



The Future of Employment-Based Health Benefits: Will Employers Reach a Tipping Point?

A Survey of Employer Sentiment

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“The plan that will ultimately win approval from Congress has not been written yet.”

— EBRI Issue Brief, *Health Reform: Examining the Alternatives*, March 1994

Large employer benefit managers' views on health reform

- Background
 - Surveyed large employers during August and September 2007
 - 500 employers
 - Primarily *Fortune 1000* companies
 - Provide generous health benefits to full-time and many part-time staff
 - Total medical spend exceeds \$46B annually
 - 19th year of the survey
 - Included health care reform questions this year

Large employer benefit managers' views on health reform

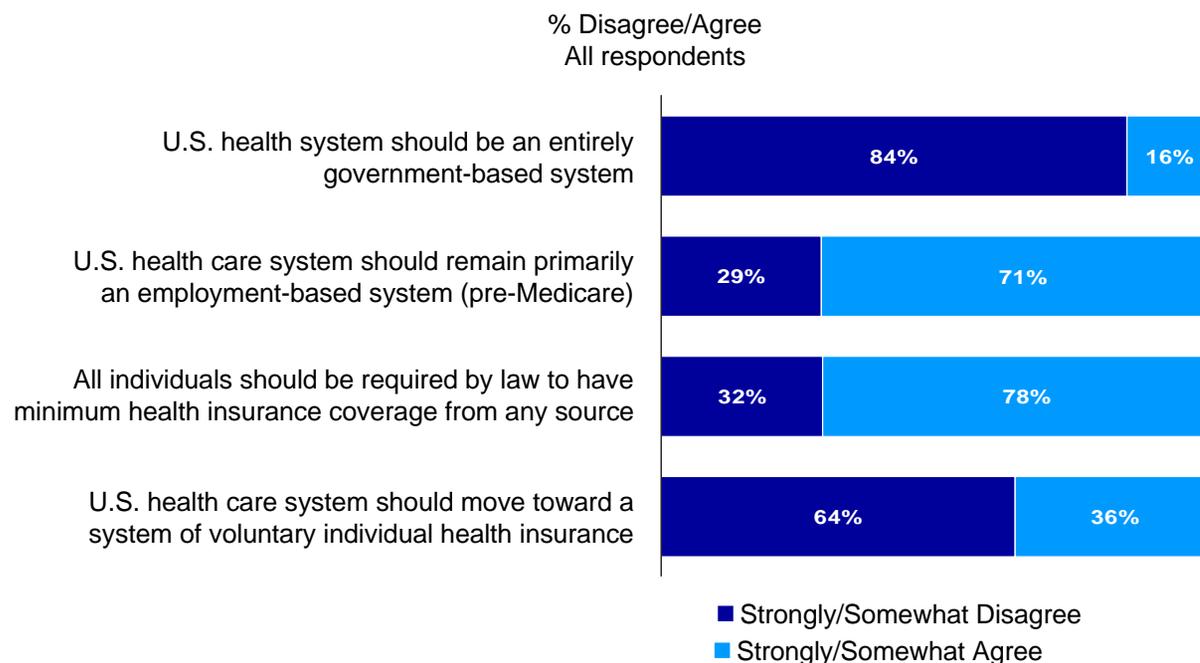
- Data suggests that most large employers
 - Believe health reform will happen
 - Believe we are rapidly approaching a tipping point – but they do not plan to exit offering health benefits
 - Seem to want reforms that will improve health care delivery and performance
 - Continue to support an employer-based delivery system
- Employers with “high-performing” health plans reflect a distinctive view on health care reform
 - They gain competitive advantage from their health plans and they want that to continue

Do large employers expect reform?

- Will health care reform happen?
 - Over 60% of large employers anticipate major federal health reforms will become law during one of the next two Presidential terms of office
 - Conversely, almost 40% believe federal-level reform will take longer than that or will never happen
 - Despite the slowing pace of state health reforms being enacted into law, about three-quarters of the employers still expect that over half the states will enact significant (Massachusetts-type) reform laws within the next 10 years

What does health care reform mean?

