Lancaster County Business Group on Health

2002 Employer Benefit Survey

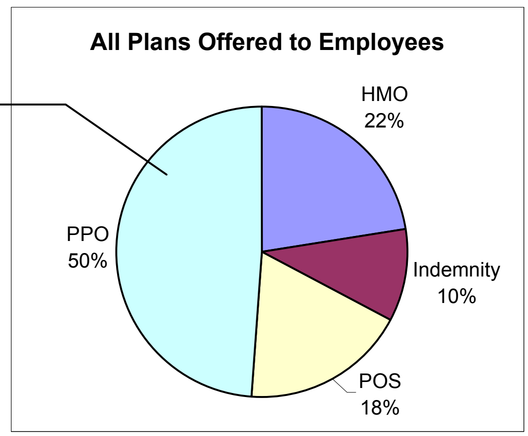
The Lancaster County Business Group on Health (LCBGH) recently surveyed many of the county's larger employers about their health care benefits, employee contributions, strategies to contain costs, and views on health care issues. The results, representing 8,200 employees, provide a benchmark for members of LCBGH to assist them in evaluating the competitiveness and appropriateness of the medical benefit package they offer.

Plans Offered

Among our participants, about half of them offered more than one plan option. Of all the plans offered, about half were PPO. Less than ¼ were HMO.

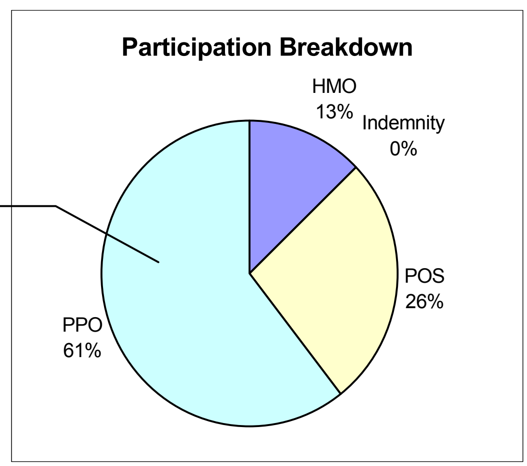
Employers who offered one plan offered the PPO most frequently. For employers who offered multiple plans, employees tended to choose the PPO and POS plans, rather than HMO or indemnity. The results show that the proportion of participants in PPO and POS represent about 87% combined compared to 13% in HMO and less than 1% in indemnity.

Of the total plans offered, about half of them are PPO.



The participant percentages reflects the percentage of employees in each plan design, but did not consider the size of the employer reporting the results. In other words, it's the result that would be obtained if all employers in the survey were the same size.

However, our measure of participation indicates PPO's cover 61% of the employees in the survey.

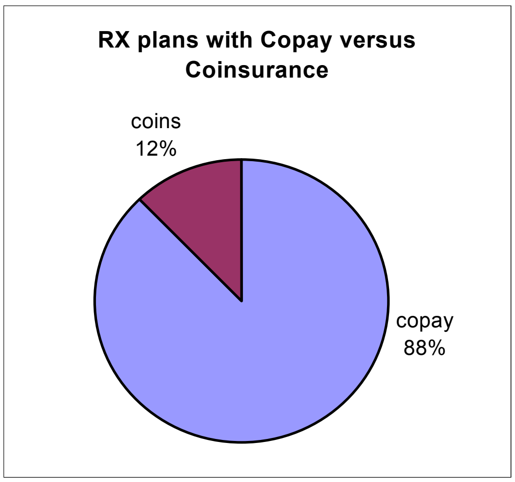


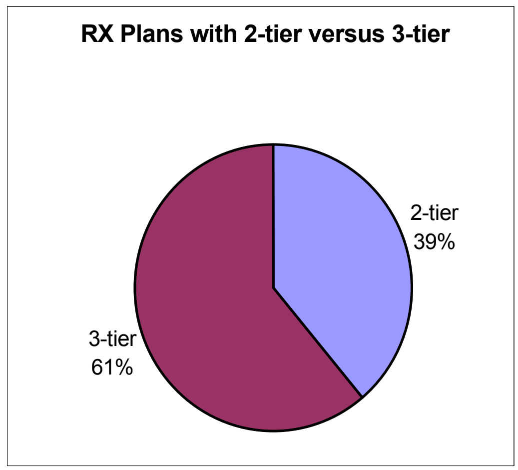
LCBGH Mission: To be an advocate for the appropriate balance between cost and quality of healthcare in Lancaster County by providing education to its members on healthcare related issues and promoting cooperation among payers, providers and insurers.

