

Off to the Races: Health Insurance Trends in Kentucky

Presented by Theresa Worman & Amy Kaminski
of Compdata Surveys

Join us at 9:45 a.m. or 11:15 a.m. in the French Room.

The Race Is On

20.9%

of Kentucky employers not
recruiting in 2003



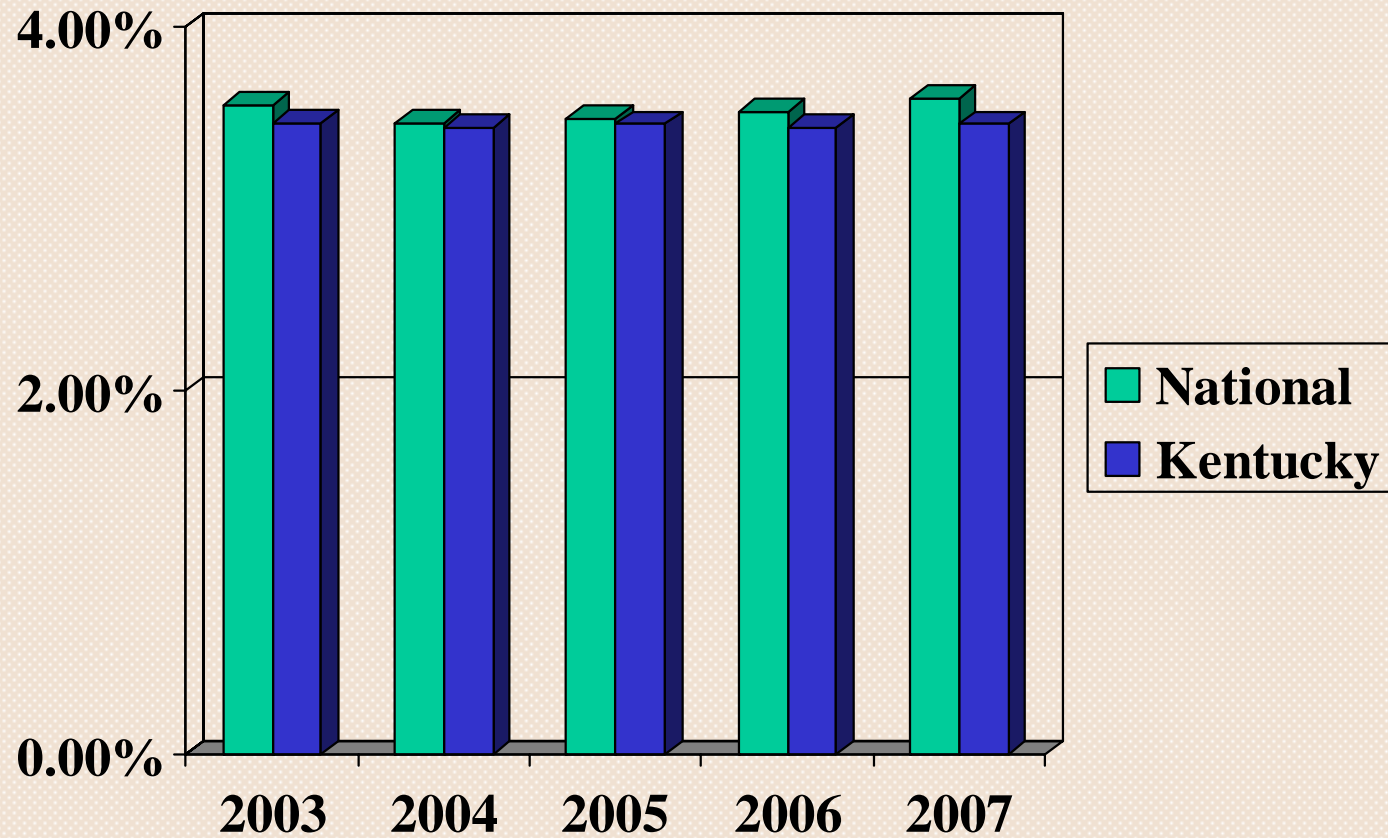
3.7%

of Kentucky employers not
recruiting in 2007



The Race Is On

Pay Increase Budgets



The Rules Are Changing

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



