



2011 EMPLOYER HEALTH BENEFITS FINDINGS

PUBLISHED BY MORRIS & REYNOLDS INSURANCE

2011 EDITION

HEALTH COSTS & PREMIUMS IN 2011

March 23, 2011 marked the one-year anniversary of the passing of Health Care Reform. Over the past year, health care costs and rising premiums continue to be a major concern in the insurance industry.

Morris & Reynolds Insurance is pleased to provide you with our 2011 Employer Health Benefits Findings. We strive to keep you informed on matters relating to the insurance market, your coverage, and costs that impact your bottom-line.

Annual survey findings illustrates rising health premiums and costs among employers and employees alike:

Small employers will be affected more than large employers; companies with fewer than 500 employees expect that the Patient Protection and Affordable Care Act (PPACA) requirements will push their annual rate of increase up to 11.7% before the impact of claims.

Medium-size businesses will see their rates increase up to 9.1%, while large business with more than 5,000 employees project that health care reform will add 2.2% to their 9.7% projected cost increase next year.

The PPACA provisions costing employers the most is extending coverage to employees' adult children up to age twenty-six and the elimination of lifetime limits on benefits.

47% percent of employers in the United States expect one or more of their health care plans to lose grandfathered status in 2011 because of design and other changes they will make to help avoid double-digit cost increases.

Without altering the design or other aspects, employers said they expect plan costs to increase an average of 10.1% (before the cost impact made by claims) next year, according to an analysis completed by researcher Mercer, LLC.

Employers are making plan changes, such as raising deductibles and coinsurance, to hold cost increases to an average of 5.9%, which is in line with annual cost hikes during the past few years. To reduce cost increases, many plans will have to make design changes resulting in loss of grandfathered status. For example, if an employer raised coinsurance requirements or boosted the employee's share of the premium by more than five percentage points, grandfathered status would be revoked.

32% percent of employers expect to lose grandfathered status for all of their health care plans, while 15% expect to lose it for at least one plan.

Our TEAM of *award-winning* professionals at Morris & Reynolds Insurance is available to answer any questions you may have regarding health care or insurance. We are more than happy to assist you in any way we can.

For copies of our Health Care Reform newsletters, please call **305.238.1000**.

HEALTH COST SHIFTS TO WORKERS

Many employers, Kaiser included, are asking employees to take on a greater share of their health care expenses so that firms can continue to offer coverage and avoid layoffs.

"I think it is a recession survival tactic," Drew Altman, President and CEO of the Washington-based Henry J. Kaiser Family Foundation, said.

"The continued economic downturn is leading to more burden for employees in terms of what they have to pay for their health insurance," said Gary Claxton, VP and Director of Kaiser's Health Care Marketplace Project.

While employee contributions to the cost of coverage grew significantly, the scope of that coverage was depleted. Kaiser's study shows rising health premiums and costs among employers and employees alike.

The percentage of employees enrolled in plans with deductibles of \$1,000 or more grew to 27% this year from 22% last year, while the percentage with deductibles of \$2,000 or more for single coverage grew to 10% this year from 7% last year.

"Insurance in this country is gradually changing, becoming less comprehensive, so that what workers get today is less comprehensive than what their parents got," Altman said.

When asked if they reviewed performance indicators on health plans' clinical and service qualities, **34% of employers with 200 or more employees said they had, but only 5% of small employers did.**

Many industry experts, like Helen Darling of the National Business Group on health, find Kaiser's 2010 survey results very troubling.

"These data illustrate a trend that has been coming and will only get worse. Employers' costs are still rising and most of them still pay for 75% to 80% of employees' health benefits and way more than half of their dependents' costs as well," said Darling.

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Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.



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HEALTH COST SHIFT & AVERAGE PREMIUM CONTRIBUTIONS

Paul Ginsburg, President of the Center for Studying Health System Change in Washington commented:

"The strong shift in premium contributions reflects increasing desperation on the part of employers to address rising health insurance premiums. Despite a relatively small premium increase, the trend of health care becoming less affordable continues."

Andrew Webber, President & CEO of the National Business Coalition on Health in Washington, said the study shows continuation of...

"a trend that started well before the current recession. The more central issue for employers is not whether increasing cost-sharing for employees continues, but how to do this in a thoughtful way through value-based insurance design strategies."

AVERAGE PREMIUM CONTRIBUTIONS

- Average annual premiums for employer-sponsored health insurance grew just 3% this year for family coverage, according to Kaiser Family Foundation/Health Research & Educational Trust "Employer Health Benefits" survey.
- Employee contributions for single coverage grew 15% compared with the 5% increase in annual employer premiums.
- As a result, employees paid an average of \$3,997 toward the \$13,770 cost of family coverage and \$899 toward the \$5,059 cost of single coverage this year.