Drug Plan Design Issues

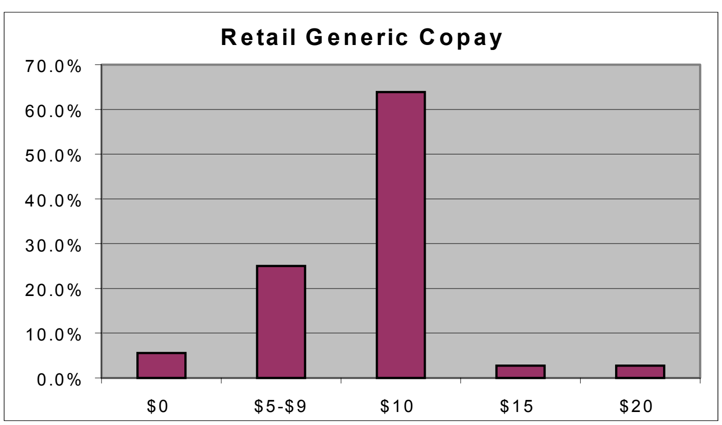
Most plans (87%) use *co-pays* versus *coinsurance percentage*. For example, a $10 co-pay rather than 20% coinsurance. A coinsurance percentage is favored in theory because it automatically keeps pace with inflation, whereas a co-pay needs to be adjusted periodically to keep pace with inflation. Nonetheless, the co-pay structure is solidly embedded in most plans and more popular and easier to understand than coinsurance.

Drug plans with co-pay features are generally either two tier (generic/brand) or three tier (generic/formulary brand/non-formulary brand). Three tier plans are predominant and represent 61% of respondents. 39% of plans are two tier.



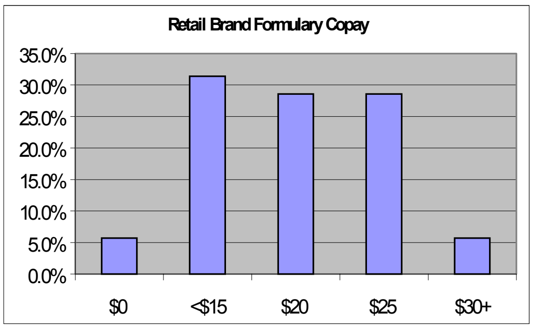


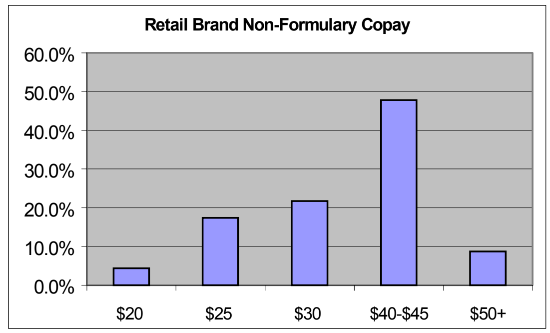
Generic drug co-pays are usually $10 or less. This makes sense since the average cost of a generic drug is not much more than $15 per script. The following graphs show the percentage of plans with various co-pay amounts.



Retail brand co-pays show variation ranging from $12 up to $40, but are mostly $25 or less.

In cases where a third tier is added to the drug plan for non-formulary brand drugs, the amounts range from $25 to $60, but are most commonly about $40.