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 Kentucky

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

Good News/Bad News

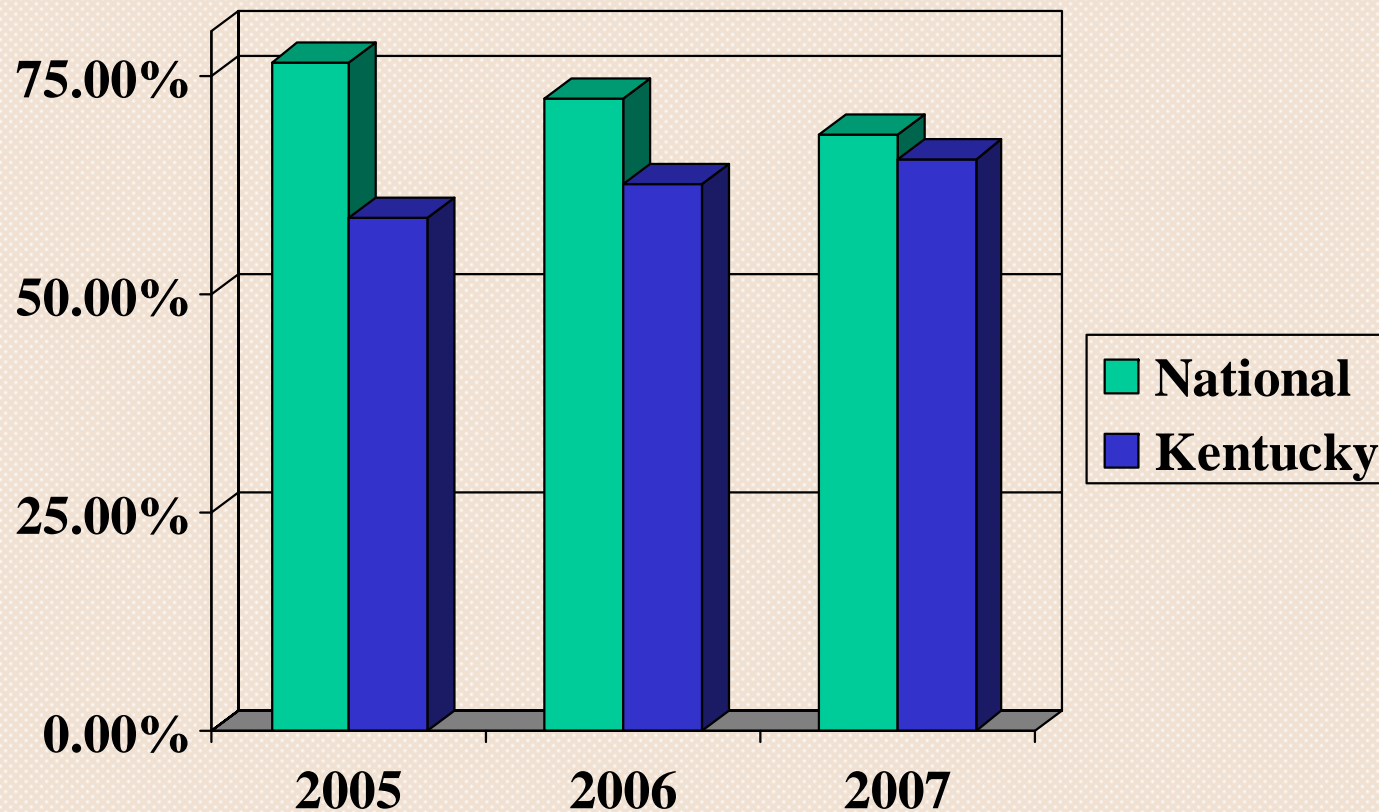


Good News/Bad News

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

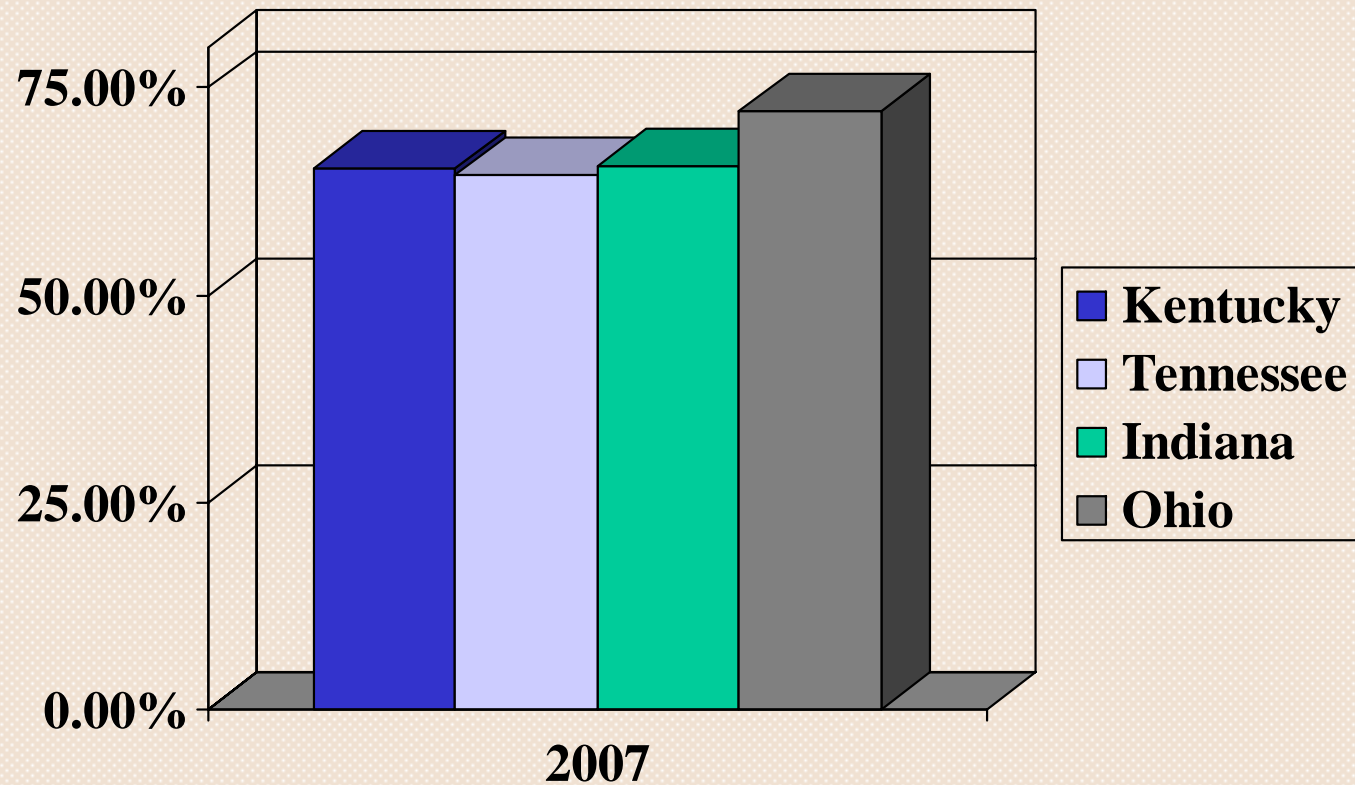
Good News/Bad News

Percent of Employers with Increase in Healthcare Premium



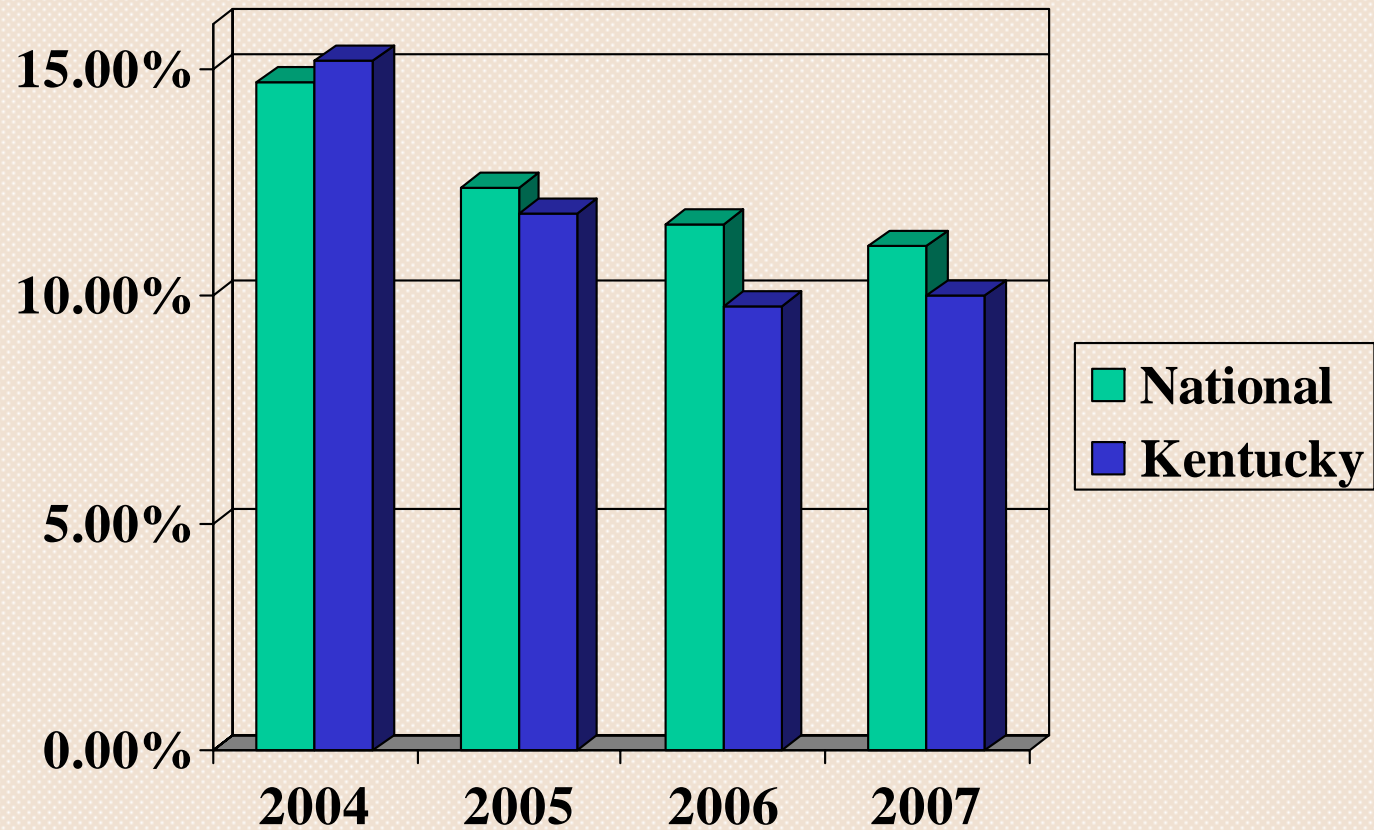
Good News/Bad News