- By comparison, employees last year paid an average \$3,515 toward the \$13,275 cost of family coverage and \$779 toward the \$4,824 cost of single coverage.
- Since 1999, the share of health care premiums paid by employees has increased 159%, while the cost of employer-sponsored health care benefits has grown 138%, according to the study.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

2010 EMPLOYER PLAN PARTICIPATION & FINDINGS



- In 2010, covered workers on average contribute 19% of the premium for single coverage, a significant increase from 17% in 2009, and 30% of the premium for family coverage, up from 27% in 2009.
- The average monthly worker contributions increased for both single and family coverage in 2010.
- On average, workers with single coverage contribute \$75 per month and workers

with family coverage contribute \$333 per month; the amounts are higher than the \$65 and \$293 reported in 2009

- Workers enrolled in HDHP/SOs contribute a lower amount annually than the overall average worker contribution for single coverage (\$632 compared to \$899), while workers in HMO plans with single coverage contribute a higher amount annually (\$1,028). Workers enrolled in POS plans contribute a larger amount annually (\$5,195) than the overall average worker contribution for family coverage (\$3,997)
- The percentage of firms offering health care coverage grew to 69%. The increase was the greatest among firms with three to nine workers, growing to 59% from 46% last year.
- Preferred provider organization (PPO) plans still dominate with 58% of employees enrolled in them.

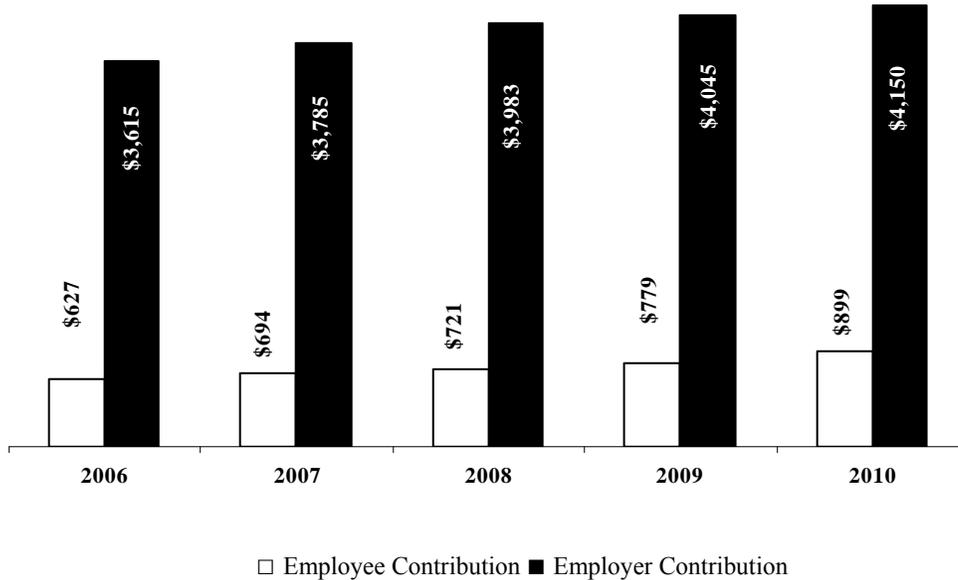
- The percentage of employees enrolled in high-deductible health plans has grown to 13%.
- Enrollment in health maintenance organizations shrunk to 19%, while point-of-service plan enrollment fell to 8% and traditional indemnity plan enrollment held at 1%.
- Thirty-four percent of employers with 1,000 or more workers offer high-deductible health plans compared with 21% of those with 200 to 999 workers and 15% of those with three to 199 workers.
- The percentage of firms with 200 or more active workers offering retiree health benefits dropped to 28% in 2010 from 30% in 2009.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.



