Majority of Large Employers Revamping Health Benefit Programs for 2012, National Business Group on Health Survey Finds

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For Immediate Release

Employers Projecting Costs to Increase 7.2% Next Year; Nearly Two-Thirds Expect to Increase Employee Share of Premiums

WASHINGTON, DC, August 18, 2011 -- With the cost of employee health care benefits expected to increase next year at more than twice the rate of inflation, large U.S. employers are planning to have workers share more of the cost next year, according to a new survey by the National Business Group on Health, a non-profit association of 329, mostly large employers. The survey also found that more employers are adopting consumer-directed health plans and making other changes to their benefit programs as various components of the health care reform law take effect.

According to the survey, employers estimate their health care benefit costs will increase an average of 7.2% in 2012. That is slightly lower than this year's 7.4% average increase, but it is on a higher base and it still sharply outpaces the economy's anemic growth and business conditions. To help control those increases and begin driving down costs to avoid the Cadillac tax, employers are planning to use a wider variety of cost-sharing strategies. More than half of respondents (53%) plan to increase the percentage that employees contribute to the premiums, while 39% plan to increase in-network deductibles. Additionally, about one in four employers plans to increase out-of-network deductibles (23%) and out-of-pocket maximums (22%) next year. The survey, based on responses from 83 of the nation's largest corporations, was conducted in June 2011.

"Employers are facing a multitude of challenges posed by rising health care costs, the weak economy and the financial and administrative impact of complying with the new health reform law," said Helen Darling, President and CEO of the National Business Group on Health. "As a result, employers are being much more aggressive in their use of cost-sharing techniques and cost control programs, and are making certain that employees have more reasons to be cost-sensitive health care consumers."

Indeed, according to the survey, nearly three in four employers (73%) will offer employees at least one consumer-directed health plan (CDHP) in 2012, a sharp increase from 61% that offer a plan this year. In addition, about two in ten employers (17%) will have or move to a total replacement consumer-directed health plan in 2012. The most common type of CDHP plan is a high-deductible health plan with a health savings account (75%).

The survey also found that more than half (57%) provide employees' spouses and domestic partners access to telephonic or online weight management coaches while 54% provide access to online weight management tools. Approximately one-third of employees also make these programs available to employees' children.

Changes as a Result of Health Care Reform

Respondents were asked what changes they made or are planning to make as regulations from the Patient Protection and Affordable Care Act continue to come into effect. The survey found the following:

-- Annual Benefit Limits: The majority of employers (59%) are not making any changes for 2012, (full restrictions on benefit limits will be banned in2014). However, more than one-fourth (27%) are making changes to annual limits for preventive and wellness services. Another 14% are making changes to annual limits for mental health and substance abuse services.

-- Grandfather Status: Nearly one fourth (23%) will have at least one benefit option that keeps its grandfather status in 2012 while 19% will drop its grandfather status. About one half (49%) did not have any benefit option in grandfather status this year.

-- Default Plan for New Hires: More than one fourth (27%) plan to use their least costly health plan for employees as their default plan for new full-time hires as required. Slightly fewer (19%) plan to use the least costly plan for employers as the default plan.

"Employers understand that affordability is tied to employees' premium costs and household incomes so they have two strong arguments for aggressively driving down costs -- both theirs and employees. That said, the federal government has to start helping reduce costs too. Like the national debt crisis that we are struggling to solve, we have to solve the health care cost crisis, which is seriously undermining our economy, businesses' abilities to create jobs, working families, our global competitiveness and our standard of living. This is our other national crisis, and they are so intertwined that if we don't reduce costs and medical trend, we will continue to barrel toward insolvency," said Darling.

About the National Business Group on Health
The National Business Group on Health is the nation's only non-profit organization devoted exclusively to representing large employers' perspective on national health policy issues and providing practical solutions to its members' most important health care problems. The Business Group helps drive today's health agenda while promoting ideas for controlling health care costs, improving patient safety and quality of care and sharing best practices in health benefits

management with senior benefits, HR professionals, and medical directors from leading corporations. Business Group members, which include 66 Fortune 100 companies, provide health coverage for more than 55 million U.S. workers, retirees and their families. For more information, visit www.businessgrouphealth.org.

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