Percent of Employers with Increase in Healthcare Premium



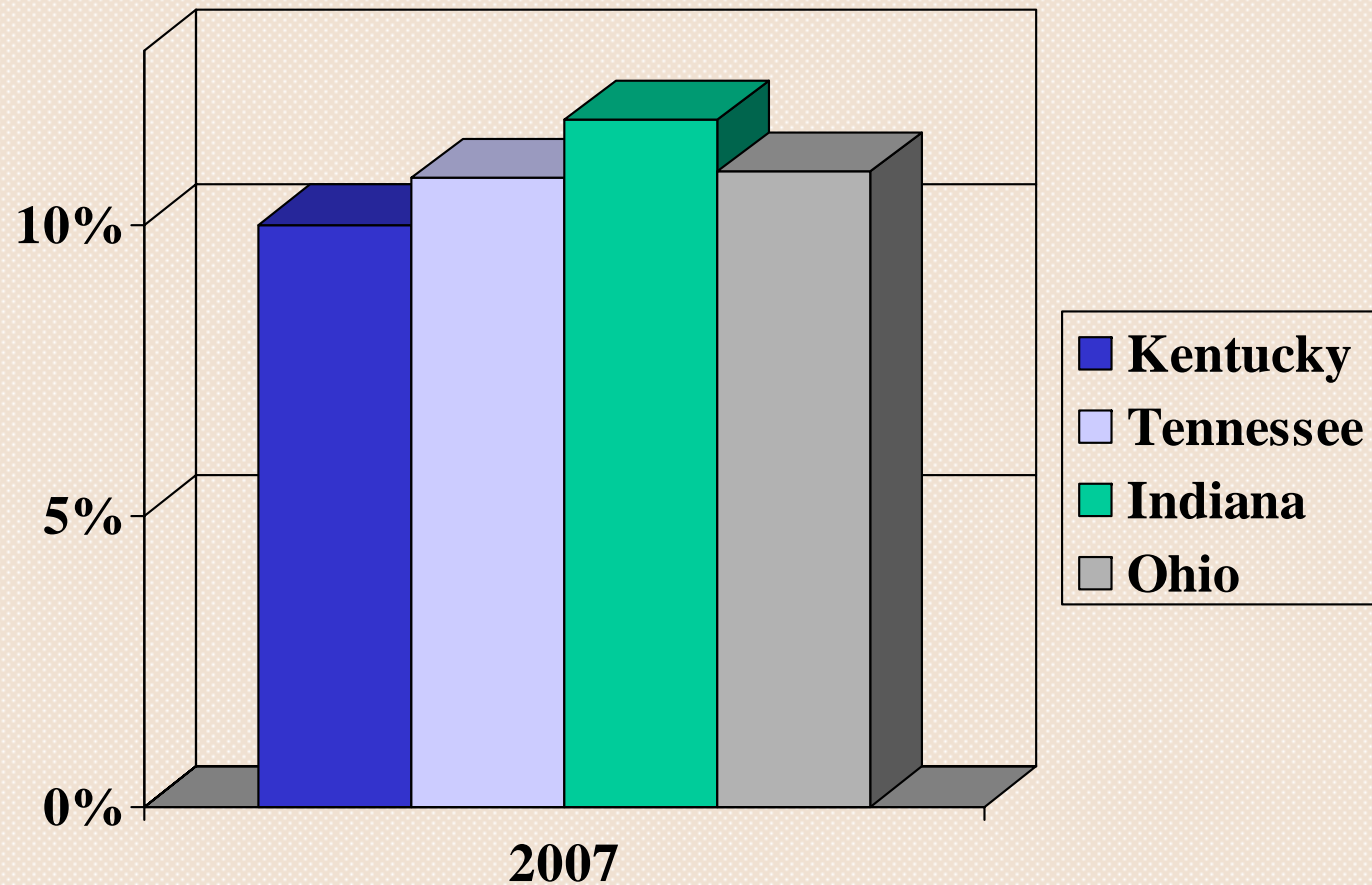
Good News/Bad News

Average Premium Increase



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

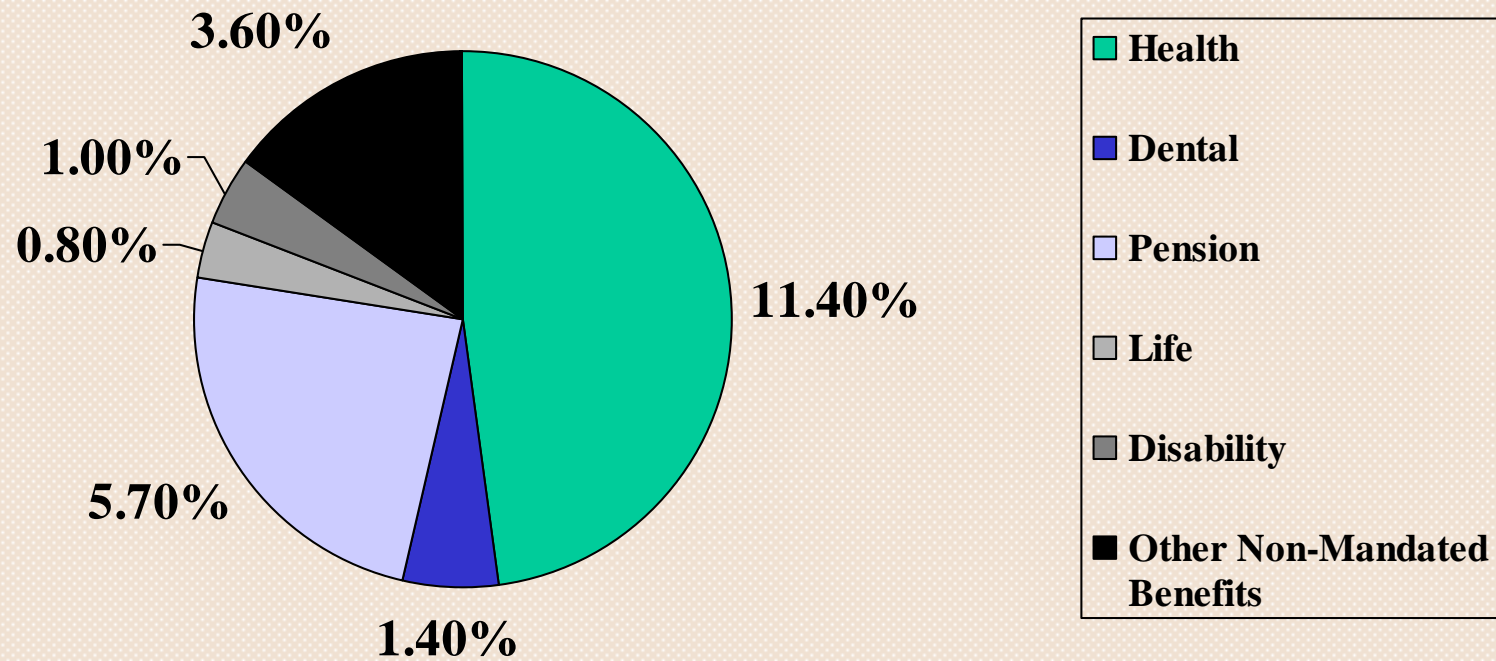
Prescription Coverage – Kentucky

2007 Kentucky Prescriptions	Generic	Formulary	Non-Formulary
Indemnity	\$10.12	\$25.48	\$41.96
HMO	\$9.25	\$24.00	\$41.25
PPO	\$10.65	\$25.04	\$41.28
POS	\$9.31	\$23.75	\$42.50