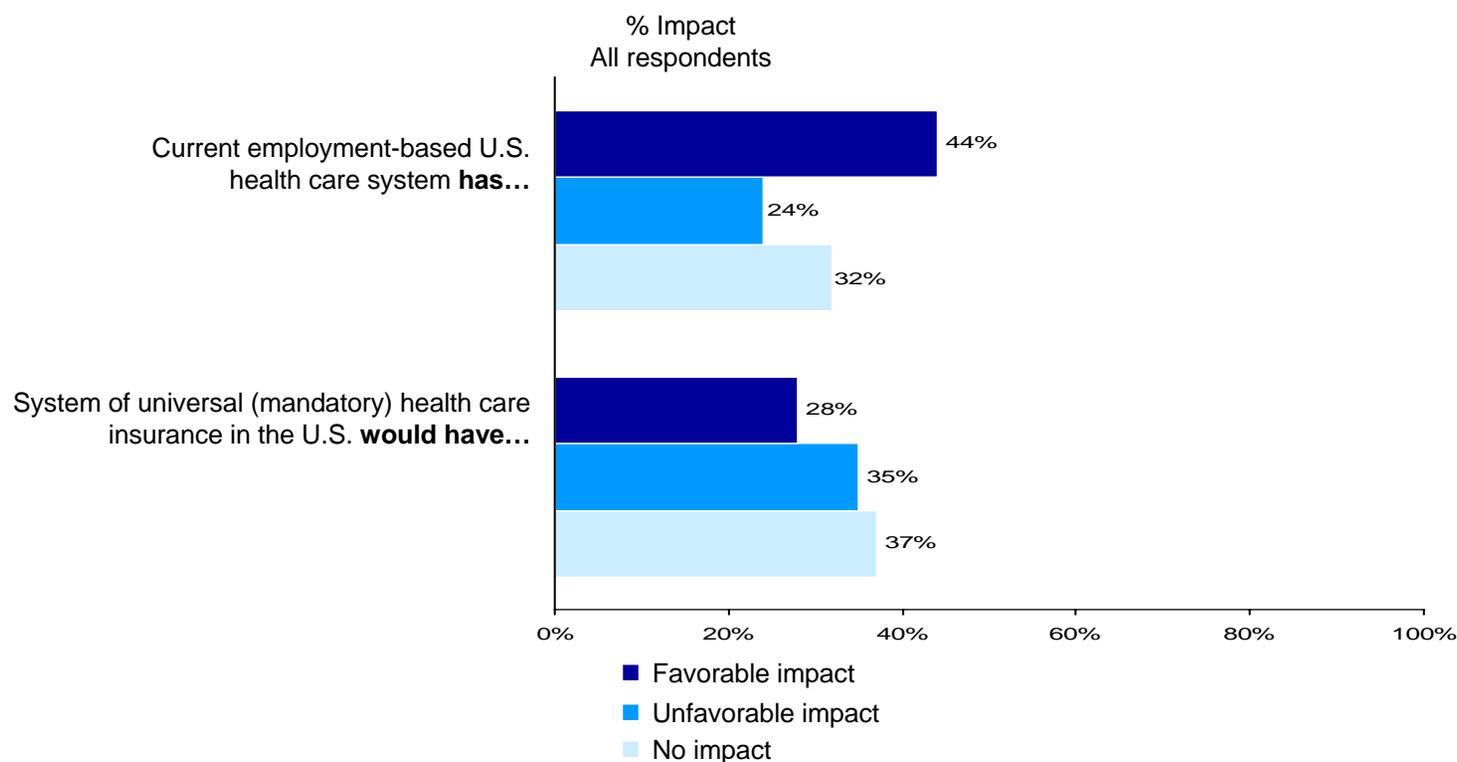
- What form should health reform take?
 - Decidedly *not* a government-based system
- Most, but not as many, employers prefer that health benefits continue to be provided by employers
- There is strong expectation of evolutionary long-term change in the employer role



Source: Towers Perrin 2008 Health Care Cost Survey

How do employers think they would be affected by health reform changes?