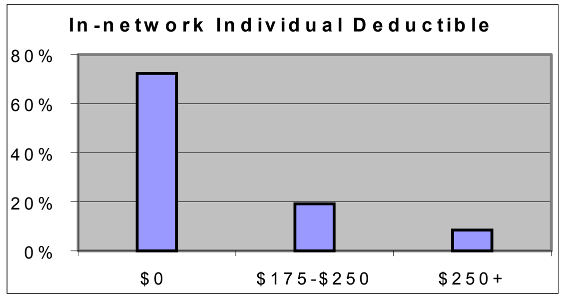
<u>Mail Order Drug Design</u>

About half the respondents indicated using a mail order drug plan. Of those reporting use of a mail order program, half or more used the conventional *double deductible* concept. That is, the co-pays for a three month supply under mail order are double the co-pays for retail scripts providing only a 30 day supply. The remaining plan designs used co-pays less than double for mail order.

Medical Plan Designs

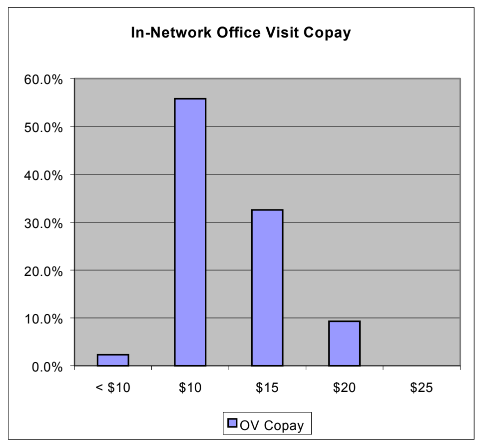
The LCBGH 2002 survey indicates plan designs provide very “rich” plans that pay most of the benefits for employees. The predominate plan has low deductibles and mostly 100% coverage for in-panel benefits.

In patient hospital, outpatient services, and surgery is most often paid at 100% when utilizing in panel doctors and facilities. These major cost items paid at 100% by many plans represent over 60% of the health care dollar. Typically, employee cost share features are used for drug costs and doctor visits, but very little else.



Office Visits

When employees are asked to share costs, as with doctor visits, the co-pay can range from $10 to $20, with $10 doctor visit co-pay being the most common.



Specialist Visits

Less than half our respondents indicated they use a higher doctor visit co-pay in situations where the services of a specialist are used. In these cases, the most typical differential is $10. That is, if the office visit co-pay is $15, then the specialist co-pay is $25.

Family Deductibles

Family deductibles are usually “two times” the individual deductible when the plan has an average size deductible ($250 or higher). When plans use lower individual deductibles, less than $250, the family deductible is more likely “three times” the individual deductible.

Employee Contributions

The LCBGH survey showed average employee contributions are about $35 per month for single and $150 or higher for family. The family contribution is higher than last year's survey, but in line with national surveys.

Inflation Rates and Future Prospects

The survey also studies general plan administration and coverage topics, rate increases, and employer view on various health care topics.

Recent rate increases have averaged 15%, with 54% of respondents receiving between 11% and 15% in the most recent renewal cycle. A majority, over 60%, responded by increasing employee co-payment or reducing benefits in some fashion.

Employers were asked to rank six items that could have an effect on health care costs. Those items, ranked from 1 to 6 in importance, are shown below.

Topic	Ranking of Importance
Consumer Education	1
Limits on Malpractice Awards	2
Less Legislation	3
National Health Insurance	4
Changes to Medicare	5
Employer Coalitions	6

Finally, about one third of the participants indicated they are considering defined contribution type health plans for the future.

This executive summary is written for general distribution to the public.

Members of the Lancaster County Business Group on Health received expanded graphics and detailed plan information with most common values and ranges for a variety of health and prescription plan design features. The full report is free to LCBGH members and may be purchased by non-members for $50.

For information on LCBGH membership:

- call Carol Szutowicz, LCBGH executive director, at (717) 239-6954
- select the "How to Become a Member" tab on the website at www.lcbgh.org
- write to LCBGH, PO Box 1558, Lancaster, PA 17608-1558.

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