Good News/Bad News

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

Total: 23.9%

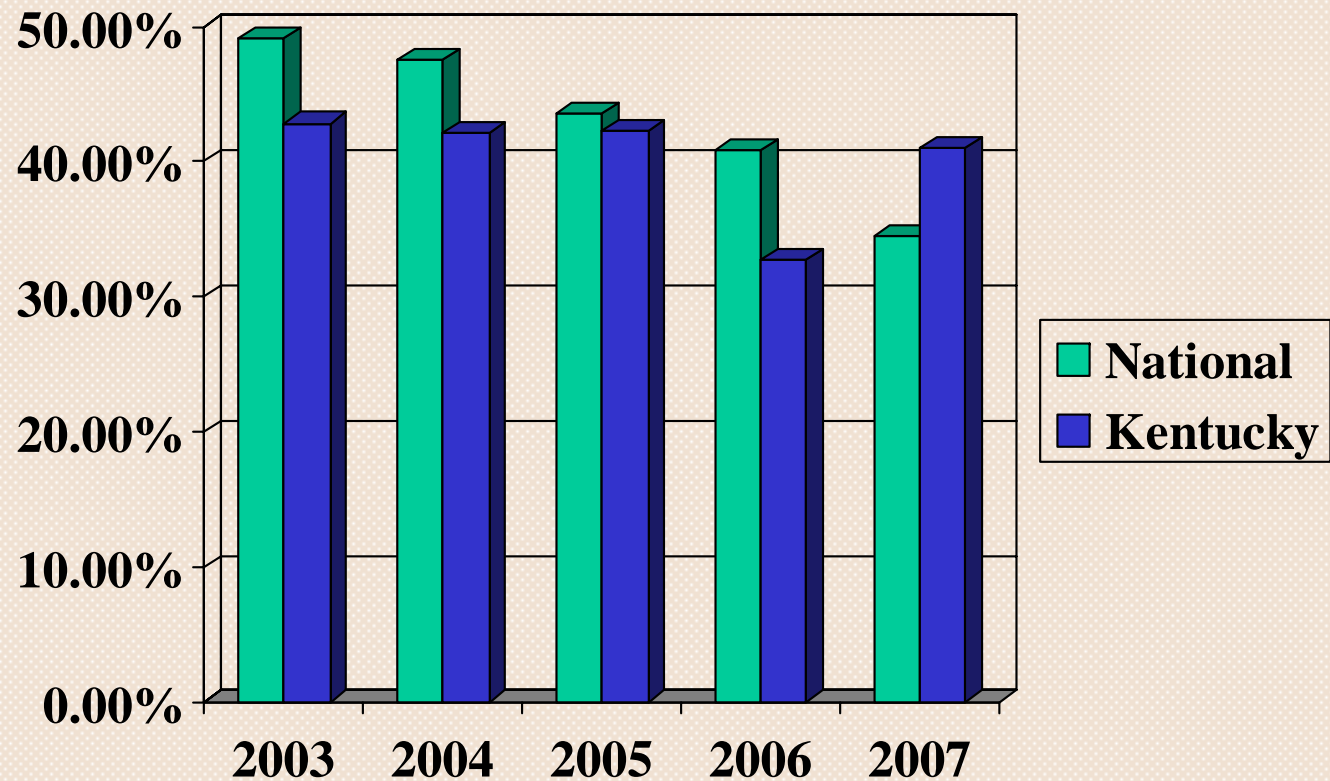


Cost Containment & Reduction Methods



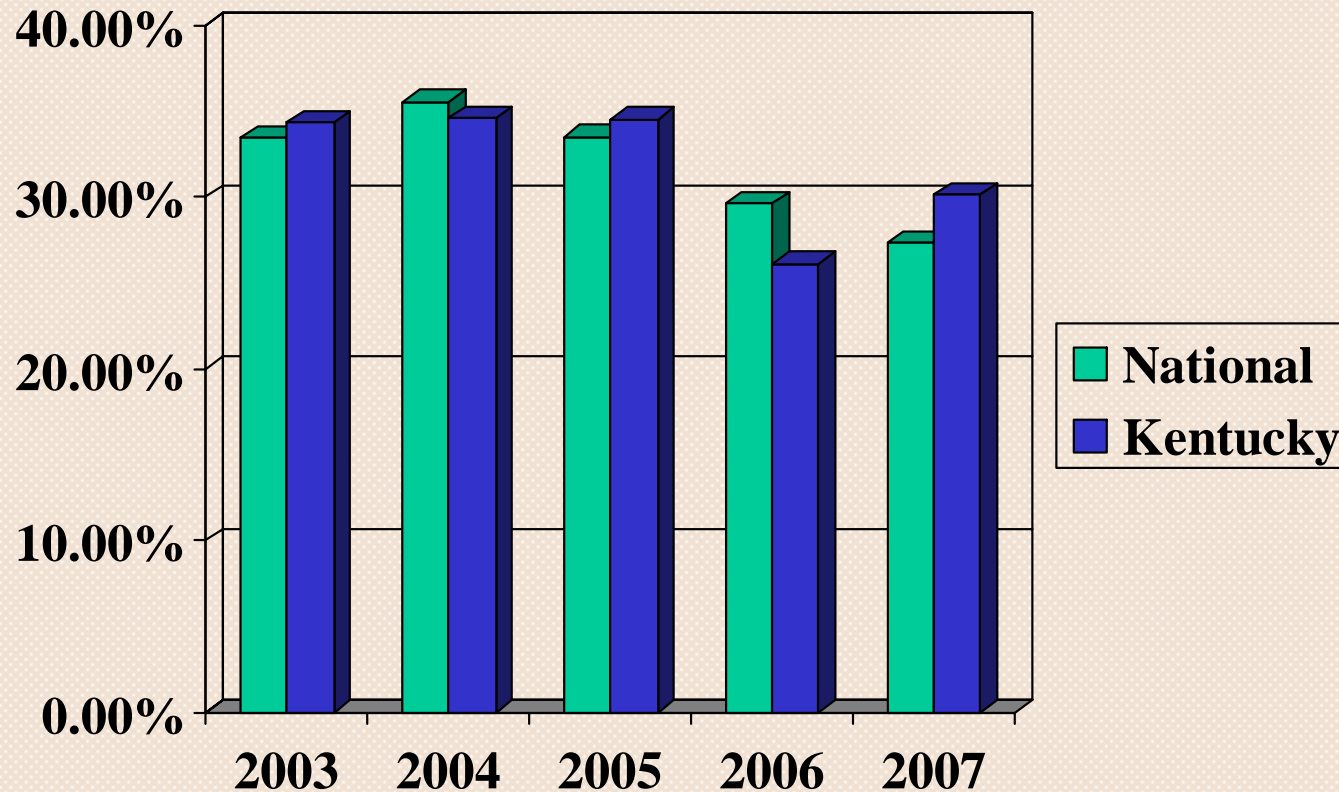
Cost Reduction Measures