- There is no consensus on the *current* state
- Also, no consensus on the business impact of achieving universal health coverage
- Message: **Health reformers will need to spend time educating and illustrating the business case for many employers**



Source: Towers Perrin 2008 Health Care Cost Survey

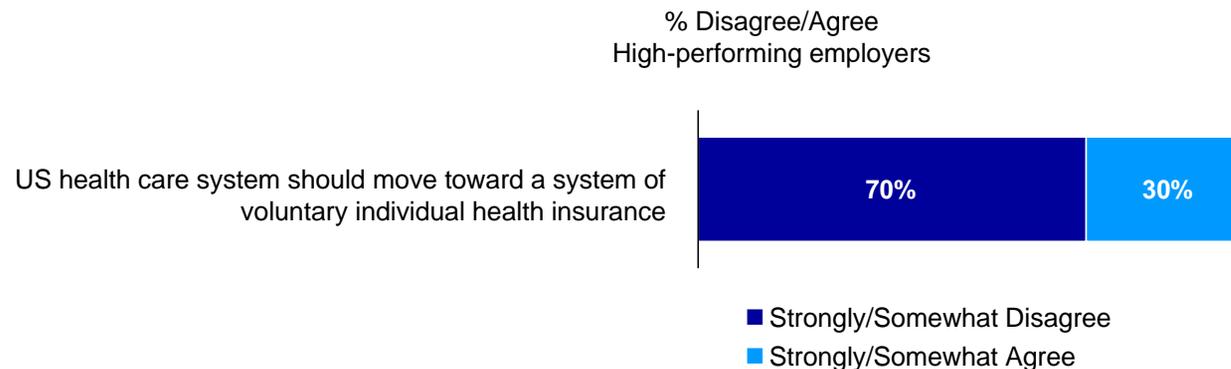
High-performing employers see health care reform differently

What do high-performing employers do differently?

- Their commitment is different
 - They view their role as motivating, supporting and helping manage employee health, by a 2:1 margin compared to low-performing employers
- They have a strategy and they measure
 - More than two-thirds of high-performers calculate the business impact of their employee health programs
- They manage employee health
 - They implement customized disease management programs four times more often than low-performing employers
- They engage employees as health consumers
 - They provide employees with information and support tools to make better health care decisions at almost twice the rate of low-performing employers
- They are building a culture of health
 - They are more than twice as likely to have identified and communicated to employees the changes in behavior needed to improve program performance
- They have relatively lower health care costs and those costs grow more slowly than other employers

In some respects health reform as an evolutionary change has already begun

- High-performing employers are already acting as change agents of health reform
 - Fostering increased employee responsibility for
 - Maintaining health coverage
 - Maintaining good health
 - Saving/planning for health care as for other financial needs
- Even so, among high-performing employers 7 in 10 do not think the U.S. should move toward a system of *voluntary individual coverage*



Source: Towers Perrin 2008 Health Care Cost Survey

Beyond the survey

- Key reform issues still to be determined
 - ***ERISA preemption of State laws***
 - Will employers retain ability to offer uniform national benefit plans or, will Congress or the Courts cede reform to the States by weakening ERISA?
 - ***Insurance reform***
 - Will individuals have reliable access to a market for individual health coverage outside employment?
 - Challenge for insurers: If they come, will you build it?
 - ***Tax law changes***
 - Will Congress alter tax law to level the playing field between employer and the individual market or, tilt the tax law in order to remove employers from a role?