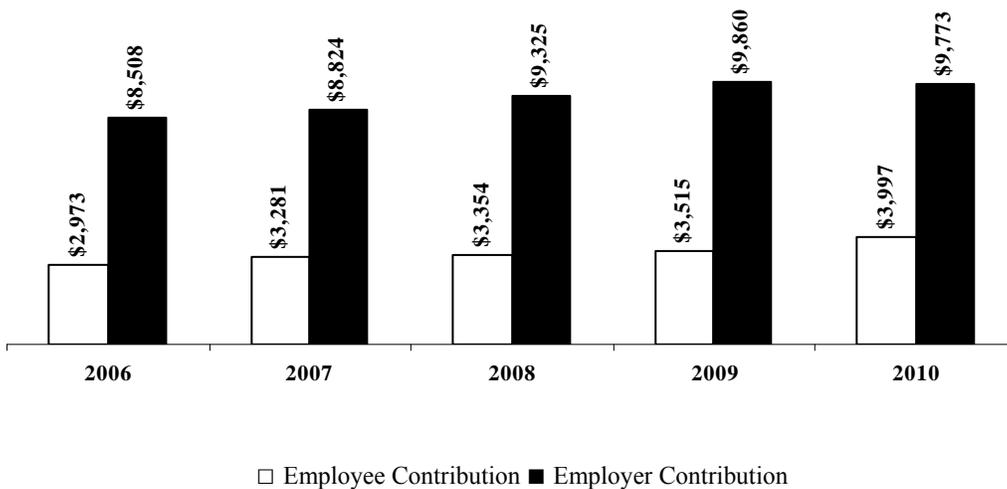
2011 EMPLOYER HEALTH BENEFITS FINDINGS

AVERAGE ANNUAL EMPLOYER & EMPLOYEE PREMIUM CONTRIBUTIONS FOR SINGLE COVERAGE 2006 - 2010



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

AVERAGE ANNUAL EMPLOYER & EMPLOYEE PREMIUM CONTRIBUTIONS FOR FAMILY COVERAGE 2006 - 2010



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.



2011 EMPLOYER HEALTH BENEFITS FINDINGS

AVERAGE MONTHLY AND ANNUAL PREMIUMS FOR SINGLE AND FAMILY COVERAGE BY PLAN TYPE (2010)

	MONTHLY	ANNUAL
HEALTH MAINTENANCE ORGANIZATION (HMO)		
SINGLE COVERAGE	\$ 428	\$ 5,130
FAMILY COVERAGE	\$ 1,177	\$ 14,125
PREFERRED PROVIDER ORGANIZATION (PPO)		
SINGLE COVERAGE	\$ 427	\$ 5,124
FAMILY COVERAGE	\$ 1,169	\$ 14,033
POINT OF SERVICE (POS)		
SINGLE COVERAGE	\$ 437	\$ 5,239
FAMILY COVERAGE	\$ 1,101	\$ 13,213
HIGH-Deductible Health Plan (HDHP/SO)		
SINGLE COVERAGE	\$ 373*	\$ 4,470*
FAMILY COVERAGE	\$ 1,032*	\$ 12,384*
ALL PLAN TYPES		
SINGLE COVERAGE	\$ 421	\$ 5,049
FAMILY COVERAGE	\$ 1,147	\$ 13,770

*Estimate is statistically different from All Plans estimate ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

PERCENTAGE OF BUSINESSES OFFERING HEALTH BENEFITS (1999-2010)

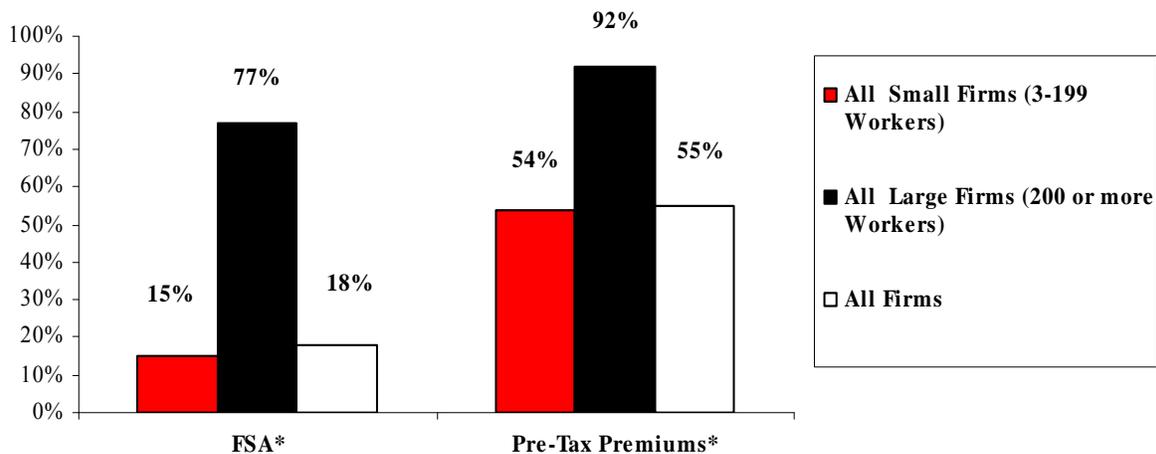
FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ALL SMALL FIRMS 3 - 199 Employees	65%	68%	68%	66%	65%	63%	59%	60%	59%	62%	59%	68%
ALL LARGE FIRMS 200 + Employees	99%	99%	99%	98%	98%	99%	98%	98%	99%	99%	98%	99%

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.