Percent of Employers Increasing Employee Contributions



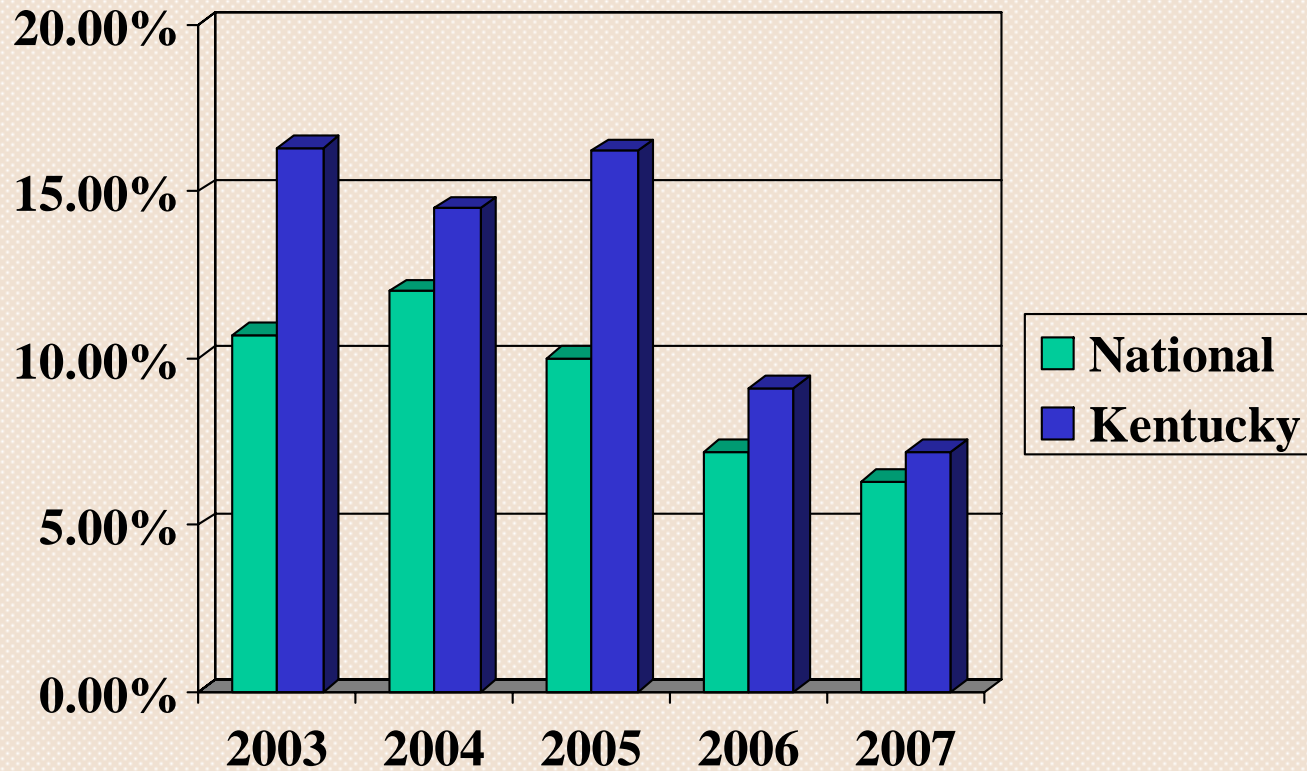
Cost Reduction Measures

Percent of Employers Increasing Deductible Levels



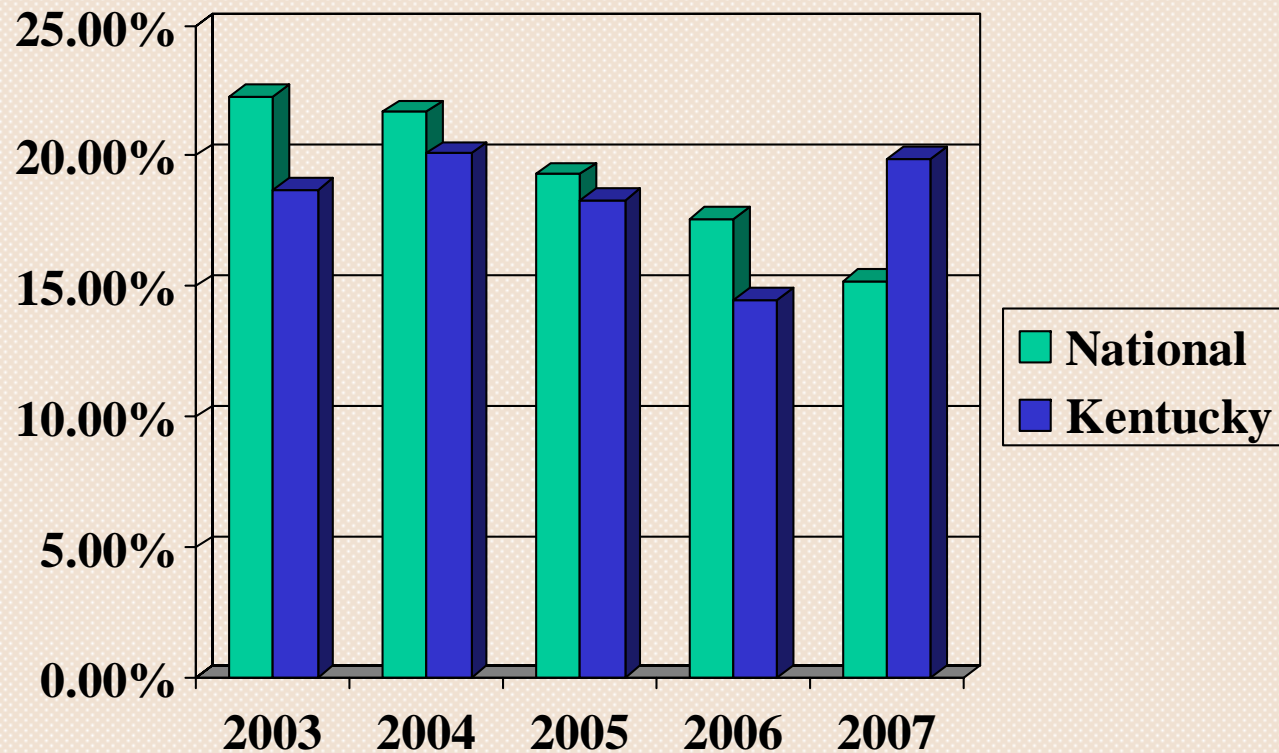
Cost Reduction Measures

Percent of Employers Reducing Benefits



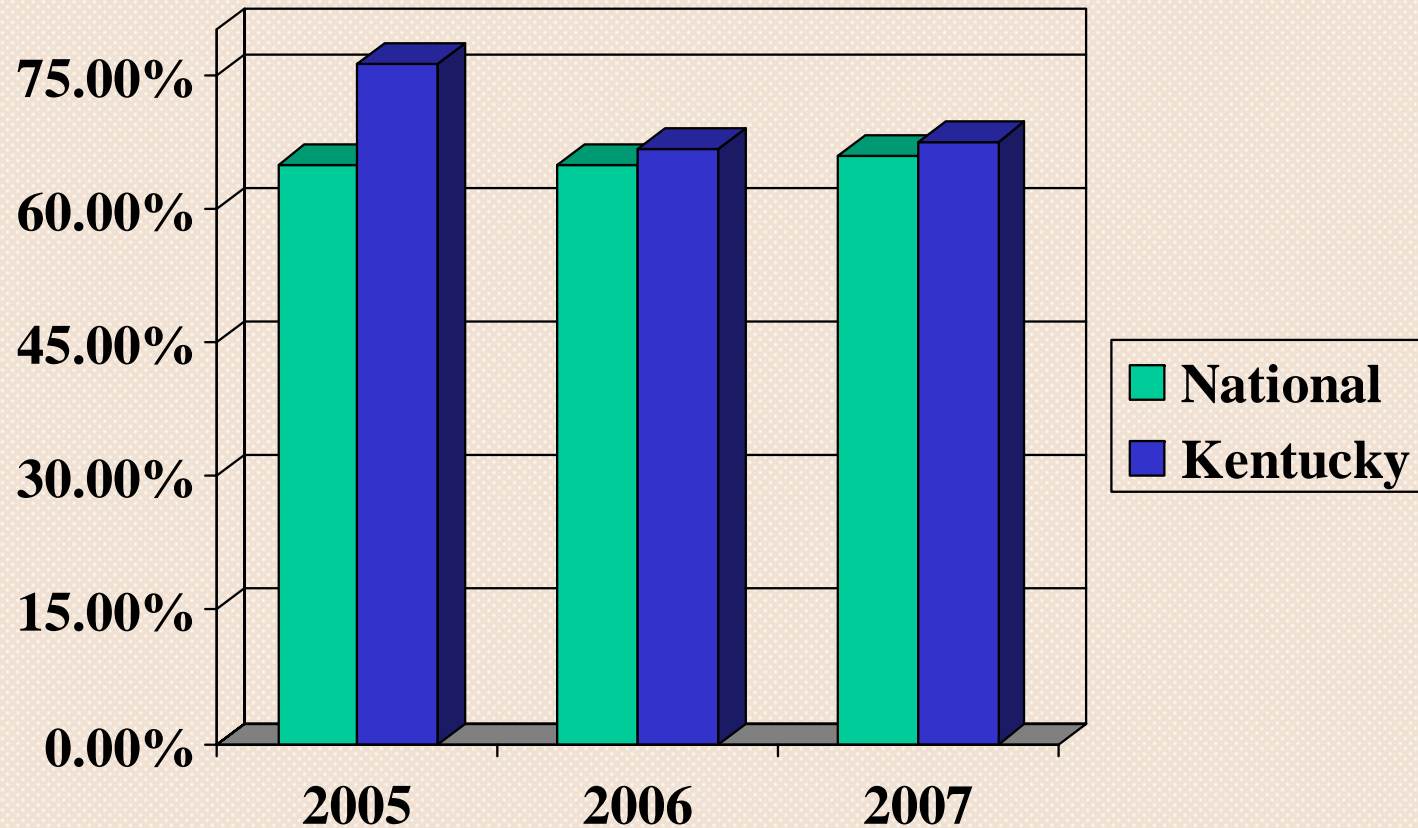
Cost Reduction Measures

Percent of Employers Increasing Employee Co-Insurance Level



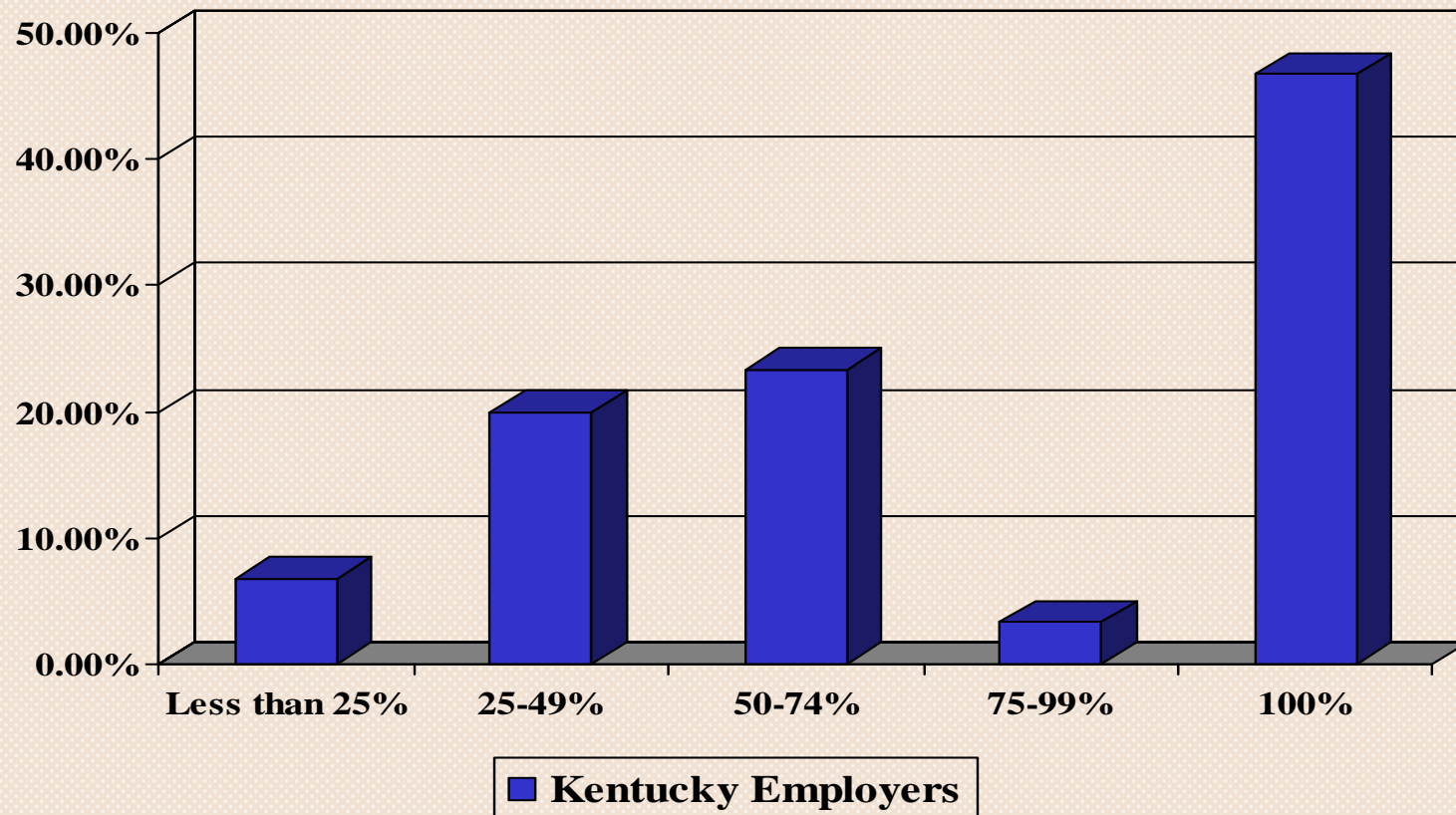
Cost Containment Methods

Percent of Employers Offering Wellness Programs



Retiree Health Benefits

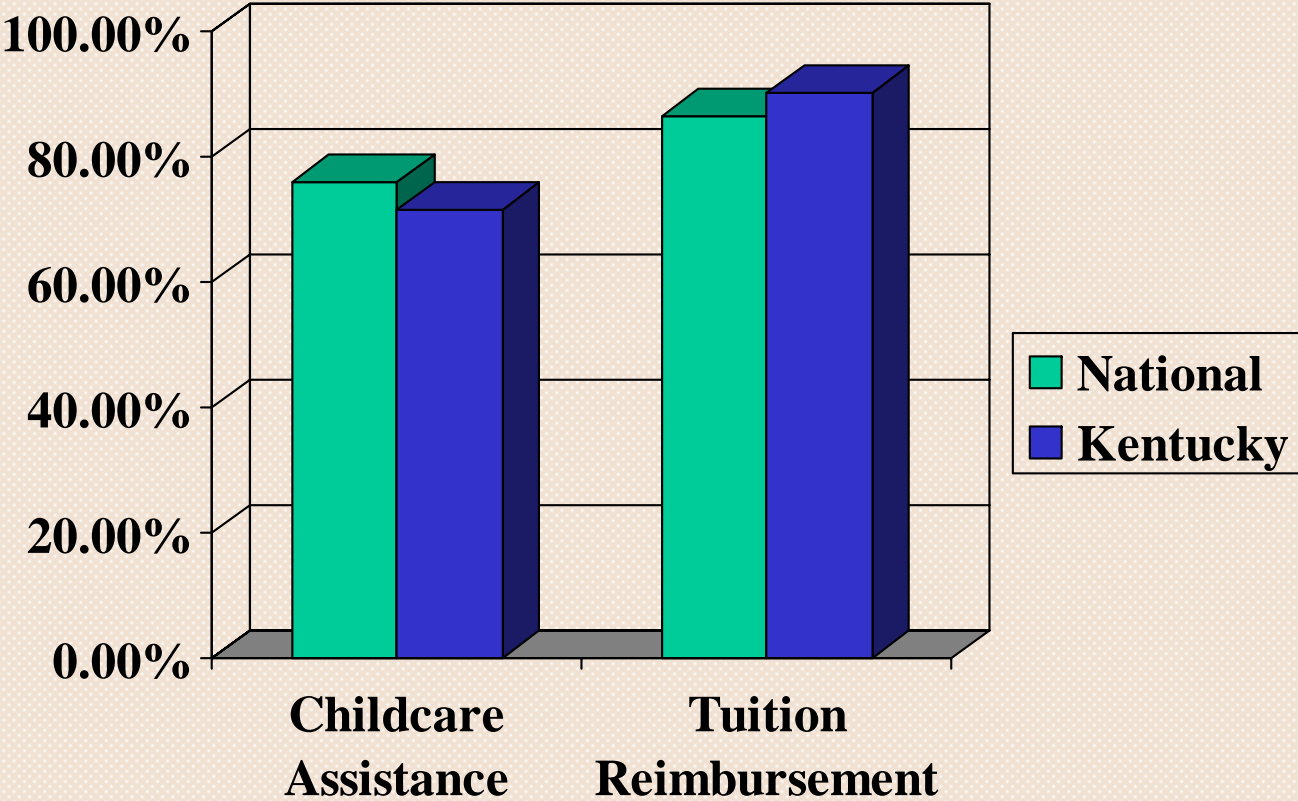
Percentage Kentucky Employers Require Retirees to Pay for Health Coverage