Appendices

- I. *Towers Perrin 2008 Health Care Cost Survey*
- II. Emerging Employer Strategies:
What High-Performing Employers Do Differently

Towers Perrin 2008 Health Care Cost Survey

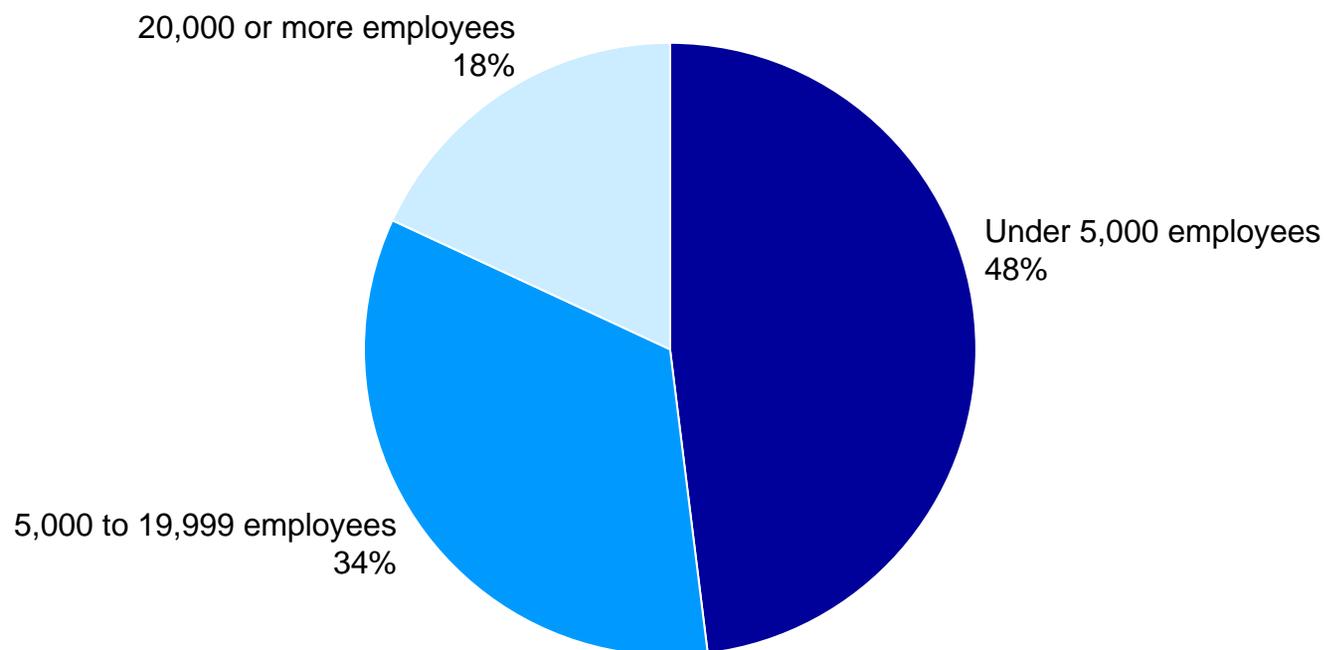


Background on *Towers Perrin 2008 Health Care Cost Survey*

- Overall cost increases from 2007 (active employees)
 - Total: 6%, to \$9,144
 - Employer: 6%, to \$7,080
 - Employee: 8%, to \$2,064 (23% of total costs)
- Remarkable differentiation in results between high- and low-performing respondents:
 - 5% vs. 7% increase in employer costs
 - 20% gross cost differential
- Clear distinction between high- and low-performing respondents in employer commitment and employee engagement, where high-performers report greater
 - Activity in developing employee capability and motivation to make good decisions and manage their health
 - Activity in strategy, governance, and measurement
 - Introduction of accountability and transparency in design
 - Vendor management
 - Development of tools and educational resources to promote consumer engagement and a culture of health
- 500 respondents

Total number of U.S. based employees in your organization (share of responses)

Distribution of survey participants by number of U.S.-based employees



Source: Towers Perrin 2008 Health Care Cost Survey

Emerging Employer Strategies:
What High-Performing Employers Do Differently



Employer health care cost variations

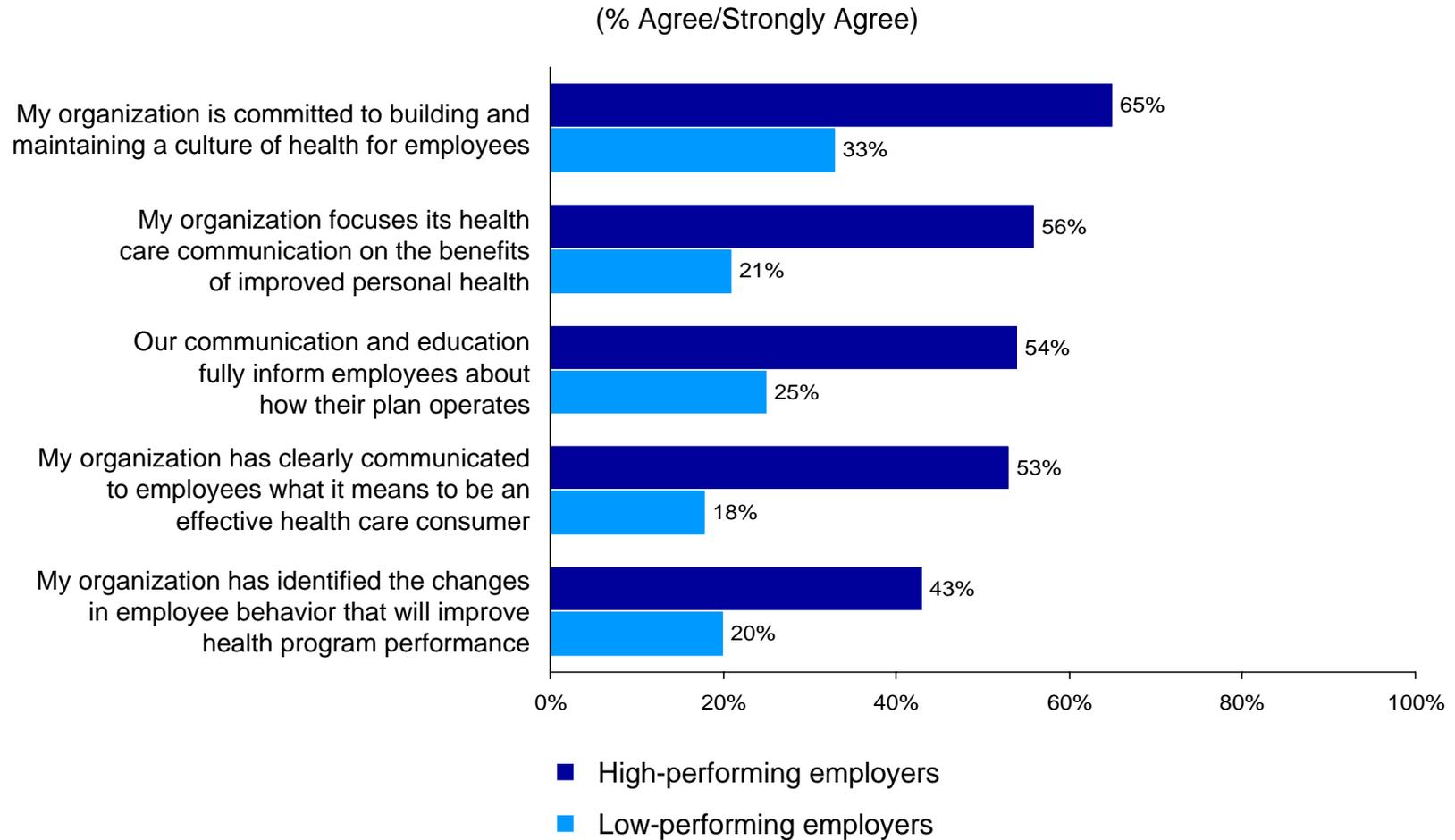
Top third vs. Bottom third – based on health care spend

	High-performing employers	Low-performing employers
Cost per employee per year	\$8,532	\$10,200
Increase in employer cost	5%	7%
Increase in employee cost	8%	9%

- 2008 Health Care Cost Survey respondents were separated into **high-performing** and **low-performing** based on costs as well as how well they are meeting their strategic objectives

Source: Towers Perrin 2008 Health Care Cost Survey.

Building a culture of health



Source: Towers Perrin 2008 Health Care Cost Survey