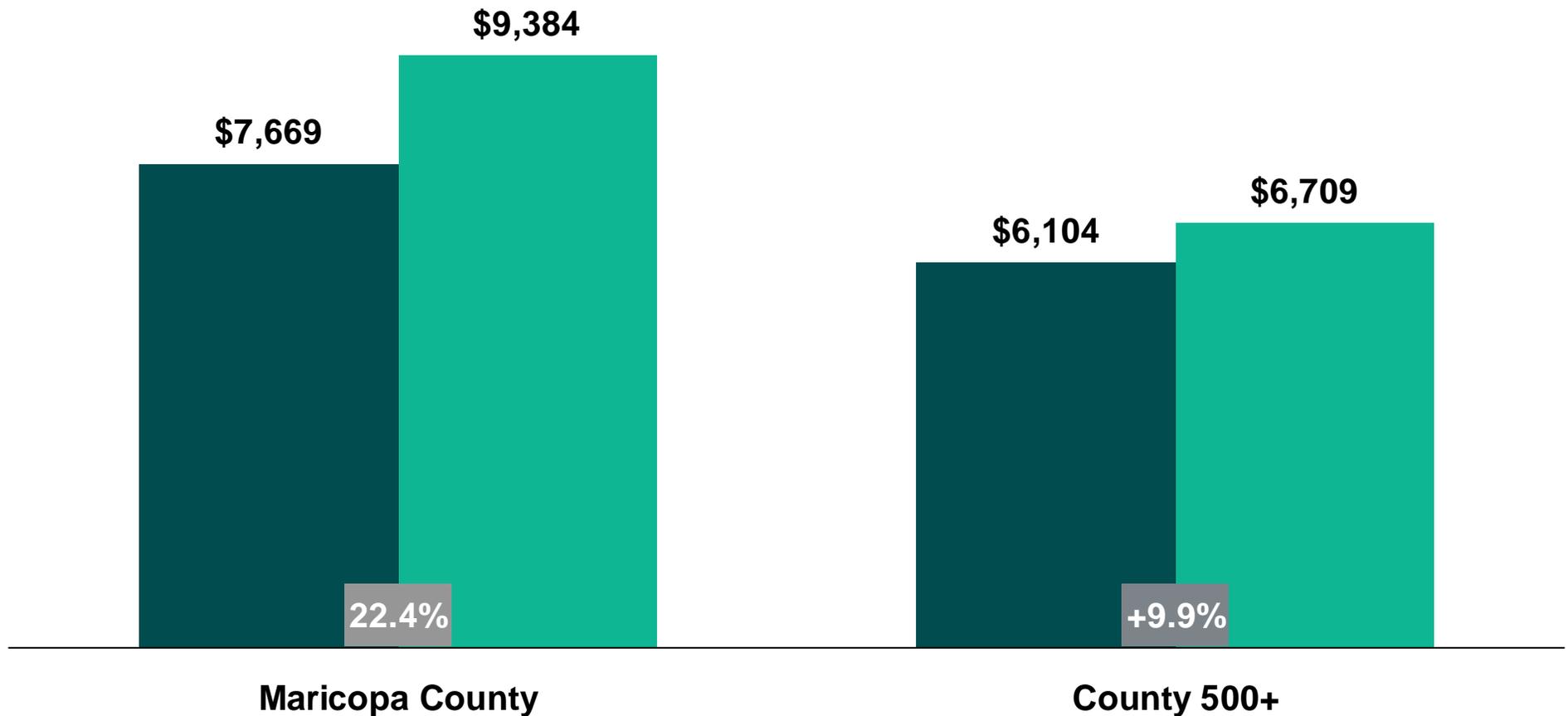
Inpatient hospital deductible	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Median deductible amount	\$250	\$250	\$250	\$150	\$150/day to \$450
Outpatient surgery deductible					
% requiring outpatient surgery deductible	Yes	52%	21%	Yes	Yes
Median deductible amount	\$125	\$200	\$200	\$50	\$100