- 24.7% of Kentucky Employers Offer Retiree Health Benefits

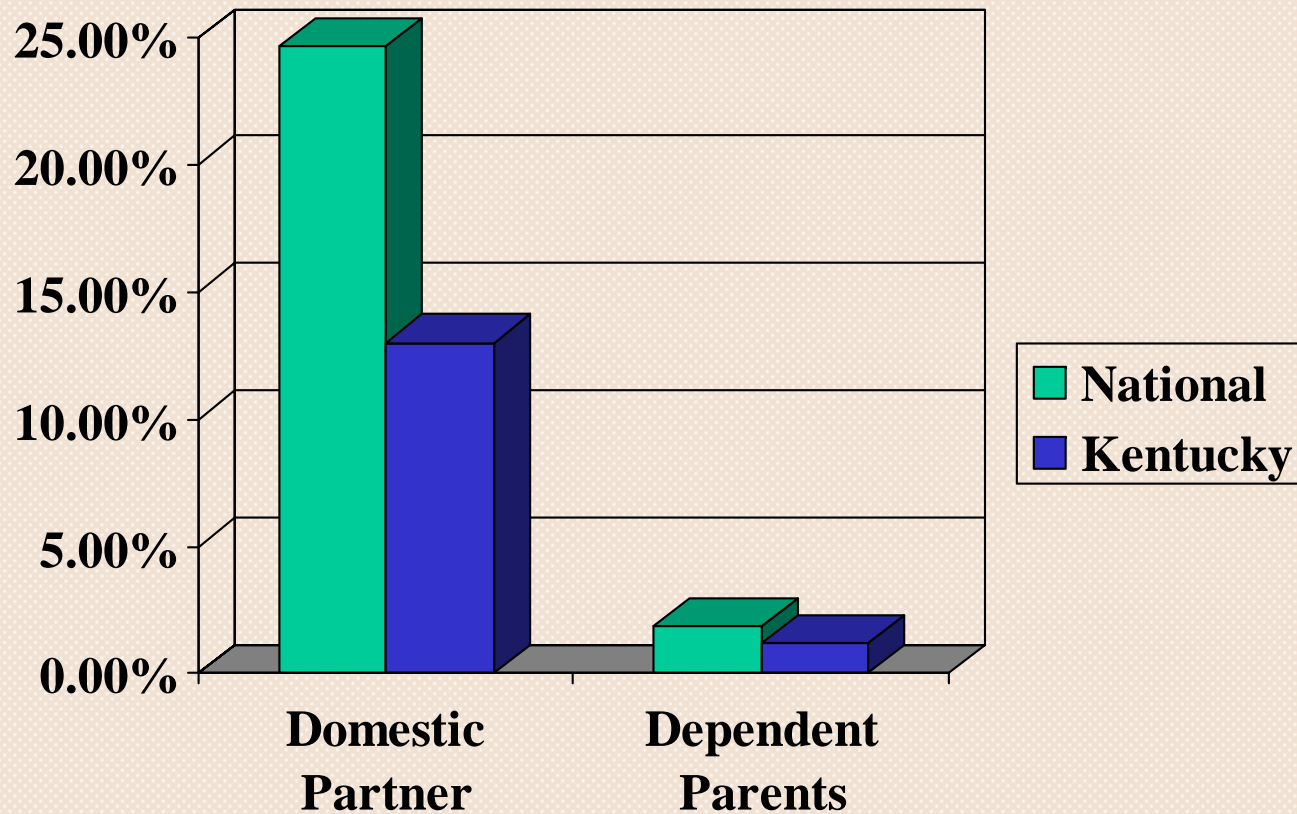
Other Benefits

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?

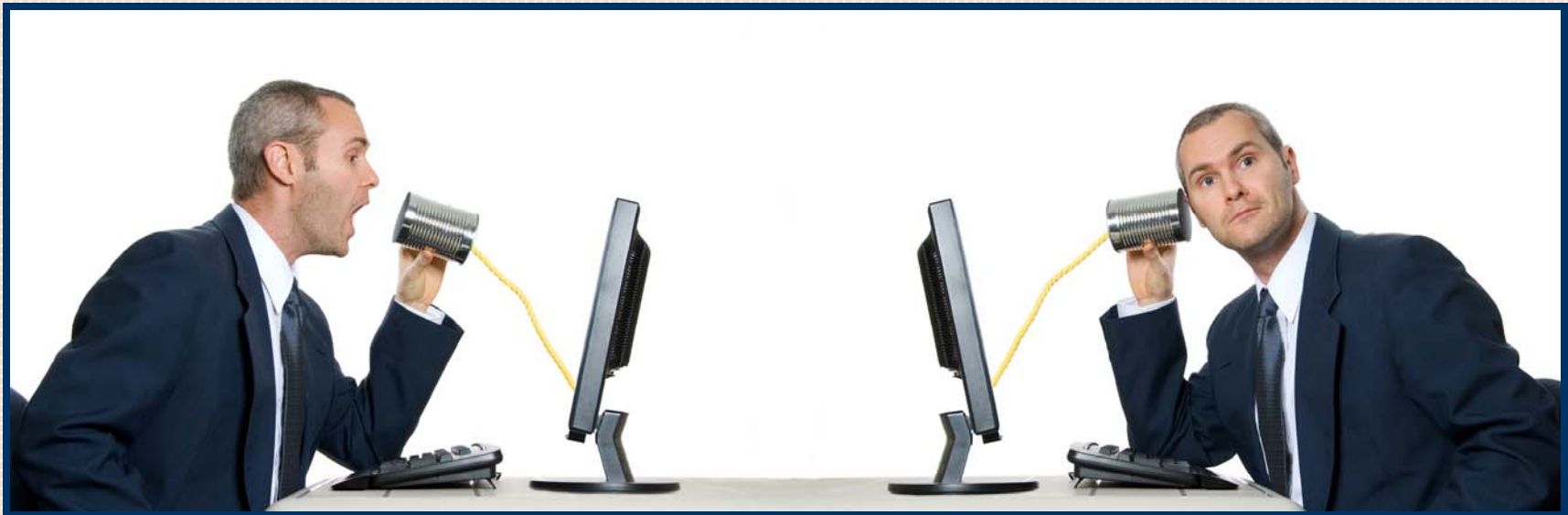
Wellness Programs

- 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



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 – Kentucky/Tennessee*, unless otherwise cited.