2011 EMPLOYER HEALTH BENEFITS FINDINGS

AMONG FIRMS OFFERING HEALTH BENEFITS, PERCENTAGE OF FIRMS OFFERING FLEXIBLE SPENDING ACCOUNTS AND PRE-TAX EMPLOYEE PREMIUM CONTRIBUTIONS BY FIRM SIZE (2010)



Note: Section 125 of the Internal Revenue Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pretax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in a FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in a FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs. Fifteen percent of firms responded "not applicable;" for example, the firm pays for 100 percent of the cost of coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

DISTRIBUTION OF PREMIUMS FOR SINGLE AND FAMILY COVERAGE RELATIVE TO THE AVERAGE ANNUAL SINGLE OR FAMILY PREMIUM, 2010

PREMIUM RANGE, RELATIVE TO AVERAGE PREMIUM	SINGLE COVERAGE		FAMILY COVERAGE	
	PREMIUM RANGE, DOLLAR AMOUNT	PERCENT COVERED WORKERS IN RANGE	PREMIUM RANGE, DOLLAR AMOUNT	PERCENT COVERED WORKERS IN RANGE
Less than 80%	Less than \$4,039	20%	Less than \$11,016	19%
80% to Less than 90%	\$4,039 to <\$4,544	16%	\$11,016 to <\$12,393	18%
90% to Less than Average	\$4,544 to <\$5,049	21%	\$12,393 to <\$13,770	14%
Average to Less than 110%	\$5,049 to <\$5,554	16%	\$13,770 to <\$15,147	18%
110% to Less than 120%	\$5,554 to <\$6,058	10%	\$15,147 to <\$16,524	12%
120% or More	\$6,058 or More	17%	\$16,524 or More	20%

Note: The average premium is \$5,049 for single coverage and \$13,770 for family coverage. The premium distribution is relative to the average single or family premium. For example, \$4,039 is 80% of the average single premium, \$4,544 is 90% of the average single premium, \$5,554 is 110% of the average single premium, and \$6,058 is 120% of the average single premium. The same break points relative to the average are used for the distribution for family coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.



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HEALTH CARE REFORM FACTS & UPDATES



The Patient Protection and Affordable Care Act is a landmark law is expected to affect Americans for generations. Running nearly 2,000 pages, the Congressional Budget Office (CBO) estimates that the new law will cost nearly one trillion dollars and once fully implemented (over the next four years) will provide coverage to thirty-two million additional people and ensure that 94% of Americans have coverage. The reform promises to improve the areas listed below, among others.

- Quality, Affordable Health Care for All Americans
- Affordable Health Care for All Americans
- Key Investments in Medicaid and Children's Health
- Improving Medicare
- Preventing Chronic Disease and Improving Public Health
- Health Care Workforce
- Transparency & Program Integrity

Six months after PPACA was passed, provisions for small business coverage for employees took affect. These changes, that are expected to increase insurance premiums, include restrictions on annual limits; new appeals processes; the extension of dependent coverage up to age 26; an end to plans that cancel coverage for children with pre-existing conditions; and free preventive-care services. Other provisions of the health-care law will be phased in over the next few years.

HEALTH REFORM PLAN SUMMARY

WHO IS COVERED	All children and uninsured adults.
COST	As high as \$1.6 trillion over 10 years.
WHO WILL PAY	Health care system cuts and higher taxes on incomes <\$250,000.
REQUIREMENTS	All children required to be insured; parents responsible.
EMPLOYER REQUIREMENTS	Larger employers must offer coverage or pay into new government-run plan.
SUBSIDIES TO BUY COVERAGE	For low-income people; level not specified.
BENEFIT PACKAGE	Insurers must offer package at least as generous as new public plan; no denial of coverage for pre-existing conditions, dependent children can be on parents' plan until age 26.
GOVERNMENT PLAN	Plan similar to that available to federal employees.
CHOOSING A PLAN	Through a new National Health Insurance Exchange for buying new public plan or qualified private plan.

Sources: The House Committees on Ways and Means, Energy and Commerce, and Education and Labor, 2010

HEALTH CARE FACTS FOR U.S. AND MIAMI-DADE

PERCENT UNINSURED (UNDER 65) SOUTH FLORIDA VS. THE NATION	
United States	18.0%
Miami-Dade	30.9%
Broward	27.1%

ANNUAL COST OF MEDICARE (SENIORS)	
Miami-Dade	\$17,364
Fort Lauderdale	\$11,017
Minneapolis	\$ 7,092
United States	\$ 8,303

WORLD COMPARISON

COUNTRY	ANNUAL COST/PATIENT	% OF NATIONAL SPENDING	LIFE EXPECTANCY
United States	\$6,714	15.3%	78 years
Netherlands	\$3,383	9.3%	80 years
Canada	\$3,672	10.0%	81 years
Germany	\$3,328	10.4%	80 years

Sources: US Census Bureau, Dartmouth Atlas and The World Health Organization 2010

Please contact us anytime about these findings or if we can assist you, your business, or your bottom line. Morris & Reynolds proudly represents and accesses the world's leading insurers including the entire employee benefit marketplace. *The Company We Keep* includes:

