



2007 HR SOUTHWEST
Human Resources Conference and Exposition
HR: Passport to Success

*Off to the Races: Health Insurance
Trends in Texas*

Presented by Theresa Worman & Amy Kaminski
of Compdata Surveys



The Race Is On

16.3%

of Texas employers not recruiting in
2003



5%

of Texas employers not recruiting in
2007

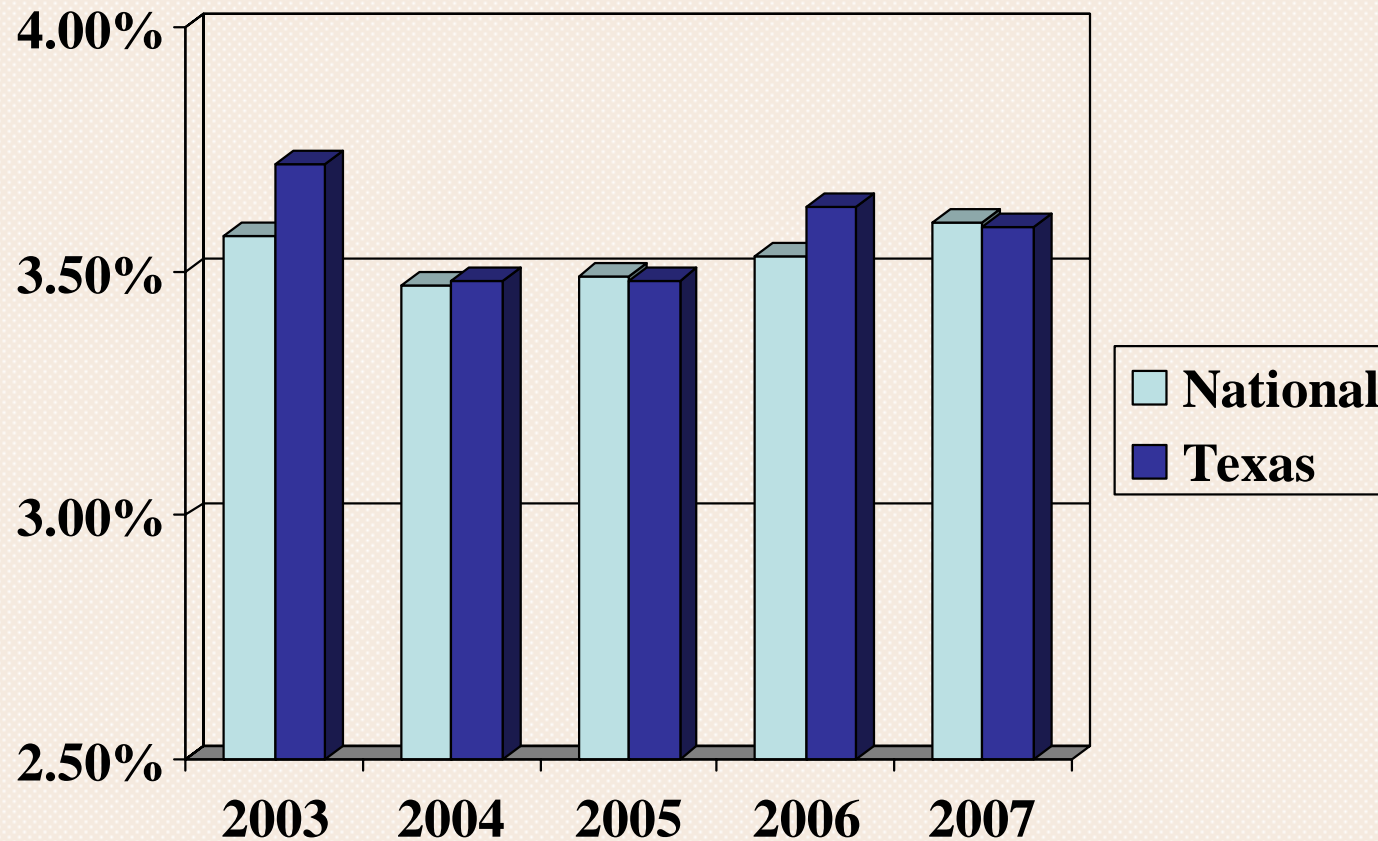


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The Race Is On

Pay Increase Budgets



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The Rules Are Changing

- Cash No Longer King
- “Educated” Employees Expect More



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The Rules Are Changing



- In 2010, the U.S. Bureau of Labor Statistics estimates **10 million** jobs will be left unfilled as the Baby Boomers enter retirement.
- Two Key Factors:
 - Retention
 - Recruiting



Healthcare Cost Trends in Texas

- Good News/Bad News
- Methods for containing and reducing costs
- Communication



Good News/Bad News



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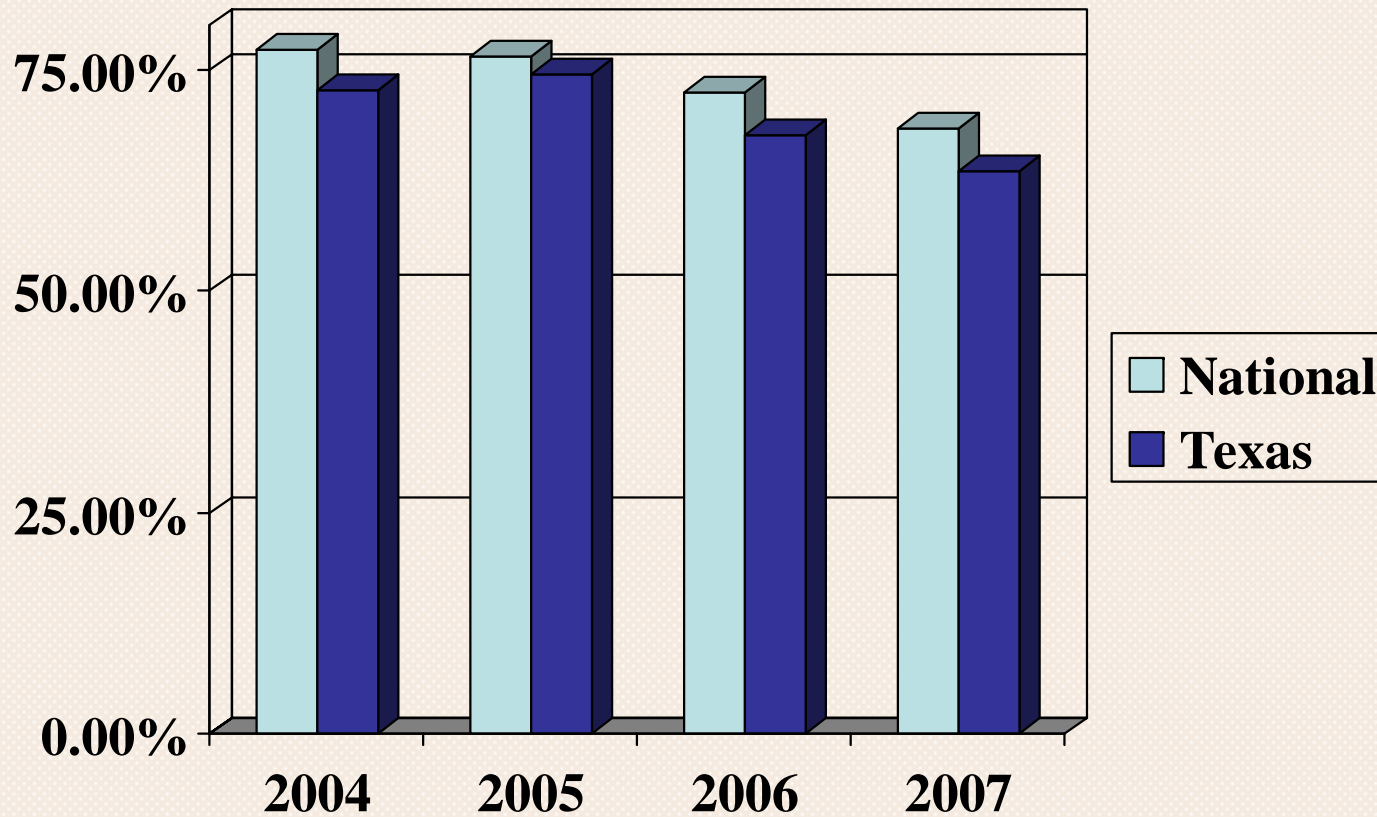
Good News/Bad News

- Healthcare spending in the US is estimated to reach \$2.2 trillion this year and is expected to nearly double by 2016 according the National Coalition on Health Care.



Good News/Bad News

Percent of Employers with Increase in Healthcare Premium

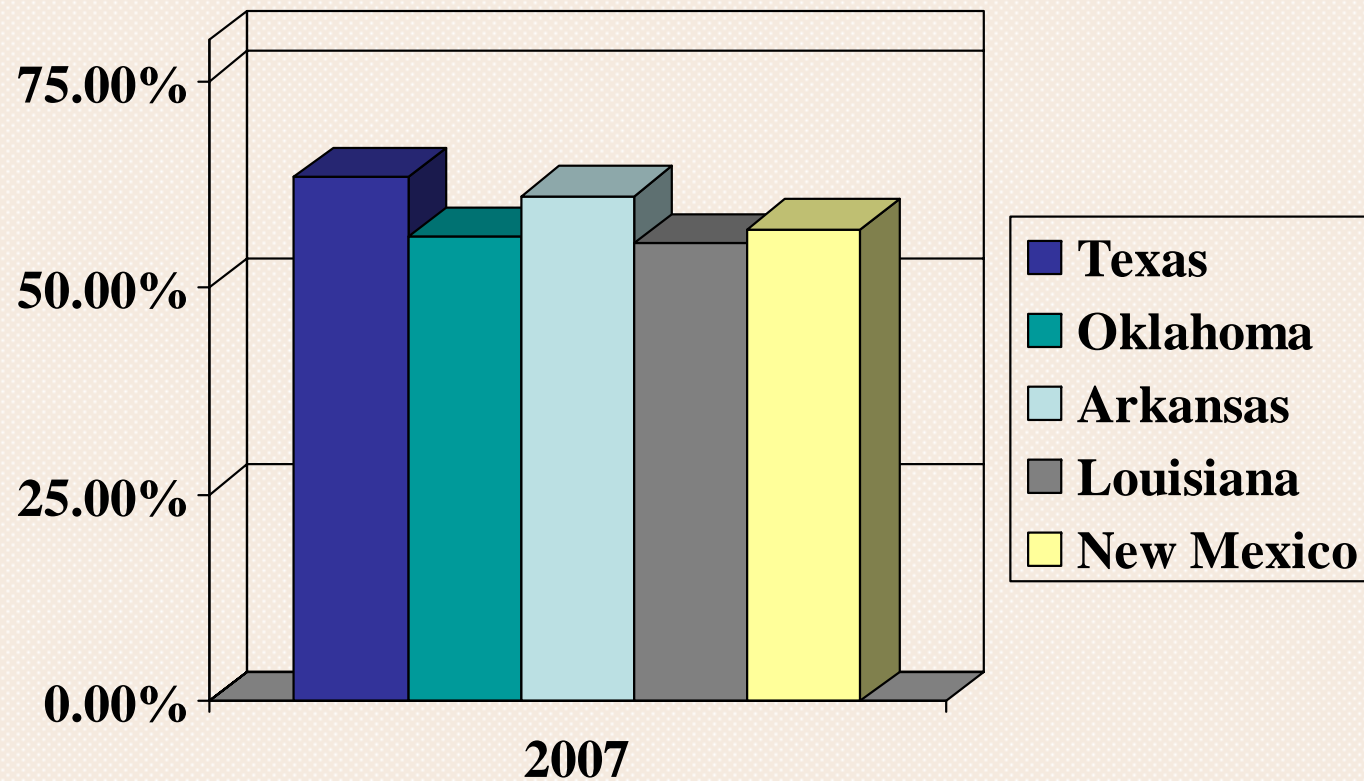


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Good News/Bad News

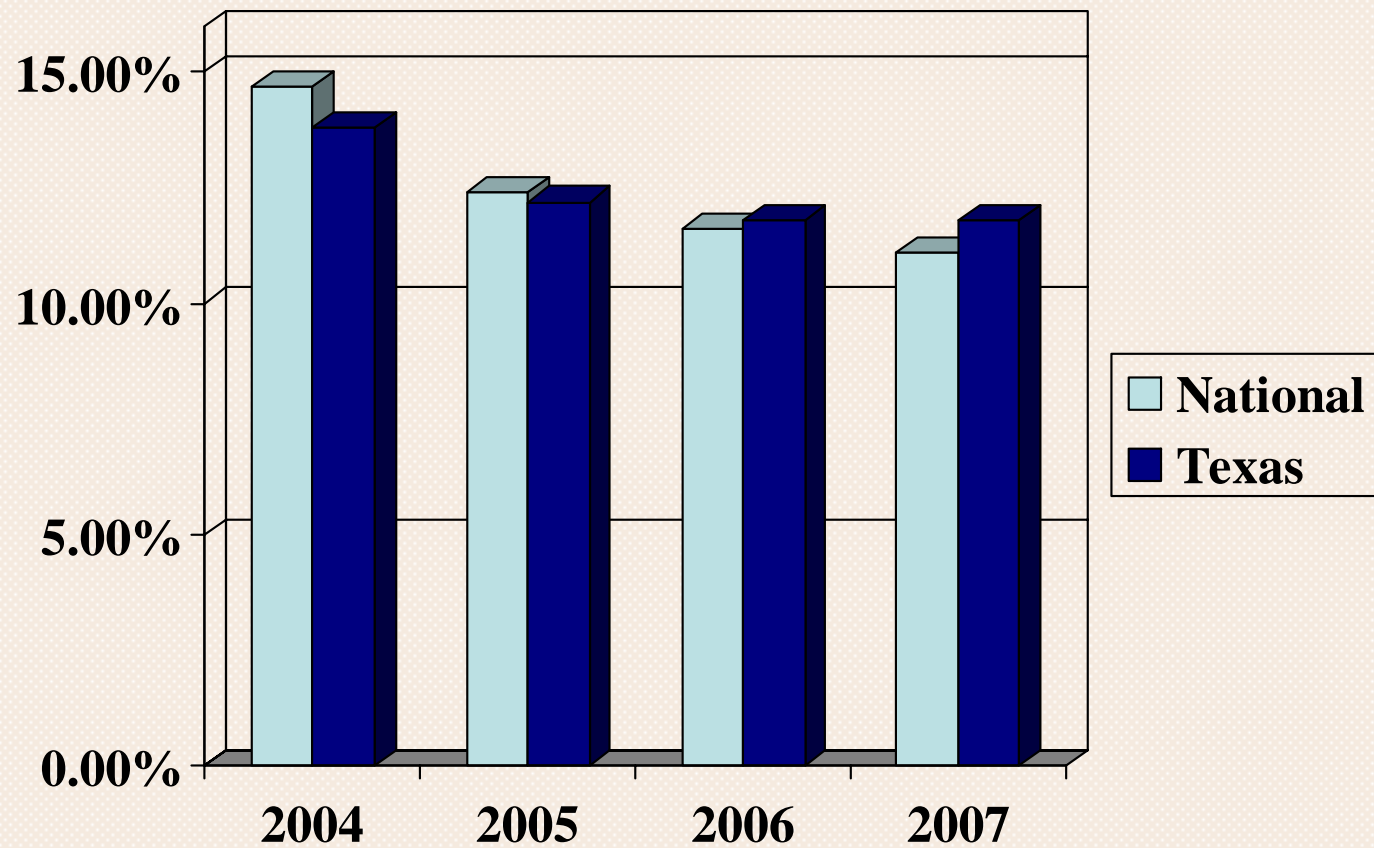
Percent of Employers with Increase in Healthcare Premium





Good News/Bad News

Average Premium Increase

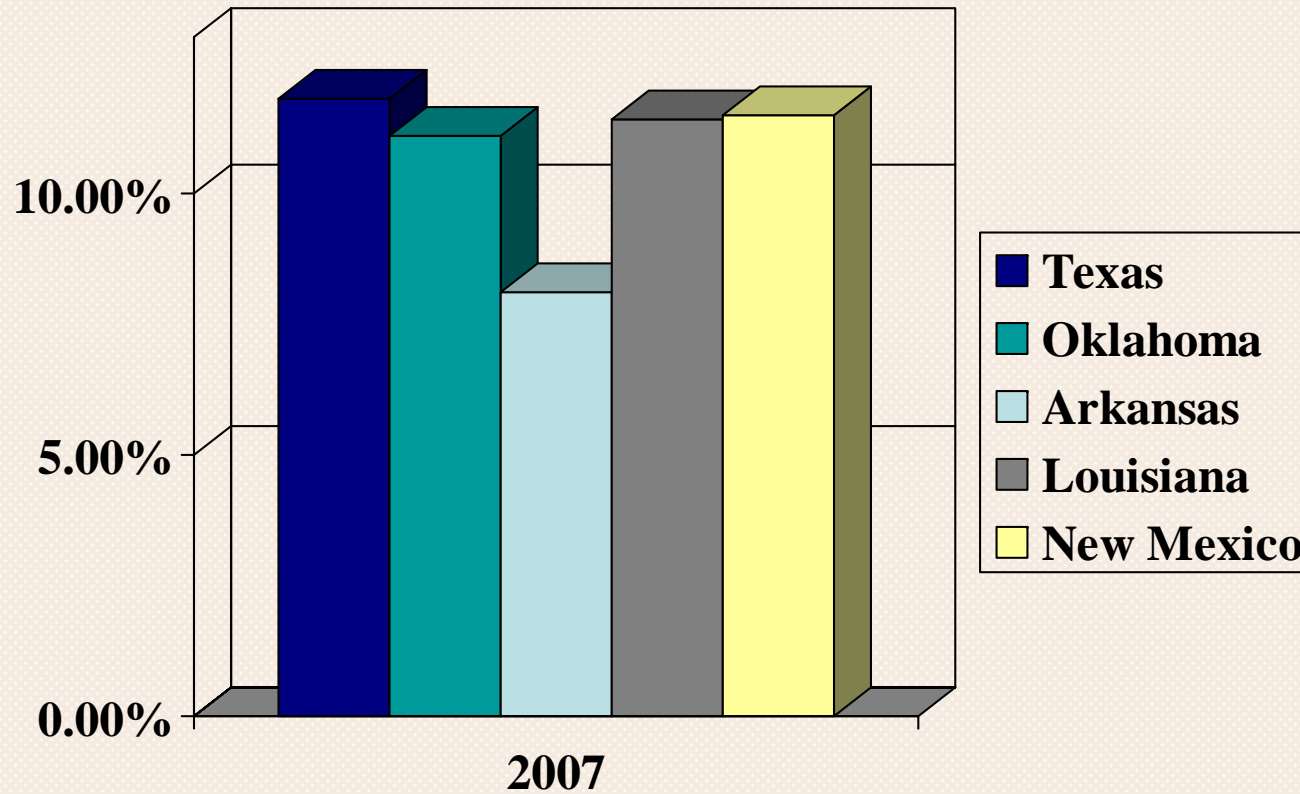


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Good News/Bad News

Average Premium Increase





Good News/Bad News

Prescription Coverage - National

2007 National Prescriptions	Generic	Formulary	Non-Formulary
Indemnity	\$11.21	\$24.78	\$40.00
HMO	\$10.68	\$24.02	\$39.61
PPO	\$10.99	\$25.33	\$42.25
POS	\$10.54	\$24.64	\$43.15

- Since 2006, the cost of non-formulary and formulary drugs has increased for all plan types, while generic co-pays have stayed between \$10 and \$11.50.



Good News/Bad News

Prescription Coverage – Texas

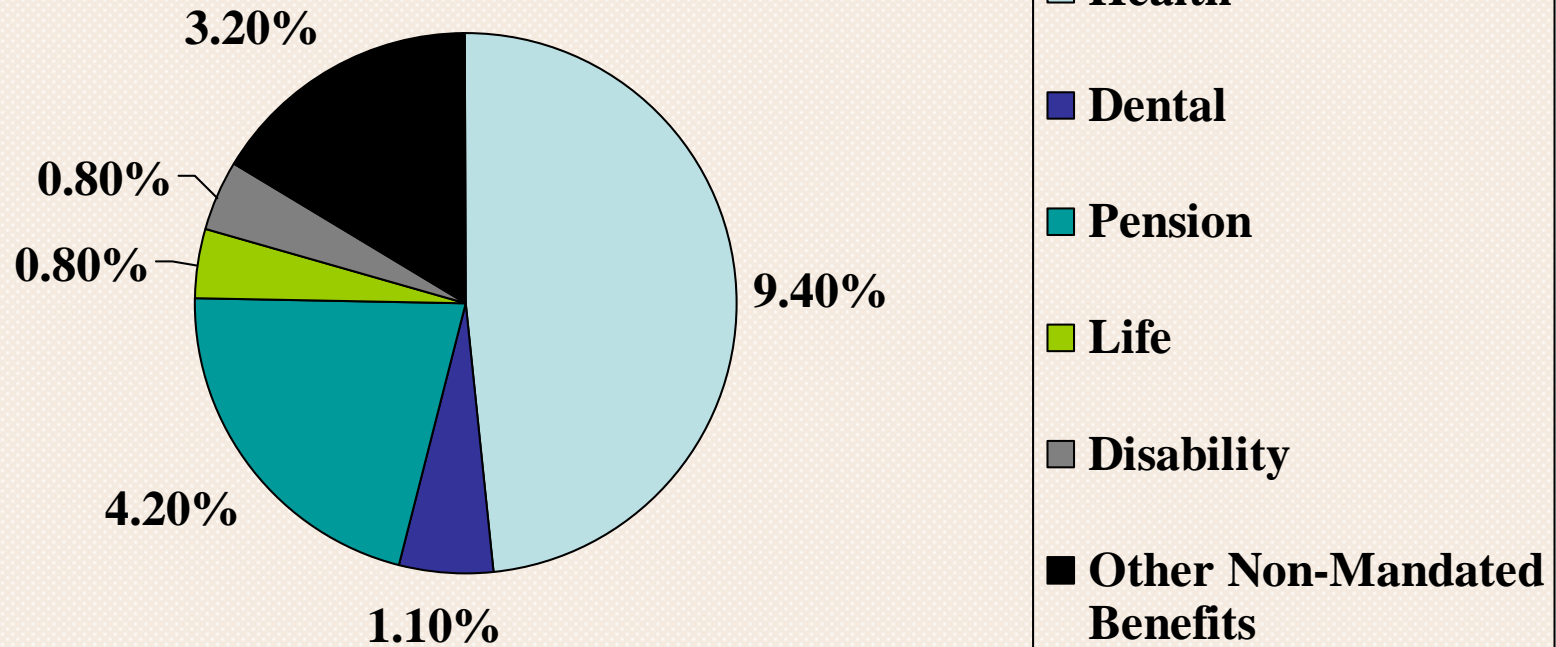
2007 Texas Prescriptions	Generic	Formulary	Non-Formulary
Indemnity	\$10.74	\$26.10	\$41.11
HMO	\$10.64	\$25.44	\$41.37
PPO	\$11.48	\$25.85	\$43.26
POS	\$11.19	\$26.14	\$42.38



Good News/Bad News

Texas Employers Contribution Toward the Cost of Benefits as a Percentage of Payroll:

Total: 19.5%





Cost Containment & Reduction Methods

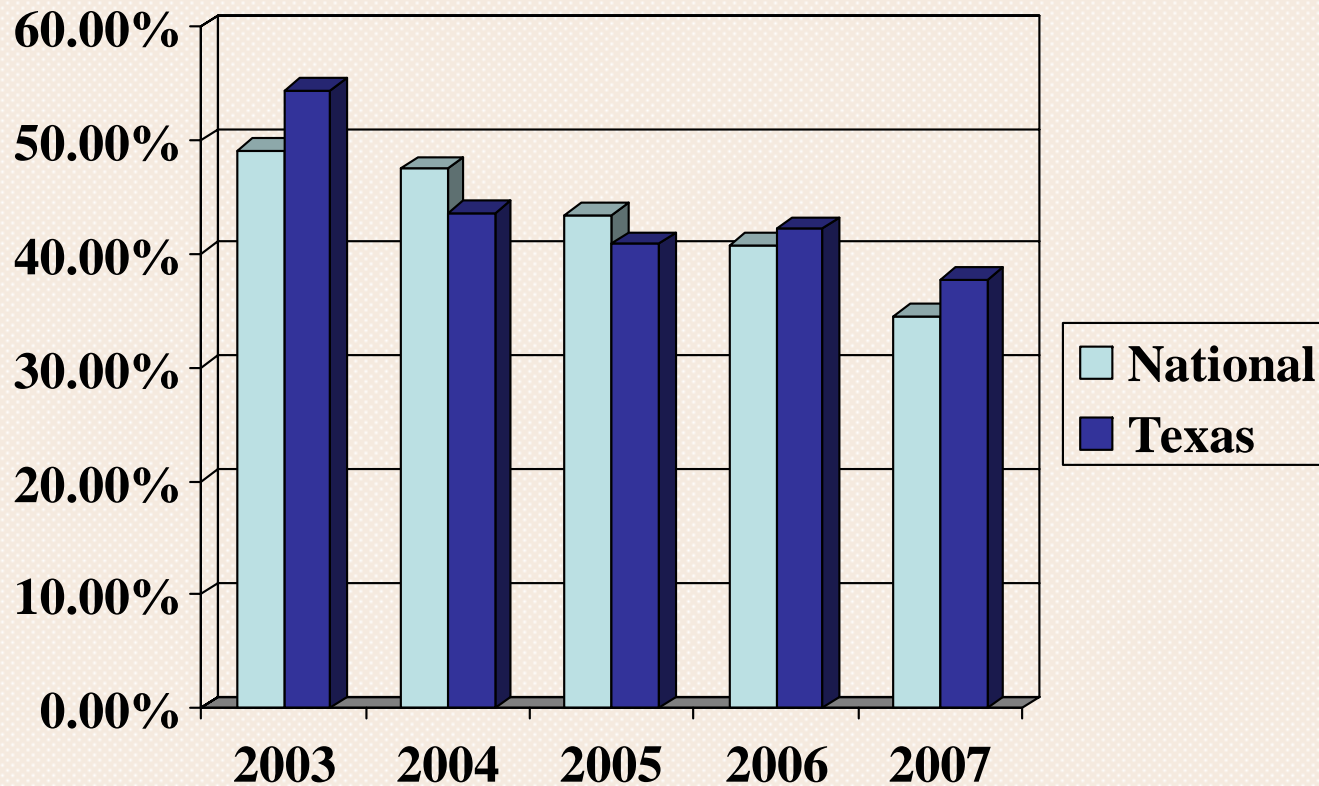


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Cost Reduction Measures

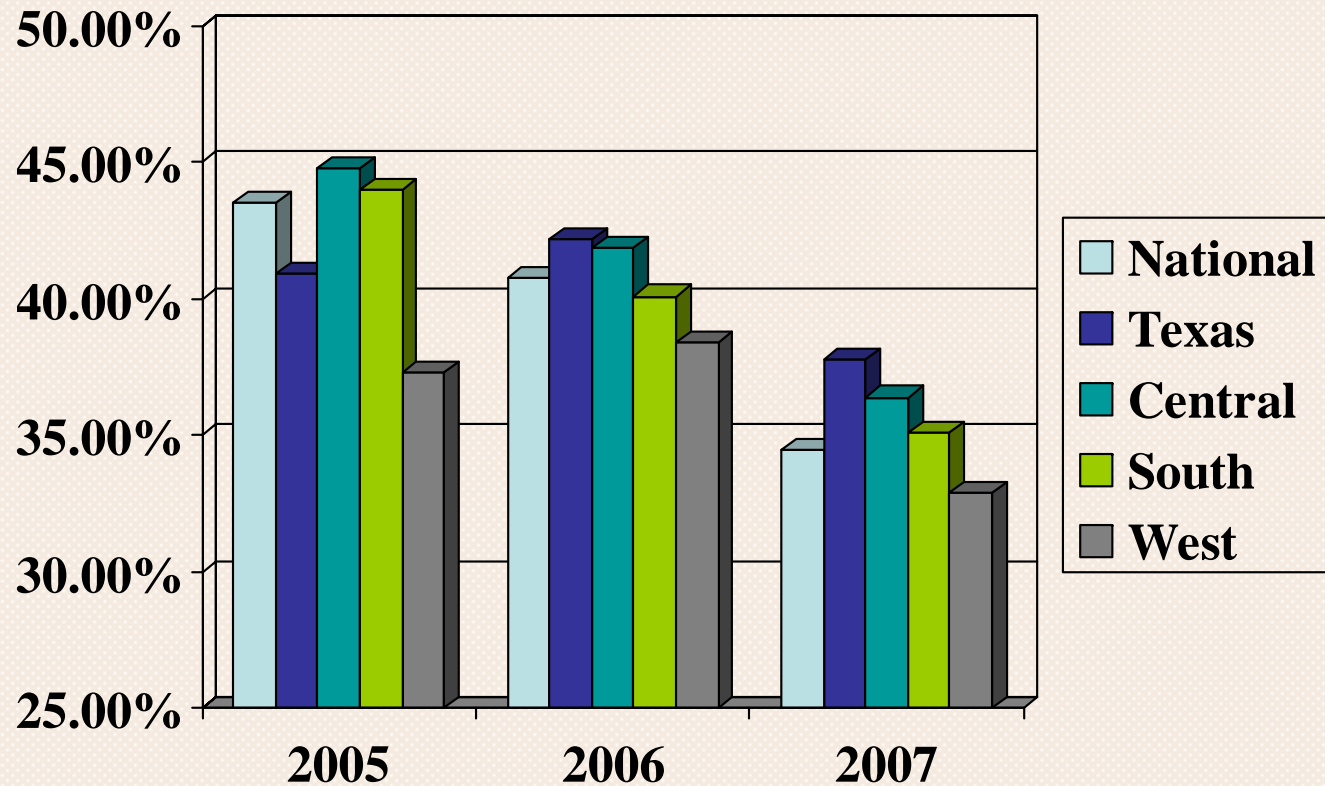
Percent of Employers Increasing Employee Contributions





Cost Reduction Measures

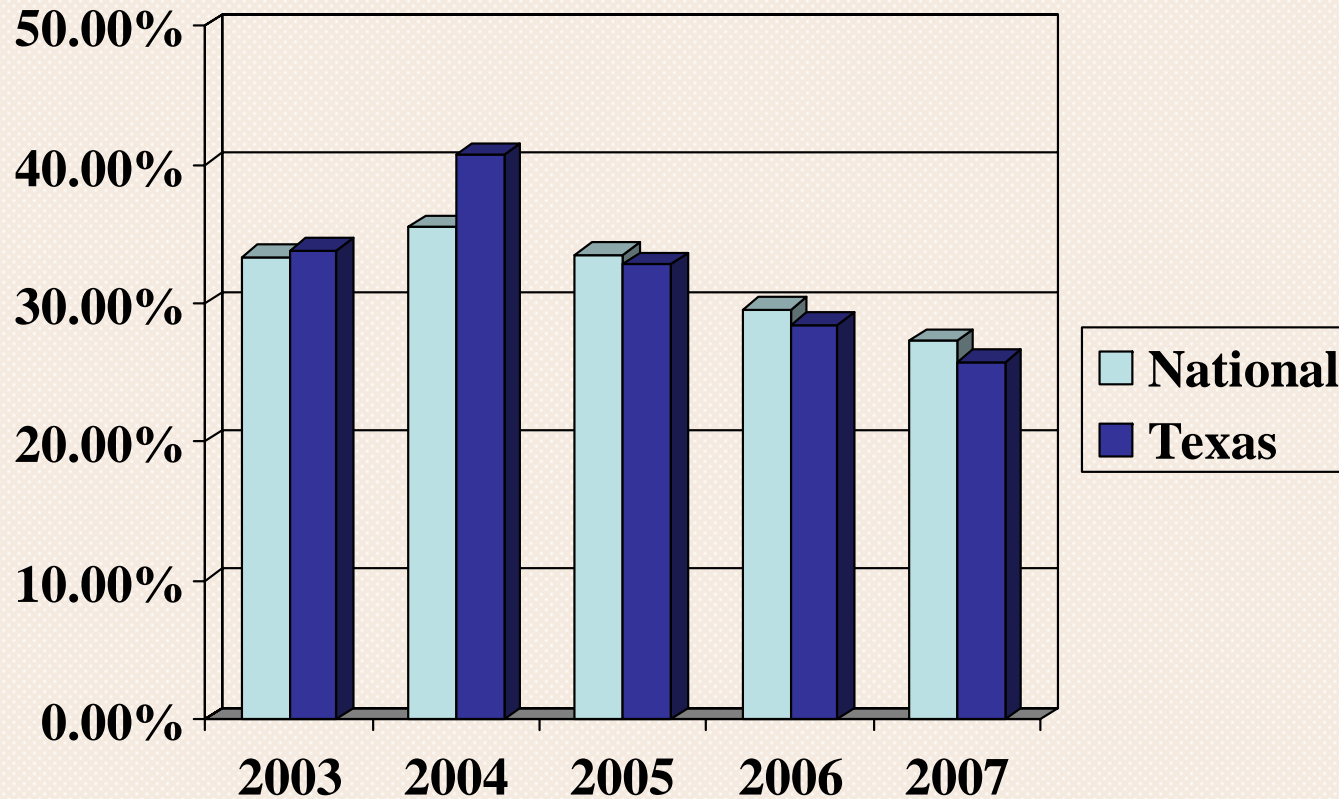
Percent of Employers Increasing Employee Contributions