HSA-ELIGIBLE CONSUMER-DIRECTED HEALTH PLANS (CDHP)



Average HSA-eligible CDHP cost per employee*, for active employees

■ 2010 ■ % Change ■ 2011



*Includes employer account contribution, if any

Maricopa data based on 7/1/2010 to 6/30/2011 and 7/1/2011 to 6/30/2012 actual paid claims and estimated fixed costs for H.S.A plan. Major shift in enrollments from other plans to H.S.A. plan in 2011....2010 cost figure is not fully credible.

HSA-eligible CDHP features

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Average % of eligible employees enrolled when offered as an option	13%	29%	20%	TBD	TBD
Preventive drugs covered at separate, higher benefit level	No	9%	28%	No	No
Offer limited-purpose FSA in conjunction with HSA	Yes	35%	50%	Yes	Yes

HSA-eligible CDHP plan design

Employee-only coverage	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
% of employers making an account contribution	Yes	91%	83%	Yes	Yes
Median employer contribution to account*	\$500	\$750	\$750	\$720	\$500
Median deductible for overlaying insurance	\$1,200	\$1,500	\$1,938	\$1,250	\$1,500
Median out-of-pocket maximum	\$2,000	\$3,000	\$3,000	\$2,000	\$3,000
Family coverage					
Median employer contribution to account*	\$1,000	\$1,000	\$1,200	\$1,440	\$500
Median deductible for overlaying insurance	\$2,400	\$3,000	\$3,875	\$2,500	\$3,000
Median out-of-pocket maximum	\$4,000	\$5,000	\$6,000	\$4,000	\$6,000

*Among employers making an account contribution

HSA-eligible CDHP in-network physician visit cost-sharing

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
% requiring copay	No	14%	6%	No	No
% requiring coinsurance	Yes	43%	56%	Yes	Yes
Median coinsurance amount	10%	ID	20%	10%	0%

HSA-eligible CDHP funding schedule for employer account contributions

■ Fully pre-fund ■ Fund every paycheck ■ Fund monthly or on other schedule

Maricopa County



Government 500+



County 500+



PRESCRIPTION DRUG BENEFITS



Employee cost-sharing requirements for prescription drug plans

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Retail					
Same level for all drugs	No	3%	6%	No	No
2 levels: generic, brand	No	10%	13%	No	No
3 levels: generic, formulary, non-formulary	No	70%	66%	Yes	Yes
4 or more levels	Yes	16%	13%	No	No
Use coinsurance for 1 or more drug categories	Yes	26%	24%	No	No
Mail-order					
Same level for all drugs	No	6%	7%	No	No
2 levels: generic, brand	No	9%	16%	No	No
3 levels: generic, formulary, non-formulary	No	70%	64%	Yes	Yes
4 or more levels	Yes	15%	10%	No	No
Use coinsurance for 1 or more drug categories	Yes	22%	20%	No	No

Copayments in prescription drug plans

Average copayment among employers with three payment levels

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Retail					
Generic	\$5/\$12*	\$9	\$8	\$10	\$10
Brand-name formulary	\$10/\$40*	\$27	\$27	\$20	\$25
Brand-name non-formulary	\$50	\$46	\$43	\$40	\$40
Mail-order					
Generic	\$10/\$28*	\$18	\$16	\$20	\$20
Brand-name formulary	\$20/\$70*	\$54	\$52	\$40	\$50
Brand-name non-formulary	\$75	\$96	\$79	\$80	\$80

*Minimum/Maximum – 30 Day

H.S.A Plan Rx: After plan deductible - 30%/40%/50% (generic, preferred, non-preferred brand)

HEALTH MANAGEMENT PROGRAMS



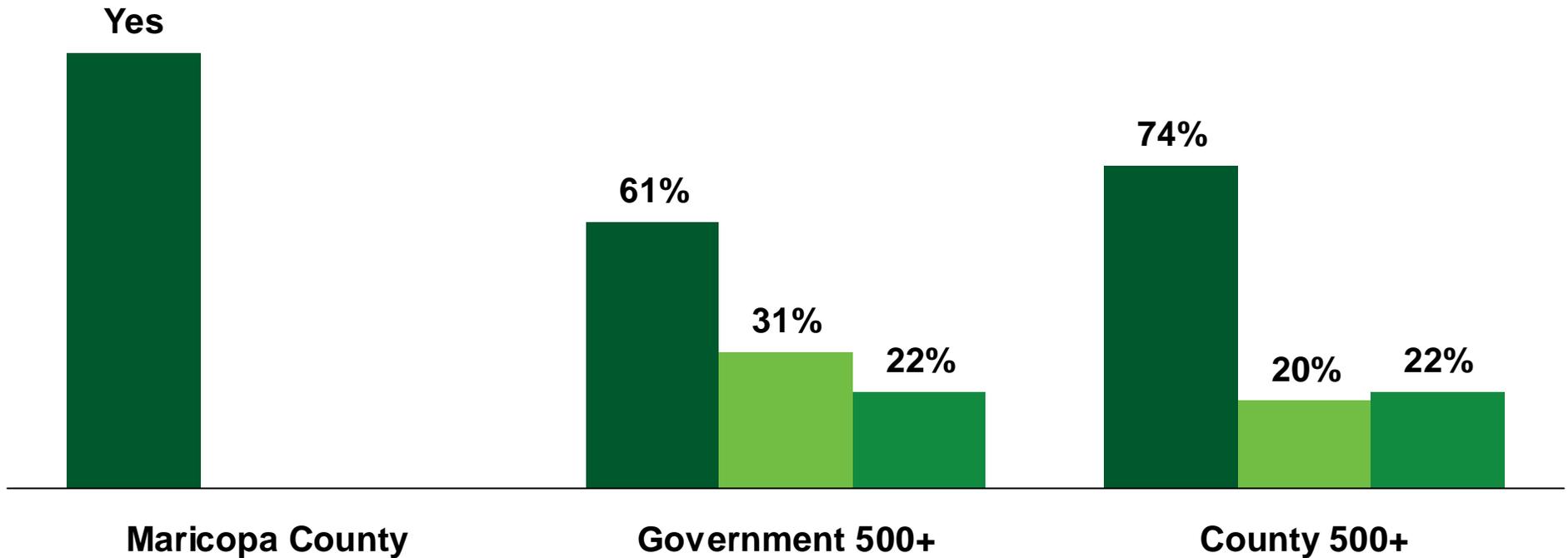
Health management programs offered*

	Maricopa County	Government 500+	County 500+
Web-based health portal with activity / incentive tracking	No	49%	49%
Health risk assessment (HRA)	Yes	72%	81%
Disease management (DM) programs	Yes	84%	80%
Behavior modification	Yes	53%	60%
Nurse advice line	Yes	78%	83%
Health advocate services	No	51%	51%
Case management	Yes	90%	84%
End-of-life case management	No	55%	52%

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

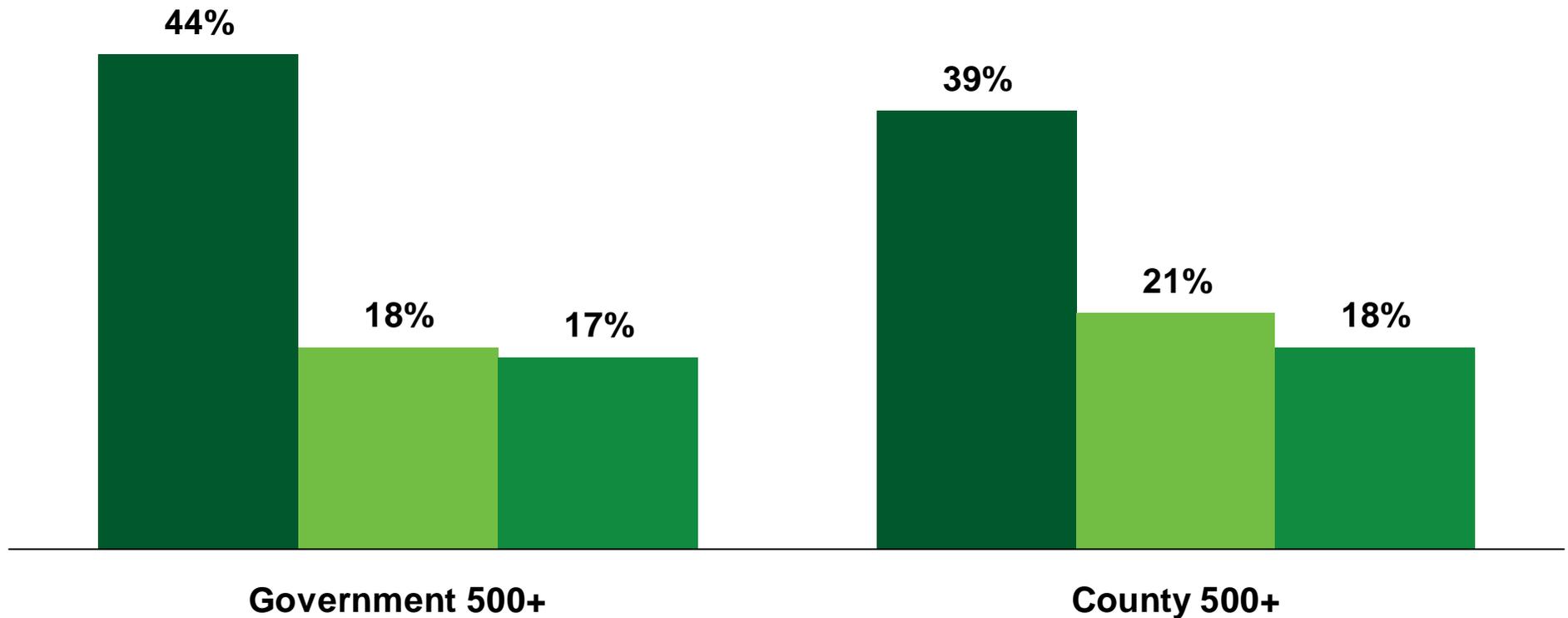
How are disease / health management programs offered?

- Through the health plan, standard services only
- Through the health plan, optional services
- Through one or more specialty vendors



Program participation rates

- Health risk assessment -- % of eligible employees
- Disease management -- % of identified persons actively engaged
- Behavior modification -- % of identified persons actively engaged



Health management incentives / penalties

Use incentives or penalties to encourage participation in:	Maricopa County	Government 500+	County 500+
Health risk assessment (HRA), when offered	Yes	38%	32%
Targeted behavior modification, when offered	No	22%	28%
Biometric screening, when offered	Yes	20%	19%
Premium contribution varies based on employees' smoker status	Yes	5%	5%

Type of health risk assessment incentive used

	Maricopa County	Government 500+	County 500+
Cash / gift cards	No	29%	38%
Financial contribution to HRA, HSA, FSA	No	8%	21%
Lower premium contributions	Yes	45%	17%
Lower deductible, copay or other cost-sharing	No	6%	8%

SPECIAL COVERAGES



Behavioral health

	Maricopa County	Government 500+	County 500+
MH / SA benefits provided by medical plan	No/Yes**	95%	92%
MH / SA carved out, provided by a specialty vendor	Yes/No**	4%	7%
MH / SA benefits not provided	No	1%	1%
Provide employee assistance program	Yes	96%	90%
Provide coverage for autism*	Yes	83%	81%

*Based on employers with 500 or more employees

**CMG&OAP/Choice HSA

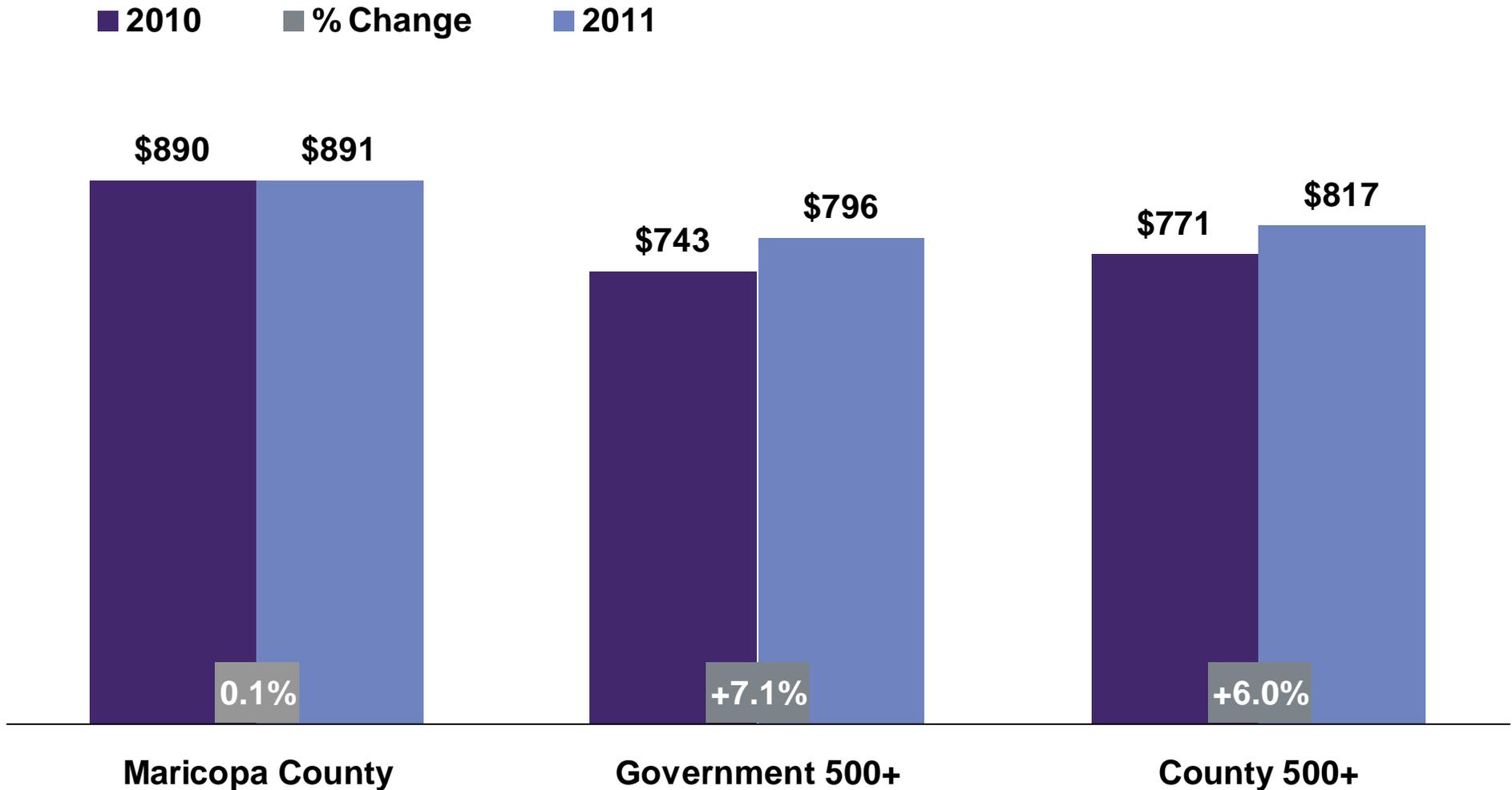
Bariatric surgery coverage

	Maricopa County	Government 500+	County 500+
Limited eligibility (must comply with behavior modification program or standards)	Yes	24%	33%
Covered the same as other medically necessary procedures	No	23%	22%

DENTAL BENEFITS



Average cost of dental coverage, per employee

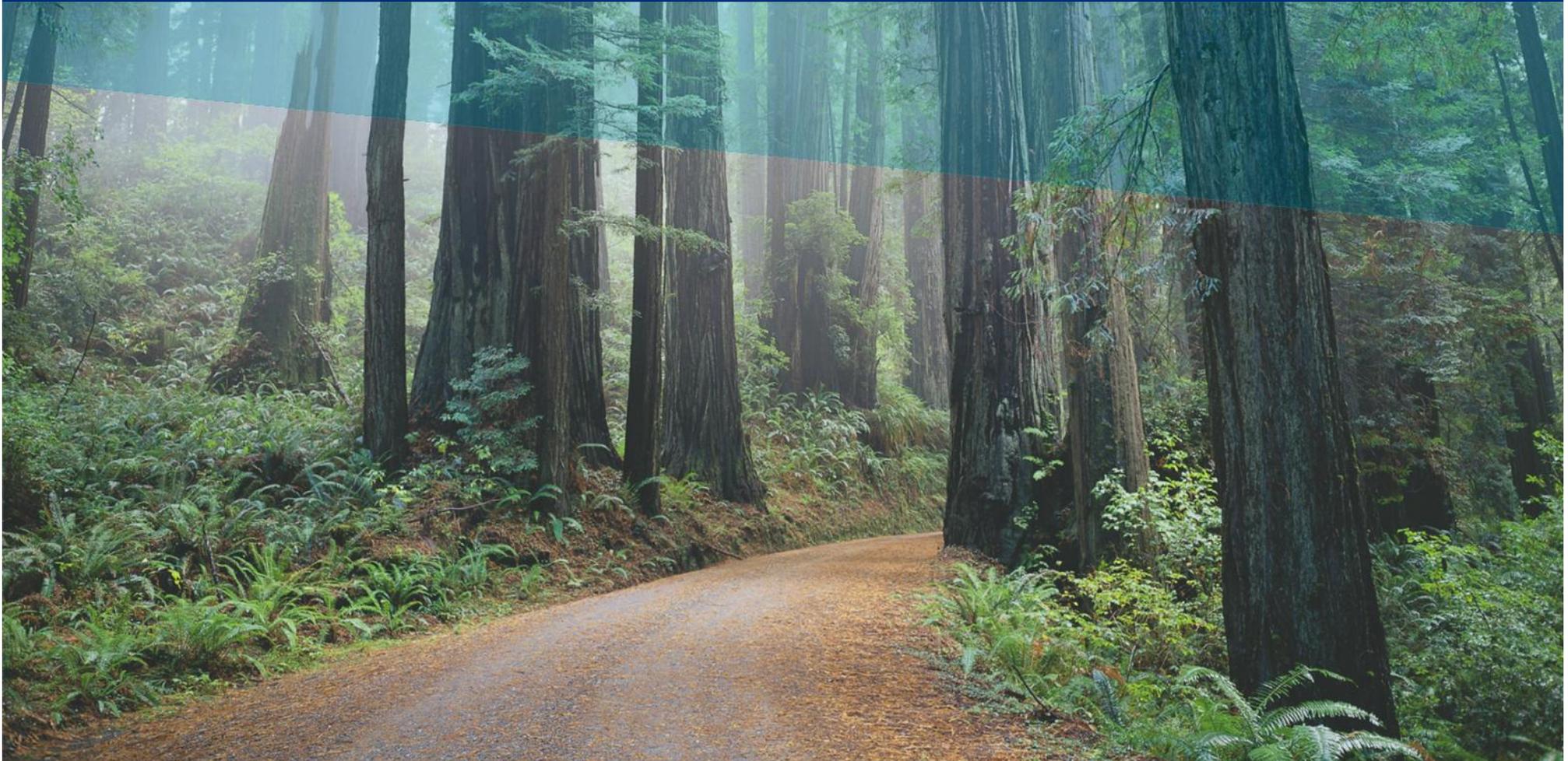


Maricopa County figures based on combined CIGNA/Delta Dental plan year equivalent rate costs for July 1, 2010 to June 30, 2011 and July 1, 2011 to June 30, 2012.

Dental plan design*

	Maricopa County 2012	Government 500+ 2011	County 500+ 2011	State of Arizona 2013	City of Phoenix 2013
Median Deductible	\$50	\$50	\$50	\$50	\$50
Median maximum annual benefit	\$2,000	\$1,500	\$1,500	\$2,000	\$2,000
Median lifetime maximum orthodontic benefit	\$3,000	\$1,500	\$1,500	\$1,500	\$4,000

OTHER BENEFITS



Voluntary insurance benefits offered

	Maricopa County	Government 500+	County 500+	State of Arizona	City of Phoenix
Vision	Yes	76%	75%	Yes	Yes
Disability	Yes	72%	80%	Yes	Yes
Accident	Yes	53%	47%	No	Yes
Whole / universal life	Yes	44%	36%	No	No
Supplemental employee term life	Yes	82%	86%	Yes	Yes
Dependent term life	Yes	80%	81%	Yes	Yes
Cancer / critical illness	Yes	55%	52%	No	Yes
Hospital indemnity	No	28%	25%	No	No
Long-term care	No	30%	30%	No	No
Auto / homeowners	Yes	5%	9%	Yes	No
Travel	No	5%	6%	No	No

Flexible spending accounts (FSA)

Health care FSA	Maricopa County	Government 500+	County 500+	State of Arizona	City of Phoenix
% offering health care FSA	Yes	77%	84%	Yes	Yes
Average employee participation	TBD	23%	20%	TBD	TBD
Average annual contribution	TBD	\$1,364	\$1,227	TBD	TBD
Dependent care FSA					
% offering dependent care FSA	Yes	78%	82%	Yes	Yes
Average employee participation	TBD	4%	4%	TBD	TBD
Average annual contribution	TBD	\$3,028	\$2,795	TBD	TBD

DEFINITIONS



Definitions

- A **consumer-directed health plan eligible for a Health Savings Account** is a high-deductible health plan with an employee-controlled account. Employer contributions are optional. Account funds roll over at year end and are portable.
- **Total health benefit cost** is the total gross cost for all medical, dental, prescription drug, MH / SA, vision and hearing benefits for all covered active employees and their dependents divided by the number of enrolled employees. Total gross annual cost includes employer contributions to a Health Savings Account. Employee contributions are also included but not employee out-of-pocket expenses.
- **Medical plan cost** is the total gross cost for medical plans divided by the number of enrolled 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. CDHP cost includes any employer account contribution.

Definitions, continued

- **Value-based plan design** refers to provisions to encourage specific treatments or therapies proven to be effective, such as waiving or reducing cost-sharing for maintenance drugs.
- The **2011 PPACA requirements** included extending coverage eligibility to employees' children up to age 26 and the elimination of lifetime and most annual maximums.
- PPACA's provision regarding **part-time employees** will require employers to provide coverage to employees working on average 30 or more hours per week in a month, or else face penalties, starting in 2014.
- Under PPACA's **minimal plan value standard**, a medical plan must pay for a minimum of 60% of a member's covered health care expenses or the employer may face penalties.
- PPACA requires employers to **auto-enroll** newly eligible employees into a health plan as well as to automatically re-enroll employees currently in the health plan each year.
- Starting in 2018, health benefit coverage that costs more than \$10,200 for an individual employee or \$27,500 for dependent coverage will be subject to a 40% **excise tax**.