Cost Reduction Measures

Percent of Employers Increasing Deductible Levels

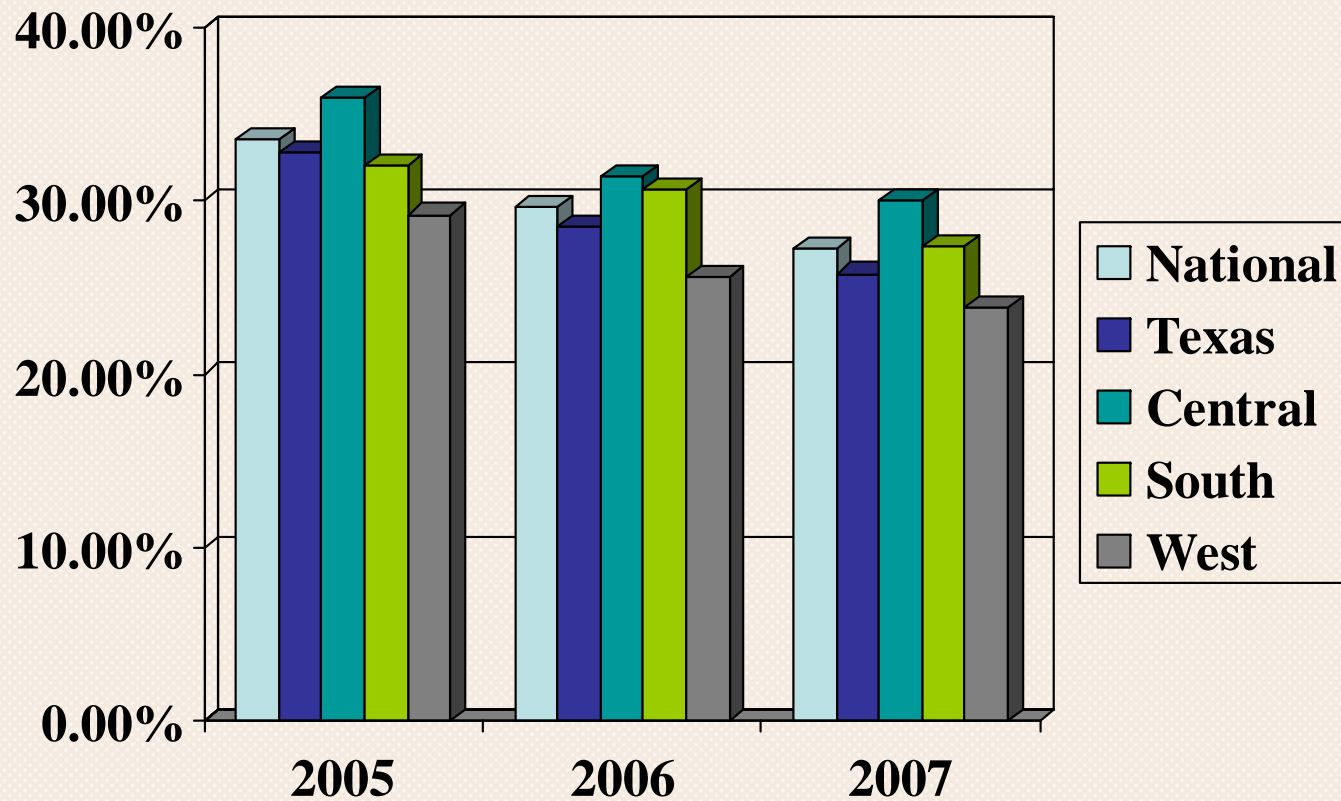


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Cost Reduction Measures

Percent of Employers Increasing Deductible Levels





Cost Reduction Measures

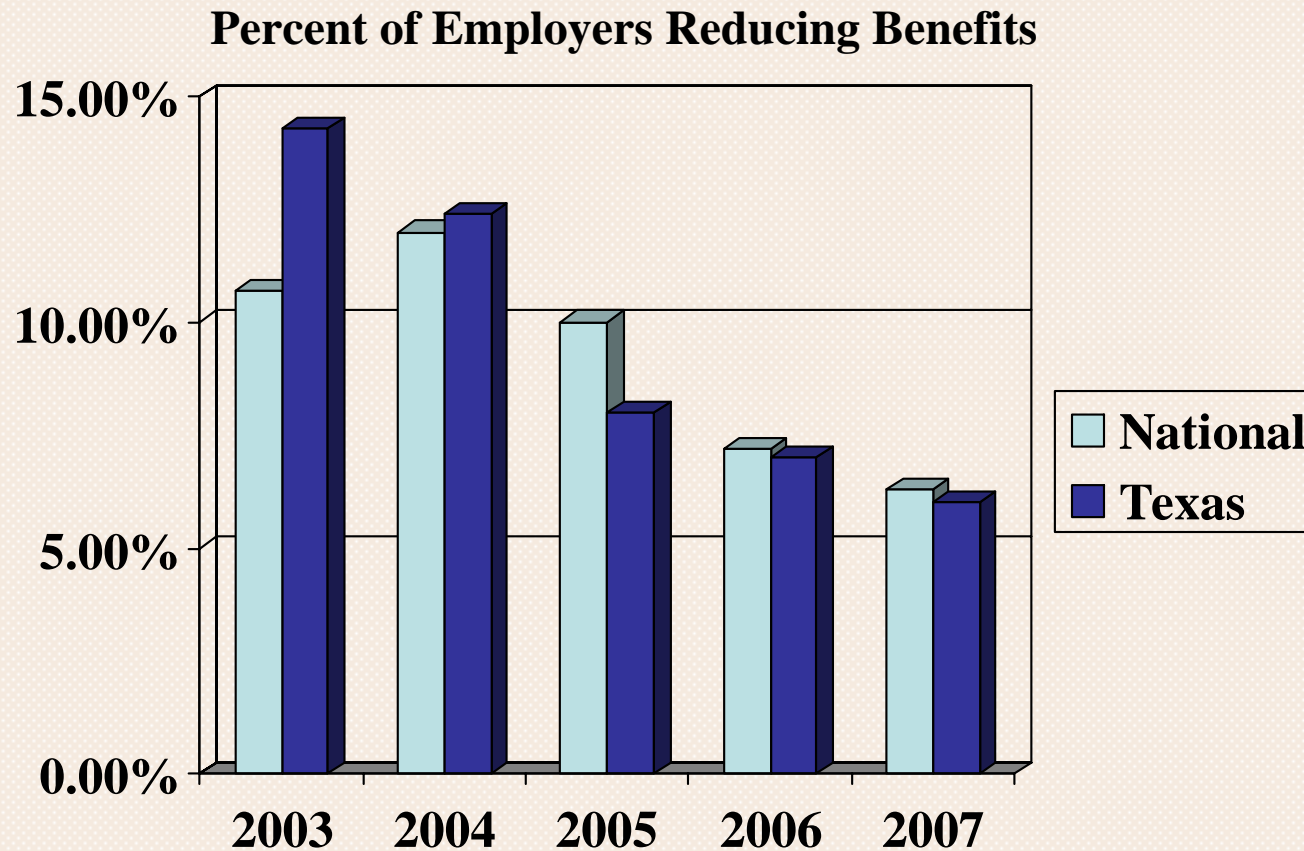
Annual Deductibles – Per Person vs. Per Family in Texas

	\$1 – 249	\$250 – 499	\$500 – 799	\$800+
Individual	9.7%	36.9%	31.7%	21.7%

	\$1 – 299	\$300 – 599	\$600 – 899	\$900+
Family	0.7%	18.5%	20.6%	60.1%



Cost Reduction Measures

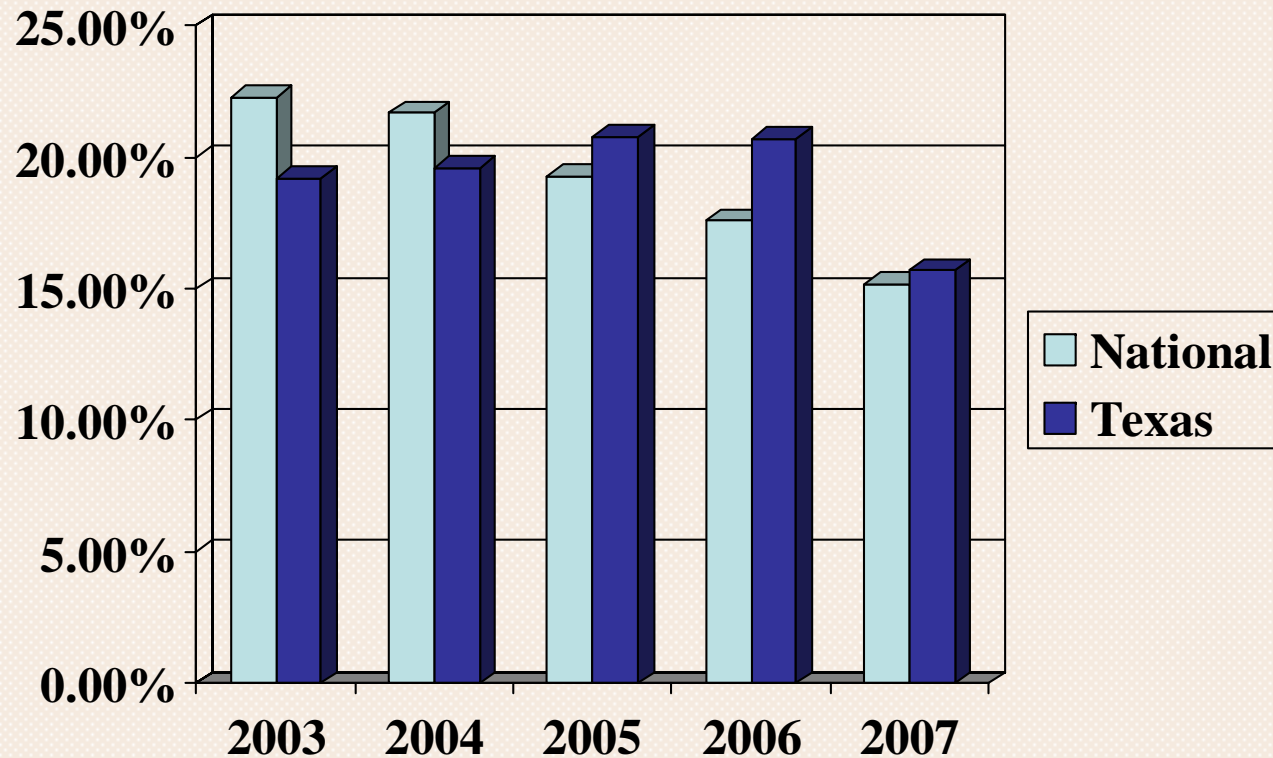


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Cost Reduction Measures

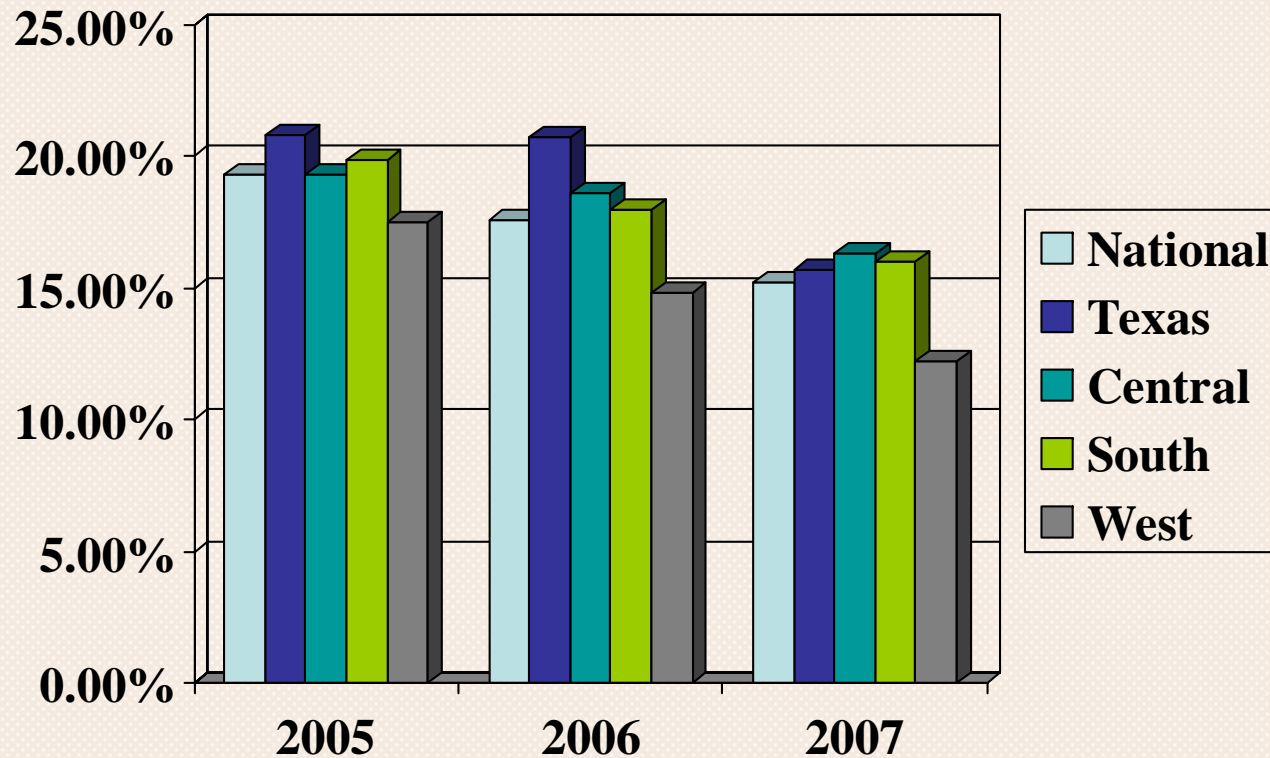
Percent of Employers Increasing Employee Co-Insurance Level





Cost Reduction Measures

Percent of Employers Increasing Employee Co-Insurance Level





Cost Reduction Measures

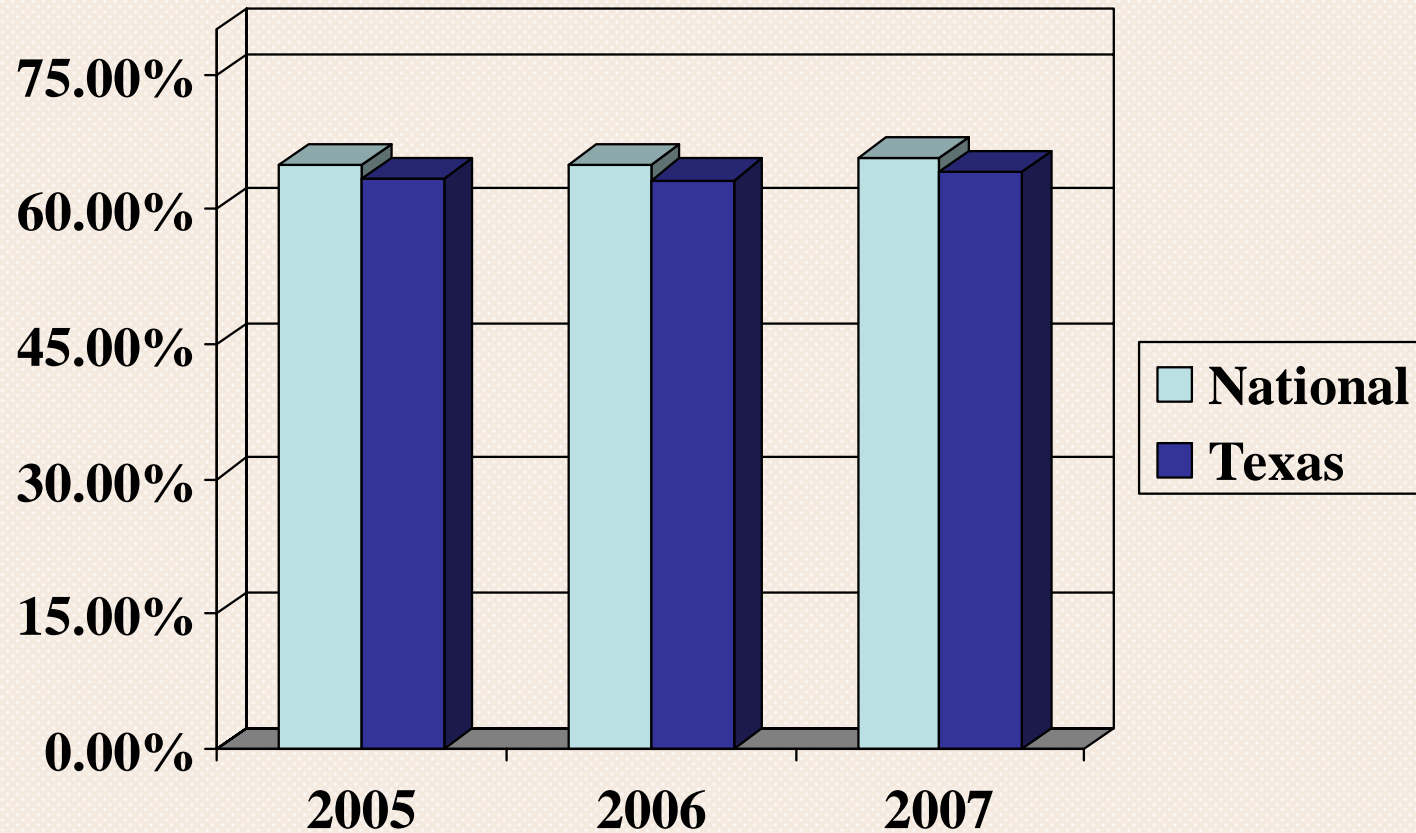
Percent of Co-Insurance , or Basic Services Paid by Employee After Deductible is Satisfied in Texas

Plan Type	0 – 5%	6 – 10%	11 – 15%	16 – 20%	21%+
Indemnity	10.4%	16.7%	0.0%	56.3%	16.7%
HMO	28.0%	20.0%	0.0%	36.0%	16.0%
PPO	10.4%	24.9%	4.5%	54.8%	5.4%
POS	10.3%	13.8%	3.4%	34.5%	37.9%



Cost Containment Methods

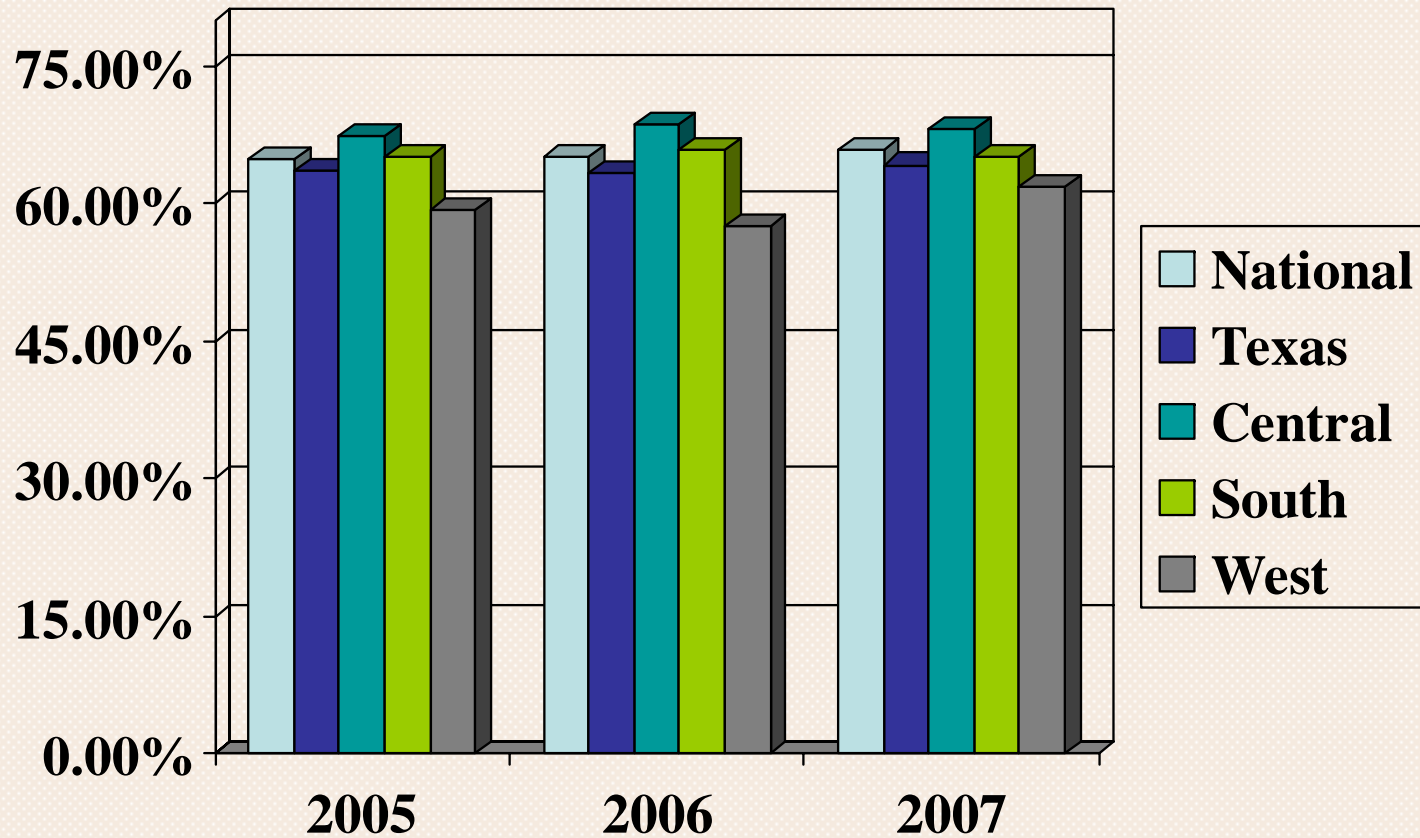
Percent of Employers Offering Wellness Programs





Cost Containment Methods

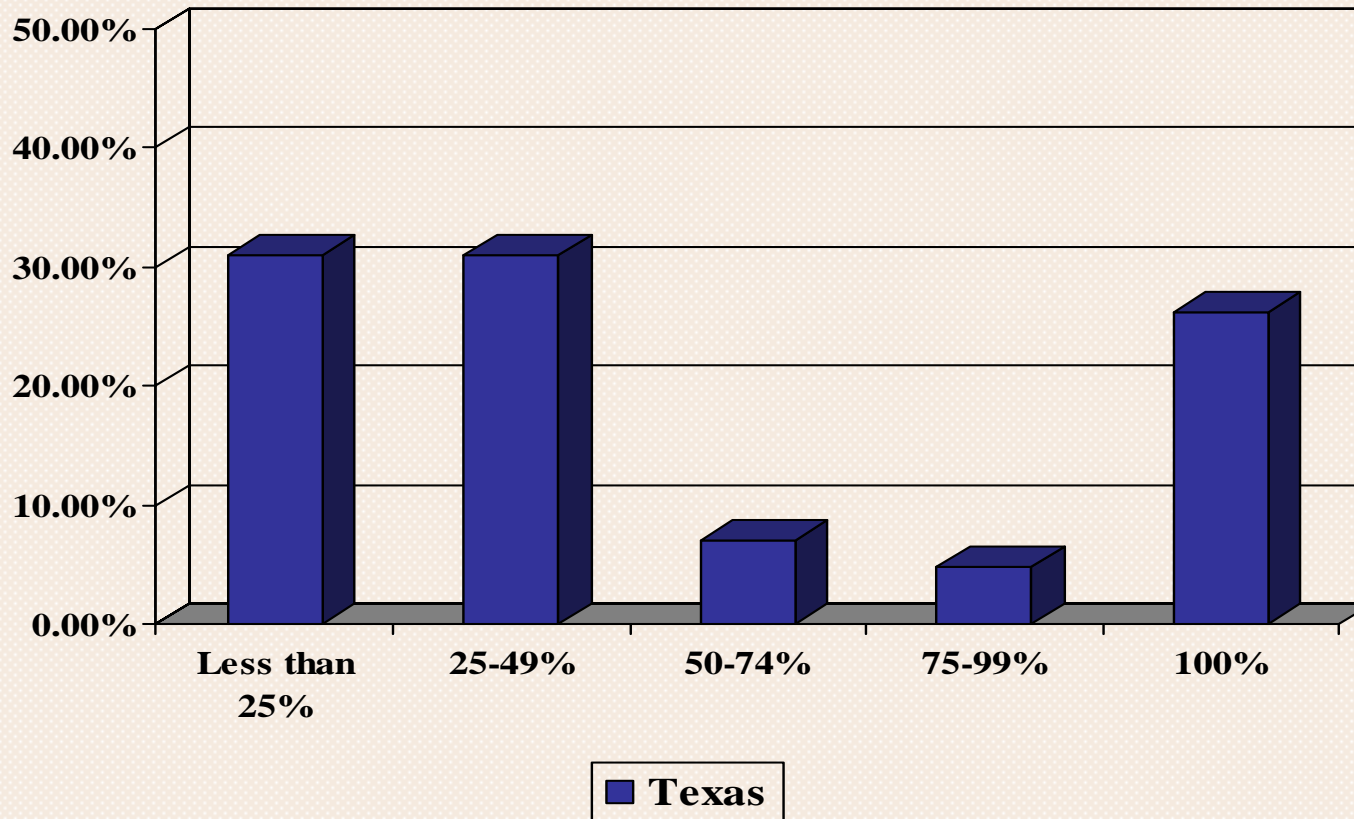
Percent of Employers Offering Wellness Programs





Retiree Health Benefits

Percentage Texas Employers Require Retirees to Pay for Health Coverage

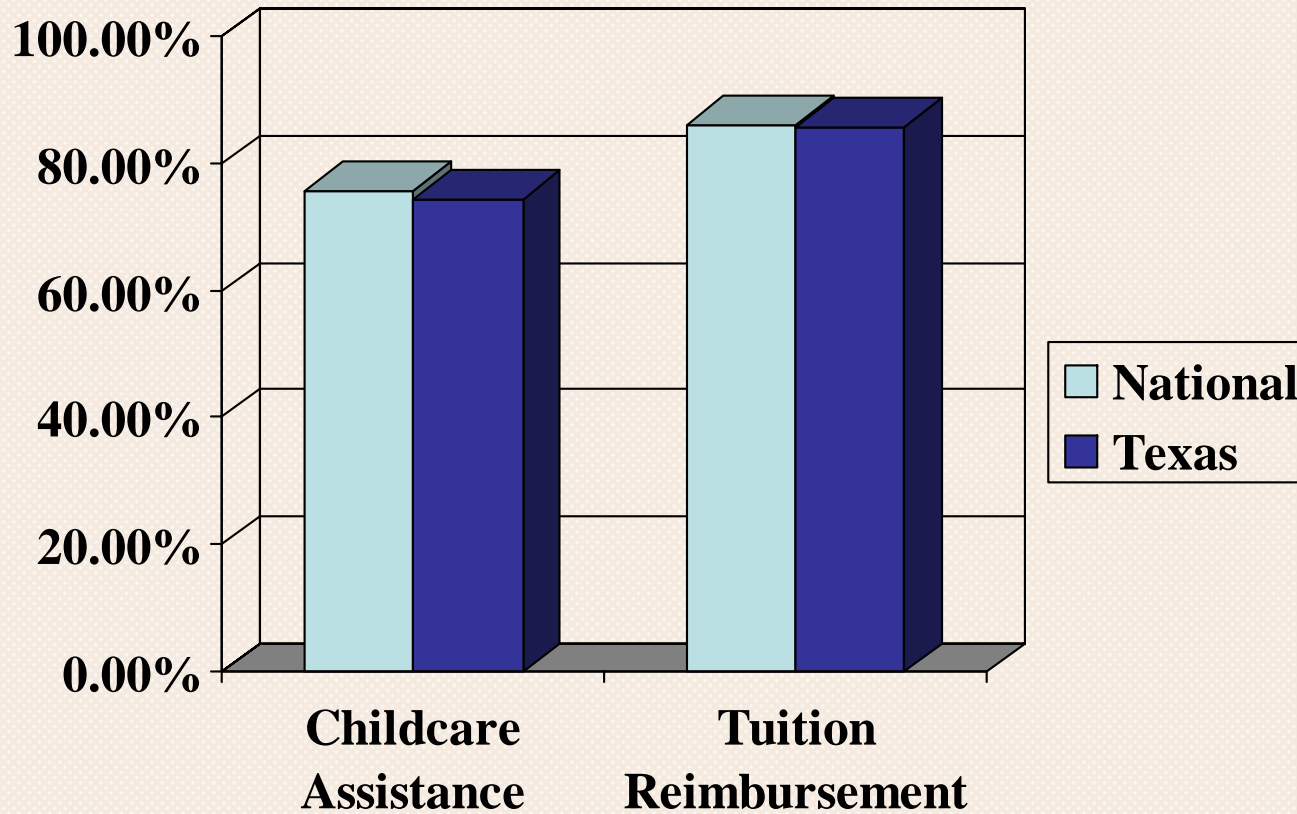


- 23.3% of Texas Employers Offer Retiree Health Benefits



Other Benefits

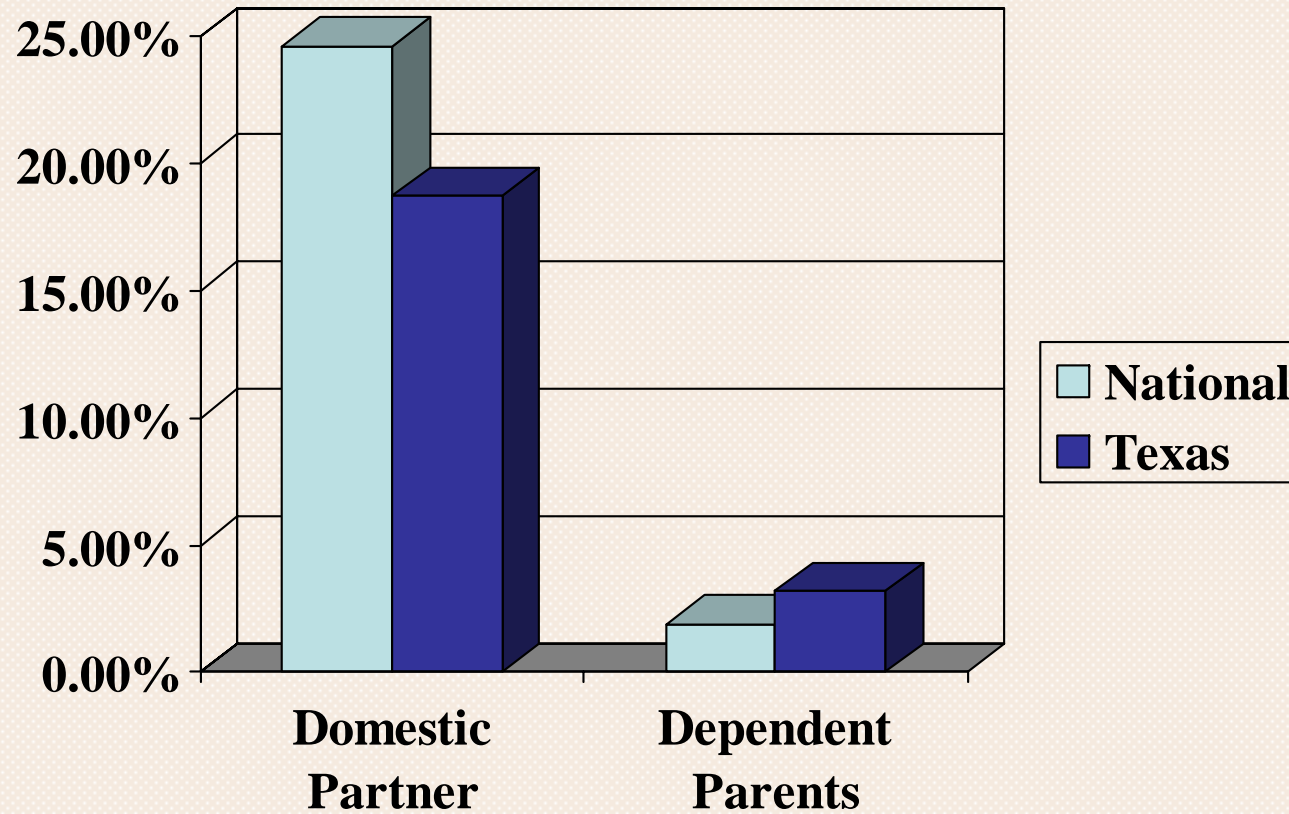
Percent of Employers Offering:





Emerging Trends

Percent of Employers Offering Health Insurance to:





Consumer Driven Health Plans

- Consumer-driven health plans cover about 5 percent of all covered workers, which is not statistically different from the 4 percent share recorded in 2006.
- Firms with at least 1,000 workers are more likely to offer such plans, with nearly one in five (18 percent) offering one.
- Looking toward 2008, few firms that don't already offer such plans report that they are very likely to add an HRA plan (3 percent) or an HSA plan (2 percent).



Emerging Trends

- A US Surgeon General's report said health care costs of obesity totaled more than \$117 billion in 2000.
- Trust for America's Health found:
 - Obesity rates have increased in 31 states and no state has seen an improvement in obesity rates.
 - In 32 states, 60% of the population is overweight or obese.



Emerging Trends

- Obesity represents 2.5% of male and 3% of female total medical costs.
- Male costs equal \$4.59 per member per month (PMPM); female costs equal \$6.98 PMPM
- Costs of obesity vary by industry:
 - Most Costly
 - Business: male \$4.23, female \$6.94
 - Civic/utility: male \$4.46; female \$5.55
 - Least Costly
 - Finance/consulting: male \$2.19; female \$3.68
- Differences could be driven by access to care, richness of benefit design, job activity levels, corporate culture and access to healthy options.



Case Study: One Midwest Employer

- Employees will be charged more for health insurance for each of the following five categories:
 - Tobacco use
 - Obesity – BMI over 29.9
 - Blood pressure over 140/90
 - Blood glucose over 120
 - LDL cholesterol over 130
- Permitted under federal government rules issued in 12/06 to ensure wellness programs complied with non-discrimination provisions of the Health Insurance Portability and Accountability Act of 1996
- Employees who do not meet requirements will be charged \$5 per paycheck, up to a maximum fee of \$25 per paycheck.



Discussion

- Questions to consider:
 - Can we lump all health risks together and charge everybody the same risk penalty?
 - Is a smoker a higher risk than an obese employee?
 - Do we discriminate against women because they're prone to osteoporosis?
 - Do we look at family history and say every male in your family has had a heart attack?



Wellness Programs

- A workplace survey by *Wellness Program Management Advisor* and *Wellness Junction* found almost 70% of wellness managers encourage employee participation in programs through incentives or rewards.
 - Up from 54.7% in 2003
- The study also found 67.8% used cash-based incentives or rewards in 2006 versus 63.9% in 2003.
- Incentives should be tied to meeting specific goals.

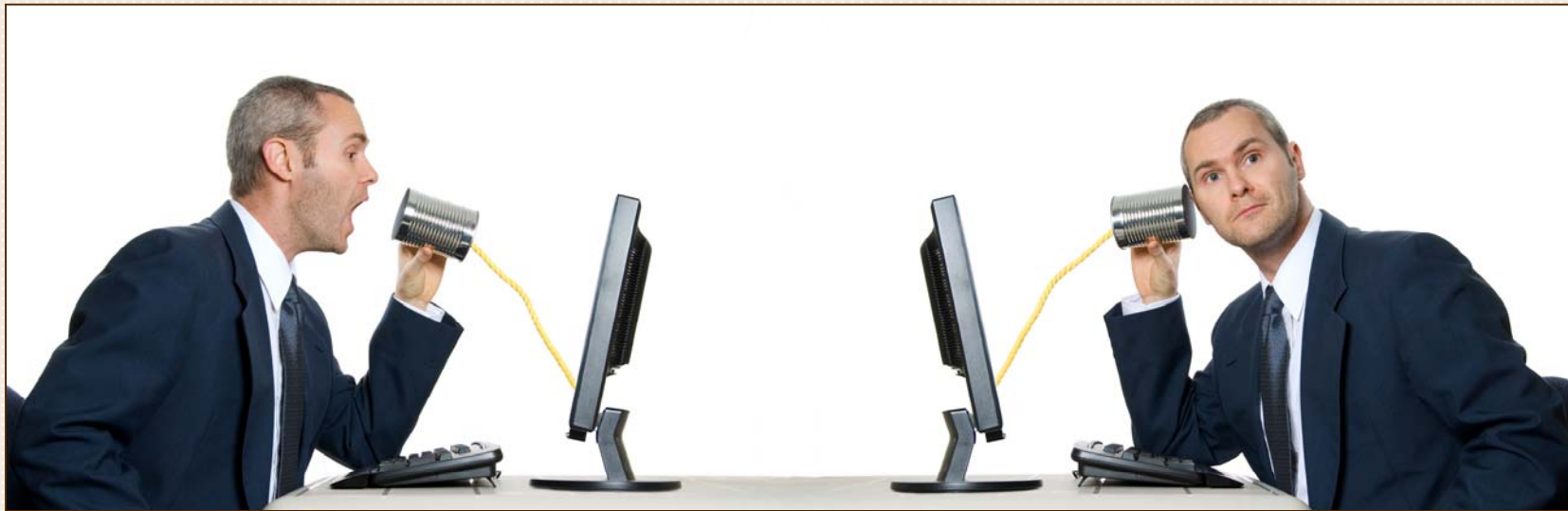


Other Emerging Trends

- Cafeteria Menus
 - Healthy snacks and cafeteria menus
 - Key is to offer choice and educational component to changes
 - Healthy food less expensive than non-healthy items
- Health Risk Assessments
- On-Site Wellness Clinics



Communication



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Communication is Key

- Most organizations are utilizing some kind of cost containment or reduction method.
- The success of any new program is dependent on how well it is communicated to your employees.



Thank You

All data featured in this presentation is from *Compensation Data – Texas*, unless otherwise cited.